SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1613

2015 Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wong Chit On *(Chairman)*
Mr. Han Weining *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Wang Chen

COMMITTEES

AUDIT COMMITTEE

Mr. Lam Ying Hung Andy *(Chairman)*
Mr. Hu Yunlin
Mr. Wang Chen

NOMINATION COMMITTEE

Mr. Wang Chen *(Chairman)*
Mr. Lam Ying Hung Andy
Mr. Hu Yunlin

REMUNERATION COMMITTEE

Mr. Hu Yunlin *(Chairman)*
Mr. Lam Ying Hung Andy
Mr. Wang Chen

COMPANY SECRETARY

Mr. Tse Kam Fai, *FCIS, FCS, MHKIoD*

AUTHORISED REPRESENTATIVES

Mr. Wong Chit On
Mr. Lam Ying Hung Andy (alternate to Mr. Wong Chit On)
Mr. Tse Kam Fai

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block B, Teng Bang Building
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Shenzhen
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1012, 10/F
Tsim Sha Tsui Centre
66 Mody Road
Kowloon, Hong Kong

PRINCIPAL BANKERS

HONG KONG

The Hongkong & Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

PEOPLE'S REPUBLIC OF CHINA ("PRC")

Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISER

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25 & 26th Floor
Central 88
88 Des Voeux Road Central
Hong Kong

AUDITOR

CCIF CPA Limited
Certified Public Accountants
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77 Leighton Road
Causeway Bay, Hong Kong

WEBSITE

www.synertone.net

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1613

FINANCIAL HIGHLIGHTS

- The Group recorded an increase of revenue of approximately HK$155.3 million or 89.0% from approximately HK$174.4 million for the year ended 31 March 2014 to approximately HK$329.7 million for the year ended 31 March 2015.

- Gross profit of the Group increased by approximately HK$73.7 million or 79.9% from approximately HK$92.2 million for the year ended 31 March 2014 to approximately HK$165.9 million for the year ended 31 March 2015, with gross profit margin dropped from approximately 52.9% for the year ended 31 March 2014 to approximately 50.3% for the year ended 31 March 2015.

- Profit for the year increased by approximately HK$3.7 million or 12.3% from approximately HK$30.0 million for the year ended 31 March 2014 to approximately HK$33.7 million for the year ended 31 March 2015.

Results performance for the year ended 31 March	**2015**	2014	2013
Total turnover *(HK$'000)*	**329,667**	174,421	115,690
Gross profit *(HK$'000)*	**165,935**	92,206	74,116
Gross profit margin *(%)*	**50.3**	52.9	64.1
Profit for the year *(HK$'000)*	**33,739**	30,027	36,007
Net profit margin *(%)*	**10.2**	17.2	31.1
Basic earnings per share *(HK cents)*	**0.53**	0.49	0.61

Liquidity and gearing ratios as at 31 March	**2015**	2014	2013
Inventories turnover days *(Note 1)*	**63**	160	159
Trade receivables turnover days *(Note 2)*	**270**	295	464
Trade payables turnover days *(Note 3)*	**76**	82	115
Current ratio	**2.0**	2.4	5.9
Gearing ratio *(%) (Note 4)*	**82.2**	95.0	–

Operating cash flow and capital expenditure for the year ended 31 March	**2015**	2014	2013
Net cash generated from operating activities *(HK$'000)*	**22,817**	14,697	105,985
Capital expenditure *(HK$'000) (Note 5)*	**67,606**	29,444	57,148

Notes:

1. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of sales (except Synertone1's leasing costs and costs related to provision of safe communication technologies) for the year and multiplied by 365 days.

2. Calculation was based on the average of the trade receivables balance at the beginning and the end of the relevant year divided by total turnover for the year and multiplied by 365 days.

3. Calculation was based on the average of the trade payables balance at the beginning and the end of the relevant year divided by costs of sales (except Synertone1's leasing costs) for the year and multiplied by 365 days.

4. Calculation was based on total bank borrowings and finance lease payables, net of cash and cash equivalents at the end of the relevant year, over total equity at the end of the relevant year.

5. It represented the payments in relation to the acquisition of property, plant and equipment, and intangible assets, and acquisition of subsidiaries.

CHAIRMAN'S STATEMENT

To Shareholders,

On behalf of the board of directors (the "Board") of Synertone Communication Corporation (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2015.

FINANCIAL REVIEW

During the year ended 31 March 2015, the Group derived its revenue substantially from digital trunking system and Synertone 1 satellite system. The turnover of the Group for the year ended 31 March 2015 amounted to a approximately HK$329.7 million for the year ended 31 March 2015, representing an increase of approximately HK$155.3 million or 89.0% as compared to approximately HK$174.4 million for the year ended 31 March 2014. It was mainly attributable to the increased revenue from its new Synertone 1 satellite system for the year, being a complete business year, as compared to the corresponding period last year, being only half of a business year.

The gross profit of the Group increased by approximately HK$73.7 million or 79.9% from approximately HK$92.2 million for the year ended 31 March 2014 to approximately HK$165.9 million for the year ended 31 March 2015, mainly attributable to the increase in income from Synertone 1 satellite system and digital trunking system. The gross profit margin of the Group dropped from approximately 52.9% for the year ended 31 March 2014 to approximately 50.3% for the year ended 31 March 2015, mainly due to the rise in overheads related to manufacturing as well as costs of inventory provision.

The Group's profits for the year and earnings per share increased from approximately HK$30.0 million and HK0.49 cents respectively for the year ended 31 March 2014 to approximately HK$33.7 million and HK0.53 cents respectively for the year ended 31 March 2015.

BUSINESS REVIEW

The global economy remains challenging. Chinese investment growth decelerated and the economic growth is expected to decline. The market demand on our various products in China was negatively affected by the fluctuation of the economic environment.

During the year ended 31 March 2015, the turnover derived from digital trunking system amounted to approximately HK$134.4 million, representing a significant increase of approximately HK$51.1 million or 61.3% when compared to approximately HK$83.3 million for the year ended 31 March 2014. However,the overall revenue was not satisfactory as the costs and provisions increased due to the factors including the long inventory period and increased production costs. The Group also committed more efforts into upgrading existing products and developing new products, so as to mitigate the impact of inventory wastage and fluctuation of market demands for conventional products.

The sales of Very Small Aperture Terminal ("VSAT") satellite system experienced a decrease of approximately HK$4.2 million or 16.8% from approximately HK$25.0 million for the year ended 31 March 2014 to approximately HK$20.8 million for the year ended 31 March 2015. The Group focused on the self-initiated optimization and promotion of the VSAT satellite system products. The relevant product lines have gradually entered the preliminary stage of sales, but still far from the rapid growth period.

Revenue derived from system technologies was HK$17.7 million for the year ended 31 March 2015 and the Group's customers were granted three technology licenses for the both years ended 31 March 2015 and 2014 respectively.

For the year ended 31 March 2015, turnover of the Synertone 1 satellite system was HK$151.6 representing an increase of approximately HK$104.2 million or 219.8% from approximately HK$47.4 million for the year ended 31 March 2014, mainly due to the growth, though not on a year-on-year basis, of sales orders of the satellite bandwidth secured for the year over those of the corresponding year which lasted for only one quarter.

For the year ended 31 March 2015, sales of other accessory parts and components was approximately HK$5.1 million.

PROSPECTS

As the Group is yet to attain any breakthrough in its business in the near future, it is expected that Synertone 1 satellite system is still subject to fluctuation and uncertainties in terms of revenue for a period of time in future, and may have difficulties in yielding considerable revenue in the short term.

Looking forward, the Group is striving to minimise the fluctuation and uncertainties through identifying more channels for cooperation and markets, and planning to provide resources and services well-received by customers via modification and upgrading of technologies. It is expected that it would take time to develop and optimise the products, services and marketing promotion before achieving a satisfactory result.

Wong Chit On
Chairman

30 June 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a satellite operator as well as a provider of core components of specialised communication systems. The Group provides customers with (i) the satellite bandwidth capacity and the bandwidth capacity service; (ii) the right to use for the transmission of satellite broadband Internet access and other applications; (iii) core components of and solutions to specialised communication systems; and (iv) earth-terminal infrastructure of and solutions to satellite communication systems. Thanks to its self-initiated research and development efforts and through the acquisition of the related intellectual property rights and technical know-how from third parties, the Group designs and develops products and technologies related to digital trunking systems and satellite communications systems. The Group also provides specialised communications network design and implementation solutions addressing the specific needs of its customers. In addition, the Group takes part in research and development of system technology in respect of the operation of specialised communication system, and sells parts and components to certain customers, in order to carry out further integration or to serve other related purposes. The products of the Group are mainly utilised by end-users for public safety and emergency communication purposes. The Group has set up its own standards of specialised communication system. The core components of specialised communication system of the Group can be utilised in setting up the digital trunking system and VSAT satellite system, which can be loaded on vehicles as operation integrated system.

The Group is principally engaged in five major businesses, namely (i) the digital trunking system business; (ii) the VSAT satellite system business; (iii) the systems technologies business; (iv) Synertone 1 satellite system business; and (v) other accessory parts and components business.

DIGITAL TRUNKING SYSTEM

Digital trunking system is designed to meet the demand from governmental departments or agencies, public utilities institutions and business enterprises for public safety and emergency communication, mainly consists of CITONE digital trunking radio communication system, WITONE digital trunking radio communication system and DITONE digital trunking radio communication system. Based on the specifications of customers, the Group offers a range of core components forming digital trunking system which can be operated under direct network, transmission network, single base station trunking network, single area multiple base stations network and multi-area network.

During the reporting period, the income from products of the digital trunking system recorded certain growth as compared to the last year. However, the overall revenue was not satisfactory as the costs and provisions increased due to the factors including the long inventory period and increased production costs. The Group also committed more efforts to upgrading existing products and developing new products, so as to mitigate the impact of inventory wastage and fluctuation of market demands for conventional products.

VSAT SATELLITE SYSTEM

VSAT satellite system is a component of the specialised communication system. VSAT satellite antenna is a major component of the VSAT satellite system which enables and maintains communication under in-motion mode. With different models of VSAT satellite antenna, the Group offers different VSAT satellite systems including (a) VSAT low speed satellite transmission system; (b) VSAT high speed dynamic digital satellite system and (c) VSAT high speed stationary digital satellite system.

During the reporting period, the Group focused on the self-initiated optimization and promotion of the VSAT satellite system products. The relevant product lines have gradually entered the preliminary stage of sales, but still far from the rapid growth period.

SYSTEMS TECHNOLOGIES

Systems technologies developed a wide variety of technical know-how and technology relating to specialised communication system. The customers (a) paid a licensing fee to the Group for the use of certain technical know-how and technology; and (b) paid commissions to the Group for its research and development as well as design and development of particular technical know-how meeting their specifications and requirements and needs.

During the reporting period, the Group recorded an income of HK$17.7 million in relation to systems technologies, representing a slight increase as compared with the corresponding period last year.

SYNERTONE 1 SATELLITE SYSTEM

Synertone 1 satellite system mainly provides customers with (i) the satellite bandwidth capacity and the bandwidth capacity service; and (ii) the transmission of satellite broadband Internet access and other applications.

During the reporting period, Synertone 1 satellite system recorded an income of HK$151.6 million, representing a relatively large increase as compared with last year when such business only commenced operation in the fourth quarter. However, as the business has been in operation for less than two years since its acquisition by the Group, it mainly relied on a single customer, thus its businesses was subject to certain fluctuation and and recorded less revenue in the second half of the year. Coupled with the integrated cost related to leases of over HK$84.3 million for the year and the taxation and revenue-sharing, its contribution to the revenue of the Group showed no improvement as compared with the corresponding period last year. As the Group is yet to attain any breakthrough in its business in the near future, it is expected that Synertone 1 satellite system is still subject to fluctuation and uncertainties in terms of revenue for a period of time in future, and may have difficulties in yielding considerable revenue on time.

OTHER SIGNIFICANT EVENTS

On 30 September 2014, the Group acquired 100% equity interest in Thrive United Holdings Limited ("Thrive United") and its subsidiaries for the acquisition of its business and certain patented technologies and software products of mobile internet networks for safe communication. Details of the acquisition are set out in the paragraph headed "SIGNIFICANT CAPITAL EXPENDITURE FOR THE YEAR".

During the reporting period, no considerable revenue was derived as such business and the digital trunking system business of the Group were still in the integration process.

On 15 January 2014, the Group and Regal Force Limited entered into an agreement to subscribe for the convertible bonds in the principal amount of HK$500,000,000. On 31 October 2014, the Group, for the first time, issued a written demand to the subscribe, namely Regal Force Limited, for the subscription of the convertible bonds in a principal amount of HK$50,000,000 (the "Subscription Money"). The Group received the Subscription Money on 4 November 2014. On 3 December 2014, the Company received a notice from the subscriber in respect of the exercise of the conversion rights attached to the convertible bonds to convert an aggregate principal amount of HK$50,000,000 of the convertible bonds. Accordingly, the Company allotted and issued a total of 125,000,000 conversion shares to the subscriber on 5 December 2014 at the conversion price of HK$0.40 per conversion share.

On 28 August 2014, the Company entered into a subscription agreement with the CITIC Capital Management Limited, being the subscriber, to subscribe for a total of 660,000,000 unlisted warrants (the "2014 Warrants") conferring rights to subscribe for 660,000,000 warrant shares at the warrant subscription price of HK$0.59 each pursuant to the general mandate granted at the annual general meeting of the Company held on 21 August 2014. The 2014 Warrants had been issued by the Company on 22 September 2014. The issue price was HK$0.01 per 2014 Warrant and the net issue price after deduction of the relevant expenses of the 2014 Warrants was approximately HK$0.0095. The aggregate issue price and the warrant subscription price (i.e. HK$0.60) represented a premium of approximately 11.11% over the closing price of HK$0.54 per Share as quoted on the Stock Exchange on 28 August 2014, being the date of the subscription agreement. The Company considered that the issue of 2014 Warrants represented an opportunity to raise additional funds to cater for its future needs and broadening its capital base. The net proceeds from the subscription of 2014 Warrants of approximately HK$6,300,000 had been applied as administrative and other operating expense. Assuming the full exercise of the subscription rights attaching to the 2014 Warrants, the total gross and net funds to be raised, including the funds raised by the subscription of 2014 Warrants, would be approximately HK$396,000,000 and HK$395,600,000. The net proceeds of approximately HK$395,600,000 would be applied mainly as supporting funds for the Group's intended construction of the "Synertone 2" communication satellite as disclosed in the Company's announcement dated 19 June 2014. The intended plan is to substantially generate more satellite bandwidth resources to the Group for meeting the growing market in the PRC.

As at the date of this annual report, the total of 660,000,000 2014 Warrants is still outstanding. None of the 2014 Warrants had neither been exercised nor transferred by the subscriber.

On 10 October 2014, the Company and Mr. Wong Chit On entered into the MOU (which is legally binding) with the Investor, pursuant to which the Company intended to allot and issue, and the Investor (or through its nominee) intended to subscribe new Shares (which shall not be more than 6% of the issued share capital of the Company as enlarged by the Proposed Subscription) at the Subscription Price of HK$0.6779 per Subscription Share to be satisfied in cash.

On 10 April 2015, the Company and the Investor entered into a supplemental memorandum of understanding to extend the Due Diligence Period from 180 days to 240 days.

As the Due Diligence Period was expired on 6 June 2015 and the Company and the Investor have not reached an agreement for further extension, the MOU was terminated on 6 June 2015.

PROSPECTS

Looking forward, the Group expects that Synertone 1 satellite is still subject to fluctuation and uncertainties in terms of revenue for a period of time in future, and may have difficulties in yielding considerable revenue on time in short term. The Group is striving to minimise the fluctuation and uncertainties of businesses through identifying more channels for cooperation and markets, and planning to provide resources and services well-received by customers via modification and upgrading of technologies. It is expected that it would take time to optimise the products, services and marketing promotion before achieving a satisfactory result.

On 30 June 2015, Vastsuccess Holdings Limited (the “Purchaser”), an indirect wholly-owned subsidiary of the Company, as the purchaser has entered into a conditional sale and purchase agreement with Mr. John Edward Hunt (the “Vendor”), an independent third party, as the vendor, for the acquisition of 100% equity interest in MOX Products Pty Limited (“MOX”) for a consideration of HK$302 million, which will be satisfied by the allotment and issue of 604 million shares of the Company (the “Consideration Shares”) at the issue price of HK$0.50 per Consideration Share. MOX is an investment holding company incorporated in the British Virgin Islands and its wholly owned subsidiaries are mainly in the design, development and sales of automation control systems for industrial use. The Directors believe that the acquisition will create strong synergy effect for both parties. This is because (1) the Group would be able to broaden its customer base by integrating the existing customers of MOX’s subsidiary which have strong demand for the Group’s existing products and (2) it is expected that the automation control systems provided by such subsidiary would become more reliable and efficient with the support of “Synertone-1” satellite bandwidth. Completion shall take place within seven business days after the conditions precedent to the agreement being fulfilled or waived (as the case may be).

FINANCIAL REVIEW

TURNOVER

The Group recorded a revenue of approximately HK$329.7 million for the year ended 31 March 2015, representing an increase of approximately HK$155.3 million or 89.0% as compared to approximately HK$174.4 million for the year ended 31 March 2014. It was mainly attributable to the increased revenue from its new Synertone 1 satellite system for the year, being a complete business year, as compared to the corresponding period last year, being only half of a business year.

During the year ended 31 March 2015, the Group derived its revenue substantially from digital trunking system and Synertone 1 satellite system. The following table sets forth a breakdown of revenue by product category for the years presented:

	2015		2014	
	HK$'000	**%**	HK$'000	%
Digital trunking system	**134,376**	**40.8**	83,261	47.7
VSAT satellite system	**20,845**	**6.3**	24,981	14.3
Systems technologies	**17,664**	**5.4**	16,348	9.4
Synertone 1 satellite system	**151,635**	**46.0**	47,449	27.2
Other accessory parts and components	**5,147**	**1.5**	2,382	1.4
	329,667	**100.0**	174,421	100.0

The sales of digital trunking system increased by approximately HK$51.1 million or 61.3% from approximately HK$83.3 million for the year ended 31 March 2014 to approximately HK$134.4 million for the year ended 31 March 2015. It was mainly due to the increasing demand from certain major customers for digital trunking mobile communication systems. The sales of VSAT satellite system decreased by approximately HK$4.2 million or 16.8% from approximately HK$25.0 million for the year ended 31 March 2014 to approximately HK$20.8 million for the year ended 31 March 2015. For the year ended 31 March 2015, revenue derived from systems technologies was HK$17.7 million and the Group's customers were granted three technology licenses for the both years ended 31 March 2015 and 2014 respectively. The turnover of the Synertone 1 satellite system increased by approximately HK$104.2 million or 219.8% from approximately HK$47.4 million for the year ended 31 March 2014, mainly due to the growth, though not on a year-on-year basis, of sales orders of the satellite bandwidth secured for the year over those of the corresponding year which lasted for only one quarter, while the relevant revenue for the year was mainly generated in interim period.

COST OF SALES

Cost of sales of the Group comprises costs of raw materials, labour costs, manufacturing overheads and amortisation of intangible assets. It increased by approximately HK$81.5 million or 99.1% from approximately HK$82.2 million for the year ended 31 March 2014 to approximately HK$163.7 million for the year ended 31 March 2015, mainly attributable to the increase in sales volume of its traditional businesses compared to last year, the corresponding increase in sales cost, increase in relevant provisions and indirect expenses carried forward at year end as well as the increase in amortisation cost of Synertone 1 satellite.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing factors, the gross profit of the Group increased by approximately HK$73.7 million or 79.9% from approximately HK$92.2 million for the year ended 31 March 2014 to approximately HK$165.9 million for the year ended 31 March 2015, mainly attributable to the increase in income from Synertone 1 satellite system and digital trunking system. The gross profit margin of the Group dropped from approximately 52.9% for the year ended 31 March 2014 to approximately 50.3% for the year ended 31 March 2015, mainly due to the rise in overheads related to manufacturing as well as costs of inventory provision.

OTHER REVENUE

The other revenue of the Group amounted to approximately HK$24.6 million for the year ended 31 March 2015, representing a decrease of approximately HK$2.7 million or 9.9% from approximately HK$27.3 million for the year ended 31 March 2014, mainly attributable to the grants of approximately HK$11.9 million from relevant government bodies for the purpose of giving incentive to hi-tech enterprise, representing a decrease as compared to HK$14.6 million of last year.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses of the Group decreased by approximately HK$1.6 million or 18.6% from approximately HK$8.6 million for the year ended 31 March 2014 to approximately HK$7.0 million for the year ended 31 March 2015, mainly due to the lower promotion expenses for its traditional businesses.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other operating expenses of the Group increased by approximately HK$23.7 million or 52.4% from approximately HK$45.2 million for the year ended 31 March 2014 to approximately HK$68.9 million for the year ended 31 March 2015, mainly attributable to the combined effect of rising labour cost, administrative expenses and additional intangible assets and depreciation charges in the second half of the year.

RESEARCH AND DEVELOPMENT EXPENDITURE

The research and development expenditure of the Group surged by approximately HK$13.0 million or 85.0% from approximately HK$15.3 million for the year ended 31 March 2014 to approximately HK$28.3 million for the year ended 31 March 2015. The substantial increase in the research and development expenditure was mainly attributable to the consolidated effects that the Group has put greater effort into research and development of its technologies and products, with a view to minimising the decline in and fluctuations of the life cycles and competitiveness of the products, developing future new products and enhancing its technologies mainly in the second half of the year.

FINANCE COSTS

The finance costs of the Group was HK$22.6 million for the year ended 31 March 2015, mainly attributable to the finance fee of approximately HK$19.0 million in relation to the finance lease payable of acquisition of Synertone 1 satellite bandwidth resources, as well as interest expense of approximately HK$3.6 million.

TAX EXPENSE

The tax expense of the Group increased by approximately HK$21.2 million or 240.9% from approximately HK$8.8 million for the year ended 31 March 2014 to approximately HK$30.0 million for the year ended 31 March 2015, mainly attributable to the increase in direct tax expense arising from the increased revenue from the Synertone 1 satellite system and the absence of the preferential tax rate used to be enjoyed by the domestic enterprise of the Group in the PRC which failed to obtain a "hi-tech enterprise" status.

PROFIT FOR THE YEAR

Given the foregoing factors, the Group's profits for the year increased by approximately HK$3.7 million or 12.3% from approximately HK$30.0 million for the year ended 31 March 2014 to approximately HK$33.7 million for the year ended 31 March 2015.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has been meeting its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by its shareholders. In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings. The following table summarises the cash flows for the two years ended 31 March 2014 and 2015:

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2015 was approximately 2.0 (31 March 2014: approximately 2.4). Gearing ratio (total borrowings (comprising bank borrowings and finance lease payables), net of cash and cash equivalents, over total equity attributable to owners of the Company) as at 31 March 2015 was 82.2% (31 March 2014: 95.0%).

	2015 **HK$'000**	2014 HK$'000
Net cash generated from operating activities	**22,817**	14,697
Net cash used in investing activities	**(66,906)**	(28,350)
Net cash generated from/(used in) financing activities	**7,768**	(22,782)

OPERATING ACTIVITIES

Net cash generated from operating activities increased by approximately HK$8.1 million or 55.1% to approximately HK$22.8 million for the year ended 31 March 2015 compared to approximately HK$14.7 million for the year ended 31 March 2014.

INVESTING ACTIVITIES

Net cash used in investing activities amounted to approximately HK$66.9 million for the year ended 31 March 2015 compared to approximately HK$28.4 million for the year ended 31 March 2014. The increase in the net cash used in investing activities was mainly attributable to the payment of rentals of satellite bandwidth resources and the acquisition of Thrive United.

FINANCING ACTIVITIES

Net cash generated from financing activities amounted to approximately HK$7.8 million for the year ended 31 March 2015 compared to net cash used in financing activities amounted to approximately HK$22.8 million for the year ended 31 March 2014.

BANK BORROWINGS

As at 31 March 2015, the Group had outstanding bank borrowings of HK$44.4 million. Such borrowing represents the banking facilities, which is granted without pledge.

PLEDGE OF ASSETS

As at 31 March 2015, the Group had no assets pledged for securing any credit facilities.

CONTINGENT LIABILITIES

As at 31 March 2015, the Group had no material contingent liabilities.

SIGNIFICANT CAPITAL EXPENDITURE FOR THE YEAR

On 26 September 2014, Radio World Holding Limited, an indirect wholly-owned subsidiary of the Company, Yilong Developments Limited (the "Vendor") and Dr. Wu Xiaowen (吳曉文) (the sole shareholder and director of the Vendor and at that time a director of 協同通信技術有限公司 and 協同迅達電子科技(深圳)有限公司 (now known as 協同衛星通信(深圳)有限公司), both are wholly-owned subsidiaries of the Company) entered into a S&P agreement for the acquisition of 100% equity interest in Thrive United Holdings, for a cash consideration of HK$90 million (the "Acquisition"). The consideration was determined by the Company and the Vendor following arm's length negotiation and with reference to a business valuation report dated 26 September 2014 prepared by Roma Appraisal Limited ("Roma"), a valuer independent of the Group, which has arrived at a valuation of HK$110 million in respect of the Thrive United Group. The acquisition was completed on 30 September 2014. Details of the Acquisition are set out in the announcements of the Company dated 26 September 2014 and 30 September 2014.

RISK OF FOREIGN EXCHANGE FLUCTUATIONS

Almost all transactions of the Group are denominated in RMB, United State dollars and Hong Kong dollars and most of the bank deposits are in RMB and Hong Kong dollars to minimise foreign exchange exposure. As the fiscal policy of the Central Government of the PRC in relation to RMB remained stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 31 March 2015.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2015, the Group had 264 employees. For the year ended 31 March 2015, the staff costs (including directors' remuneration) of the Group amounted to approximately HK$67.7 million.

The Group's employee remuneration policy is determined based on a number of factors such as individual performance, experience and prevailing industry practices. Compensation policies and packages of employees are being reviewed on a yearly basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The Group adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the shares of the Company. As at 31 March 2015, the Company granted a total of 600,000,000 share options, of which 527,350,000 share options remain outstanding.

The Group has been committing resources in continuing education and training programmes for management staff and other employees in order to upgrade their skills and knowledge. These training courses include internal courses run by the management of the Group and external courses provided by professional trainers. They range from technical training for production staff to financial and administrative trainings for management staff.

OTHER INFORMATION

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's initial public offering were HK$88.6 million. As at 31 March 2015, the Company had utilised approximately HK$52.5 million, HK$8.9 million, HK$17.7 million and HK$8.9 million for research and development of products of digital trunking system and VSAT satellite system, expansion of sales network, the capacity expansion and operation of the Group respectively. As at the date of this report, the Group has fully utilised the proceeds from the Company's initial public offering.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2015.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Group which have occurred since 31 March 2015.

DIRECTOR

EXECUTIVE DIRECTORS

Wong Chit On (王浙安), (formerly known as Wang Gang Jun (王鋼軍)) aged 56, is the founder of the Group and was appointed as a Director in October 2006 and is currently an executive Director and the chairman of the Group. Mr. Wong is also a director of certain subsidiaries of the Company. He is primarily responsible for formulating the overall corporate strategy of the Group and the management of the Board. Mr. Wong founded the Group in 2001 and has over 15 years of experience in the specialised communication industry. He was an executive director and the chairman of China Fortune Investments (Holdings) Limited (中國幸福投資(控股)有限公司) (formerly known as China Public Healthcare (Holding) Limited (中國公共醫療(控股)有限公司) and Global Resources Development (Holding) Limited (大地資源發展(控股)有限公司)) from 1999 to 2001, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 8116). In 2004, Mr. Wong was appointed as an adjunct professor of Harbin Institute of Technology Shenzhen Graduate School (哈爾濱工業大學深圳研究生院). From 2005 to 2009, Mr. Wong served as a committee member of electronics and communications specialist working committee of Shenzhen City Specialist Working Association (深圳市專家工作聯合會). In 2009, Mr. Wong was recognized as one of the "2009 Outstanding and Innovation Entrepreneur in China" (2009中國優秀創新企業家). Mr. Wong was nominated as the standing supervisor of the China Users Association for Communications Broadcasting & Television in December 2010. Save as disclosed herein, Mr. Wong did not hold any directorship in any other listed companies in the past three years.

Han Weining (韓衛寧), aged 53, was appointed as an executive Director and chief executive officer in February 2011 and June 2015, respectively. From 1989 to 2006, Mr. Han worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the director of Asia pacific region. Since 2006, Mr. Han has been an executive director of MOX Group in Australia. He graduated from Zhejiang University (浙江大學) with major in wireless electronic technology and Master Degree in Engineering in 1983 and 1986, respectively. He was elected as a member of the Institution of Engineers in Australia in 1994. Save as disclosed herein, Mr. Han did not hold any directorship in any other listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Ying Hung Andy (林英鴻), aged 50, was appointed as an independent non-executive Director in February 2011. He is the chairman of the audit committee (the "Audit Committee") and a member of each of the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee") of the Company. Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry. Mr. Lam is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in E-commerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. Mr. Lam is currently the managing consultant of Lontreprise Consulting Limited, and has been the finance director and administrative accountant in two logistics companies. Mr. Lam is currently an independent non-executive director of Xingfa Aluminum Holdings Limited (Stock Code: 0098) and Brilliant Circle Holdings International Limited (Stock Code: 1008), the shares of which are listed on the Stock Exchange. Mr. Lam was an independent non-executive director of Sino-Life Group Limited (Stock Code: 8296) and Gamma Logistic Corporation (now known as Dafeng Port Heshun Technology Company Limited) (Stock Code: 8310) for the period from 16 February 2009 to 3 October 2012, 22 August 2013 to 12 June 2014 respectively. Save as disclosed herein, Mr. Lam did not hold any directorship in any other listed companies in the past three years.

Hu Yunlin (胡雲林), aged 53, was appointed as an independent non-executive Director in February 2011. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Hu graduated from People's Liberation Army Air Force Electronic Communication Engineering Institute (中國人民解放軍空軍電訊工程學院) in 1986, major in wireless electronic engineering. He has served as chief manager in Zhuhai Ji Di Te Communication Utilities Company Limited (珠海吉迪特通信器材有限公司) since 1995. He has also served as director in Zhuhai Gao Ling Information Technology Company Limited (珠海高凌信息科技有限公司) since 2000. Save as disclosed herein, Mr. Hu did not hold any directorship in any other listed companies in the past three years.

Wang Chen (王忱), aged 50, was appointed as an independent non-executive Director in June 2015. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. He holds a Bachelor of Engineering degree in Microwave Communication Engineering from PLA Institute of Communication Engineering (中國人民解放軍通信工程學院) (now known as PLA University of Science and Technology) and a degree of Executive Master of Business Administration (EMBA) from the School of Business, Sun Yat-Sen University (中山大學). From 1986 to 2006, he worked in the Information Technology Department of the People's Liberation Army General Staff. Mr. Wang is the Chairman of Guangzhou SKYI Information Technology Co., Ltd., a company established in 2006 and engages in development on software of quality assurance and general automated test system, since 2006. Mr. Wang did not hold any directorships in other listed public companies in the past three years.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present the Company's annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2015.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 18 April 2012, the Shares successfully commenced dealing on the Stock Exchange by initially offering 300,000,000 shares of the Company (the "Shares") at the offer price of HK$0.33 per Share.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the principal activities of its principal subsidiaries are set out in note 18 to the consolidated financial statements of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 34 and 35 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2015.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As at 31 March 2015, the Company had used approximately HK$52.5 million, HK$8.9 million, HK$17.7 million and HK$8.9 million for research and development of products of digital trunking system and VSAT satellite system, expansion of sales network and the capacity expansion of the Group respectively. And as at the date of this annual report, the Group has fully utilised the proceeds from the Company's initial public offering.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 104 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company (the "Shareholder").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2015.

RESERVES

The movements in the reserves of the Company and the Group during the year are set out in note 31(a) to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2015, the aggregate amount of reserves available for distribution to owners of the Company, which included retained earnings and share premium, was approximately HK$254,139,000 (2014: HK$215,459,000).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2015, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 20.5% (2014: 24.5%) and 57.9% (2014: 51.7%) of the Group's total purchases respectively.

For the year ended 31 March 2015, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 43.0% (2014: 33.3%) and 95.3% (2014: 96.48%) of the Group's total turnover respectively.

At all time during the year ended 31 March 2015, none of the Directors or any of their associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. Wong Chit On
Mr. Han Weining
Dr. Wang Shaodong (resigned on 2 June 2015)
Mr. Zhang Jinbing (resigned on 14 April 2014)
Mr. Xia Liangbing (appointed on 10 October 2014 and resigned on 26 May 2015)

NON-EXECUTIVE DIRECTOR

Mr. Zhang Xuebin (resigned on 2 June 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Wang Chen (appointed on 25 June 2015)
Mr. Cai Youliang (resigned on 25 June 2015)

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Board considered each of the independent non-executive Directors to be independent.

In accordance with the Company's Articles of Association, Mr. Han Weining, Mr. Hu Yunlin and Mr. Wang Chen will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each executive Director has entered into continuous service contract with the Company and each independent non-executive Director are appointed for a fixed term.

None of the Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during the year ended 31 March 2015.

NON-COMPETITION UNDERTAKINGS

Each of the Company's controlling Shareholders and Directors, has confirmed to the Company of his/its compliance with the non-competition undertakings given to the Company under the Deed of Non-Competition as defined in the Prospectus dated 30 March 2012.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2015.

DIRECTORS', CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2015, the interests and short positions of the Directors and chief executive of the Company in any of the Company's Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571, Laws of Hong Kong ("SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

(A) LONG POSITIONS IN SHARES

Name of Director	Capacity/Nature of interest	Number and class of securities held	Approximate percentage of shareholding
Mr. Wong Chit On *(Note 1)*	Interest in a controlled corporation	2,420,000,000	37.55%
Mr. Zhang Xuebin *(Note 2)*	Beneficial owner	5,000,000	0.08%

Note 1: Mr. Wong Chit On is the beneficial owner of all the issued share capital of Excel Time Investments Limited ("Excel Time") which holds 2,420,000,000 Shares. Therefore, Mr. Wong Chit On is deemed, or taken to be, interested in all the Shares which are beneficially owned by Excel Time for the purposes of the SFO.

Note 2: Mr. Zhang Xuebin resigned as a non-executive Director on 2 June 2015.

(B) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS

Name of Director	Name of associated corporations	Capacity/Nature of interest	Number and class of securities held	Approximate percentage of shareholding
Mr. Wong Chit On	Excel Time	Beneficial owner	78,000	100%

(C) LONG POSITIONS IN SHARE OPTIONS

Name of director	Date of grant	Exercise price (HK$)	Exercisable period	Outstanding as at 31.3.2015
Mr. Wong Chit On	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Han Weining	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Dr. Wang Shaodong *(Note 1)*	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Zhang Xuebin *(Note 2)*	24.12.2013	0.50	24.12.2015 — 23.12.2018	60,000,000
Mr. Lam Ying Hung Andy	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Hu Yunlin	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Cai Youliang *(Note 3)*	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000

Notes:

1. Dr. Wang Shaodong resigned as an executive Director on 2 June 2015 and 6,000,000 options held by him lapsed after his resignation.

2. Mr. Zhang Xuebin resigned as a non-executive Director on 2 June 2015 and 60,000,000 options held by him lapsed after his resignation.

3. Mr. Cai Youliang resigned as an independent non-executive Director on 25 June 2015 and 6,000,000 options held by him lapsed after his resignation.

Save as disclosed above, as at 31 March 2015, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 31 March 2015, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding
Excel Time *(Note 2)*	Beneficial owner	2,420,000,000 (L)	37.55%
Ms. Ni Yun Zi *(Note 2)*	Interest of spouse	2,426,000,000 (L)	37.64%
UBS AG *(Note 3)*	Beneficial owner	40,529,000 (L) 40,525,000 (S)	0.63% 0.63%
	Guaranteed interest holder of shares	471,011,000 (L)	7.3%
UBS Group AG	Guaranteed interest holder of shares	471,011,000 (L)	7.3%
	Interest of a controlled corporation	40,529,000 (L) 40,525,000 (S) *(Note 3)*	0.63% 0.63%
Joy Power International Limited	Beneficial owner	480,800,000	7.46%
Templeton Strategic Emerging Markets Fund IV, LDC	Beneficial owner	403,404,256 (L) 403,404,256 (S)	6.26% 6.26%
Templeton Asset Management Ltd.	Investment manager	403,404,256 (L) 403,404,256 (S)	6.26% 6.26%
CITIC Capital Management Limited	Beneficial owner	660,000,000 (L) *(Note 4)*	10.24%

Notes:

1. The Letter (L) denotes a long position and the letter (S) denotes short position.

2. All the issued share capital of Excel Time is owned by Mr. Wong Chit On. Being the spouse of Mr. Wong Chit On, Ms. Ni Yun Zi is also deemed to be interested in all the Shares which are beneficially owned by Excel Time and 6,000,000 share options beneficially held by Mr. Wong Chit On in personal capacity for the purposes of the SFO.

3. These interests are held by UBS AG, which is a company owned as to 96.64% by UBS Group AG.

4. On 22 September 2014, 660,000,000 warrants of the Company were granted to CITIC Capital Management Limited, entitling the holder thereof to subscribe for 660,000,000 Shares.

Save as disclosed herein, as at 31 March 2015, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors', chief executive's interests and short positions in Shares, underlying Shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 22 March 2012.

Eligible participants of the Share Option Scheme include, (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Company or any of its subsidiaries holds an equity interest, including any executive Director, any of its subsidiaries or any Invested Entity; (ii) any non-executive Director (including any independent non-executive Director), any of its subsidiaries or any Invested Entity; (iii) any Shareholder, any of its subsidiaries or any Invested Entity or any holder of any securities issued by the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Company, any of its subsidiaries or any Invested Entity; (v) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity; (vi) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity; (vii) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; or (viii) the trustee of any trust pre-approved by the Board, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to the above classes of participants. For the avoidance of doubt, the grant of any option by the Company for the subscription of Shares or other securities of the Company or its subsidiaries to any person who fall within any of the above classes of participants shall not, by itself, unless the Board otherwise determines, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any option shall be determined by the Board at its sole and absolute discretion from time to time.

Category of participants	Date of grant of share options	Exercisable period *(Note 4)*	Exercise price (HK$)	Outstanding as at 01.04.2014	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31.3.2015
Directors								
Mr. Wong Chit On	24.12.2013	24.12.2015–23.12.2018	0.50	6,000,000	–	–	–	6,000,000
Mr. Han Weining	24.12.2013	24.12.2015–23.12.2018	0.50	6,000,000	–	–	–	6,000,000
Mr. Zhang Jinbing	24.12.2013	24.12.2015–23.12.2018	0.50	6,000,000	–	–	(6,000,000)	–
Dr. Wang Shaodong *(Note 1)*	24.12.2013	24.12.2015–23.12.2018	0.50	6,000,000	–	–	–	6,000,000
Mr. Zhang Xuebin *(Note 2)*	24.12.2013	24.12.2015–23.12.2018	0.50	60,000,000	–	–	–	60,000,000
Mr. Lam Ying Hung Andy	24.12.2013	24.12.2015–23.12.2018	0.50	6,000,000	–	–	–	6,000,000
Mr. Hu Yunlin	24.12.2013	24.12.2015–23.12.2018	0.50	6,000,000	–	–	–	6,000,000
Mr. Cai Youliang *(Note 3)*	24.12.2013	24.12.2015–23.12.2018	0.50	6,000,000	–	–	–	6,000,000
Sub-total				102,000,000	–	–	(6,000,000)	96,000,000
Employees								
In aggregate	24.12.2013	24.12.2015–23.12.2018	0.50	378,000,000	–	–	(66,650,000)	311,350,000
Other Participants								
In aggregate	24.12.2013	24.12.2015–23.12.2018	0.50	120,000,000	–	–	–	120,000,000
Total				600,000,000	–	–	(72,650,000)	527,350,000

Notes:

1. Dr. Wang Shaodong resigned as an executive Director on 2 June 2015 and 6,000,000 options held by him lapsed after his resignation.

2. Mr. Zhang Xuebin resigned as a non-executive Director on 2 June 2015 and 60,000,000 options held by him lapsed after his resignation.

3. Mr. Cai Youliang resigned as an independent non-executive Director on 25 June 2015 and 6,000,000 options held by him lapsed after his resignation.

4. The option period of the options granted on 24 December 2013 is 5 years whereas the vesting period is 2 years. The options vest in 3 installments: (i) 33.33% after 2 years from the date of grant; (ii) 33.33% after 3 years from the date of grant; and (iii) 33.33% after 4 years from the date of grant.

During the year, the Group recognized the net expenses of HK$8,128,000 (2014: HK$2,308,000) in relation to share options granted.

As at 31 March 2015, the maximum number of Shares available for issue after considering the share options granted under the Share Option Scheme is 72,650,000 representing approximately 1.13% of the Shares in issue as at 31 March 2015 and 30 June 2015, being the date of this report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices (the "CG Code") as contained in Appendix 14 to the Listing Rules during the year ended 31 March 2015, except for the following deviation from certain code provision:

Code provision A.2.1 *stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual*.

The Company has appointed Mr. Wong Chit On as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve a higher responsiveness efficiency and effectiveness when formulating business strategies and executing business plans before 25 June 2015. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors. Following the appointment of Mr. Han Weining as chief executive officer of the Company on 25 June 2015, the Company has fully complied with the code provision A.2.1 of the CG Code.

A report on the principal corporate governance practice adopted by the Company is set out on pages 24 to 31 of this annual report.

CONNECTED TRANSACTIONS

On 26 September 2014 (after trading hours of the Stock Exchange), Radio World Holding Limited (the "Purchaser"), an indirect wholly owned subsidiary of the Company, as purchaser entered into an agreement with Yilong Developments Limited (the "Vendor") as vendor and Dr. Wu Xiaowen ("Dr. Wu") as the guarantor for the acquisition by the Purchaser of 100% equity interest in Thrive United Holdings Limited, for a cash consideration of HK$90 million (the "Acquisition"). On 26 September 2014, the Vendor is 100% held by Dr. Wu, who is also a director of two wholly-owned subsidiaries of the Company. Therefore, the Vendor is the Company's connected person at the subsidiary level and the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition was completed on 30 September 2014.

Save as disclosed above, the Directors are not aware of any connected transactions of the Group that shall be disclosed in this annual report under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period up to the date of this annual report are set out in note 36 to the consolidated financial statements of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an Audit Committee. The Audit Committee comprised three independent non-executive Directors, namely Mr. Lam Ying Hung Andy (Chairman), Mr. Hu Yunlin and Mr. Wang Chen. An Audit Committee meeting was held on 30 June 2015 to review the Company's annual report and consolidated financial statements for the year ended 31 March 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Listing Rules since the Listing Date and up to the date of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2015 were audited by CCIF CPA Limited. CCIF CPA Limited shall retire and a resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to reappoint CCIF CPA Limited as the auditor of the Company.

On behalf of the Board

Wong Chit On
Chairman

30 June 2015

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board believes that the Company was in compliance with all the applicable code provisions as set out in the CG Code during the year ended 31 March 2015 apart from code provision A.2.1 as disclosed below.

The directors of the Company (the "Directors") believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from any competing business and to safeguard the interests of the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2015.

BOARD OF DIRECTORS

(A) THE COMPOSITION OF THE BOARD

As at 30 June 2015, the Board comprises two executive Directors and three independent non-executive Directors. The Board members during the year and up to the date of this annual report, 30 June 2015, were:

Executive Directors
Mr. Wong Chit On *(Chairman)*
Mr. Han Weining *(Chief Executive Officer)*
Dr. Wang Shaodong (resigned on 2 June 2015)
Mr. Zhang Jinbing (resigned on 14 April 2014)
Mr. Xia Liangbing (appointed on 10 October 2014 and resigned on 26 May 2015)

Non-Executive Director
Mr. Zhang Xuebin (resigned on 2 June 2015)

Independent Non-Executive Directors
Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Wang Chen (appointed on 25 June 2015)
Mr. Cai Youliang (resigned on 25 June 2015)

Each Director possesses skills and experience appropriate to the business of the Group and the biographical details of the Directors and senior management, as at the date of this annual report, are set out on pages 13 to 14 of this annual report.

Appropriate directors' liability insurance cover has been arranged to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are to be reviewed regularly.

(B) RESPONSIBILITY OF DIRECTORS

The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors are responsible for formulating the business strategies and development plan of the Group, while the senior management personnel are delegated to supervise and execute the plans and overall management of the Group.

Training and Continuous Development for Directors

Each newly appointed Director is provided with comprehensive induction to ensure that he has a proper understanding of the operations and businesses of the Group as well as his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. As at the date of this report, the Company has received the completed continuous professional development records from Mr. Wong Chit On, Mr. Han Weining, Mr. Lam Ying Hung Andy and Mr. Hu Yunlin as a record of training (in the form of reading materials relating to rules and regulations and discharge of directors' duties and responsibilities) they received for the year ended 31 March 2015.

However, no record of continuous professional development was provided by Dr. Wang Shaodong, Mr. Zhang Jinbing and Mr. Xia Liangbing, the former executive Directors resigned on 2 June 2015, 14 April 2014 and 26 May 2015 respectively, Mr. Zhang Xuebin, the former non-executive Director resigned on 2 June 2015 and Mr. Cai Youliang, the former independent non-executive Director resigned on 25 June 2015.

(C) BOARD MEETINGS AND GENERAL MEETING

In compliance with the code provision A.1.1 of the CG Code, there are at least four regular board meetings should be held each year at approximately quarterly intervals. A notice of the meeting would be given to all Directors at least 14 days prior to the date of the meeting to enable all Directors to attend the meetings. The agenda of the meeting shall be determined after consulting each Director so that each Director is given the opportunity to include their proposals into the agenda.

For the year ended 31 March 2015, 19 Board meetings and 1 general meeting, being the 2014 annual general meeting held on 21 August 2014 ("2014 AGM") were held and the attendance record of Directors is set out below:

	Number of board meetings attended/held	Attendance ratio	2014 AGM	Attendance ratio
Executive Directors				
Mr. Wong Chit On *(Chairman)*	19/19	100%	1/1	100%
Mr. Han Weining *(Chief Executive Officer)*	15/19	78.95%	0/1	0%
Dr. Wang Shaodong (resigned on 2 June 2015)	19/19	100%	0/1	0%
Mr. Zhang Jinbing (resigned on 14 April 2014) *(Note 1)*	2/2	100%	N/A	N/A
Mr. Xia Liangbing (appointed on 10 October 2014 and resigned on 26 May 2015) *(Note 2)*	5/5	100%	N/A	N/A
Non-executive Director				
Mr. Zhang Xuebin (resigned on 2 June 2015)	17/19	89.47%	0/1	0%
Independent Non-executive Directors				
Mr. Lam Ying Hung Andy	13/19	68.42%	1/1	100%
Mr. Hu Yunlin	16/19	84.21%	1/1	100%
Mr. Cai Youliang (resigned on 25 June 2015)	19/19	100%	0/1	0%
Mr. Wang Chen (appointed on 25 June 2015)	N/A	N/A	N/A	N/A

Notes:

1. Mr. Zhang Jinbing resigned on 14 April 2014. His attendance above by reference to the Board meetings and general meeting held during his tenure.

2. Mr. Xia Liangbing was appointed on 10 October 2014 and resigned on 26 May 2015. His attendance above stated by reference to the Board meetings and general meeting held during his tenure.

The company secretary (the "Company Secretary") of the Company assists the chairman of each meeting in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. The Company Secretary also keeps detailed minutes of each meeting, which are available to all Directors for inspection. A draft of Board minutes are circulated to all Directors for their comments and approved as soon as practicable after the Board meetings.

All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing Directors with board papers and related materials and ensuring that board procedures are followed.

(D) INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The current independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen. The Board considers that all independent non-executive Directors possess appropriate and sufficient industry and finance experience and qualification to carry out their duties so as to protect the interest of the Shareholders. One of the independent non-executive Directors, Mr. Lam Ying Hung Andy, has over 20 years of experience in accounting and finance industry and he is a fellow of the Association of Chartered Certified Accountants of United Kingdom. Mr. Lam has been the finance director and administrative accountant in two logistics companies.

On 25 June 2015, Mr. Cai Youliang tendered his resignation as an independent non-executive Director due to his engagement in his other work and ceased to be the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee. On the same date, Mr. Wang Chen was appointed as an independent non-executive Director, the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee.

The Board confirms that the Company has received from each of the independent non-executive Directors an annual confirmation in respect of their independence for the year under review and up to the date of publication of this annual report pursuant to Rule 3.13 of the Listing Rules. Based on the confirmation, the Board considers all independent non-executive Directors to be independent.

(E) TERMS OF APPOINTMENT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy and Mr. Hu Yunlin have entered into a letter of appointment with the Company as independent non-executive Directors commencing from 18 April 2012.

Mr. Wang Chen has entered into a letter of appointment with the Company with effect from 25 June 2015. The length of service of Mr. Wang Chen as an independent non-executive Director is a term of three years commencing from 25 June 2015.

(F) NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL PROCEDURES

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's Articles of Association. Every Director is subject to the provisions of retirement from office by rotation at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of members held immediately after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A nomination committee was established by the Company on 22 March 2012 with written terms of reference. The primary duties of the nomination committee are to (1) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (2) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (3) assess the independence of the independent non-executive Directors; (4) make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer. Please refer to the sub-section headed "Nomination Committee" below for more details on the nomination committee of the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. However, the Company appointed Mr. Wong Chit On as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve a higher responsiveness, efficiency and effectiveness when formulating business strategies and executing the business plans before 25 June 2015. The Board believes that the balance of power and authority is sufficiently maintained by the operation at the Board, comprising by the executive Directors and independent non-executive Directors. Following the appointment of Mr. Han Weining as chief executive officer of the Company on 25 June 2015, the Company has fully complied with the code provision A.2.1 of the CG Code.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Mr. Tse Kam Fai ("Mr. Tse"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Dr. Jian Bao, the CEO Assistant, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Tse, being a person who was a company secretary of an issuer before 31 December 1994, will take no less than 15 hours of relevant professional training for the financial year commencing on 1 January 2017.

BOARD COMMITTEES

In accordance with the requirements of the Listing Rules, the Company has established the board committee in compliance with the CG Code as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and monitor the Group's financial reporting process and internal control system. The members of the audit committee are Messrs. Lam Ying Hung Andy, Hu Yunlin and Wang Chen, all being independent non-executive Directors. Mr. Lam Ying Hung Andy is the chairman of the Audit Committee.

The Company's annual results for the year ended 31 March 2015 have been reviewed and discussed by the audit committee.

For the year ended 31 March 2015, the audit committee has held 2 meetings mainly to review the financial performance of the Group for the year ended 31 March 2014 and six months ended 30 September 2014, respectively. The attendance record of each member of the Audit Committee is set out below:

	Number of Audit Committee meetings attended/held	Attendance ratio
Mr. Lam Ying Hung Andy	**2/2**	**100%**
Mr. Hu Yunlin	**2/2**	**100%**
Mr. Cai Youliang (resigned on 25 June 2015)	**2/2**	**100%**
Mr. Wang Chen (appointed on 25 June 2015)	**N/A**	**N/A**

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The members of the Remuneration Committee are Messrs. Hu Yunlin, Lam Ying Hung Andy and Wang Chen, all being independent non-executive Directors. Mr. Hu Yunlin is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management; to consider and advise on the recommendations regarding remuneration, bonuses and other compensation payable to all Directors and senior management; to review and approve the management's remuneration proposal; to make recommendations on performance evaluation procedure for determining remuneration of Directors and senior management. The Remuneration Committee shall ensure the Company has a formal and transparent procedure for developing remuneration policy of all Directors and senior management and none of the Directors in involved in determining his/her own remuneration.

For the year ended 31 March 2015, the remuneration committee has held 3 meetings mainly to make recommendation to the Board on the compensation package for the new company secretary and executive Director and the approval of the remuneration adjustment of the chairman of the Board with reference to the Board's corporate objectives achievement. The attendance record of each member of the Remuneration Committee is set out below:

	Number of remuneration committee meetings attended/held	Attendance ratio
Mr. Hu Yunlin	3/3	100%
Mr. Lam Ying Hung Andy	3/3	100%
Mr. Cai Youliang (resigned on 25 June 2015)	3/3	100%
Mr. Wang Chen (appointed on 25 June 2015)	N/A	N/A

NOMINATION COMMITTEE

The Nomination Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The members of the nomination committee are the independent non-executive Directors, Messrs. Wang Chen, Hu Yunlin and Lam Ying Hung Andy. Mr. Wang Chen is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession.

For the year ended 31 March 2015, the Nomination Committee has held 2 meetings mainly to make recommendation to the Board on the nomination of new Director. The attendance record of each member of the Nomination Committee is set are below:

	Number of nomination committee meetings attended/held	Attendance ratio
Mr. Wang Chen (appointed on 25 June 2015)	N/A	N/A
Mr. Lam Ying Hung Andy	2/2	100%
Mr. Cai Youliang (resigned on 25 June 2015)	2/2	100%
Mr. Hu Yunlin	2/2	100%

CORPORATE GOVERNANCE FUNCTIONS

The Board and Audit Committee are also responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

The Company recognises the importance of maintaining a timely communication and transparent reporting to the shareholders and/or investors.

The Company maintains an on-going dialogue with the shareholders and/or investors by various communication channels, including but not limited to, general meetings, annual and interim reports, announcements and circulars. The Company publishes all corporate communications on the Company's website at www.synertone.net, and on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

In compliance with the CG Code, notice will be given to the shareholders for annual general meeting at least 20 clear business days before the meeting and notice will be given for all other general meetings at least 10 clear business days.

All general meetings of the Company have been conducted by way of poll and detailed procedures for conducting a poll were explained at the commencement of the meeting. The poll voting results will be published by way of an announcement immediately following the relevant general meeting.

The procedures for shareholders to convene and put forward proposals at an annual general meeting or extraordinary general meeting are set out in Article 58 of the Company's articles of association, which can be accessed on the Company's website at www.synertone.net or on the website of the Stock Exchange. Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

During the year ended 31 March 2015, no changes in the Company's constitutional documents.

ACCOUNTABILITY AND AUDIT

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2015 under the section headed "Management Discussion and Analysis" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2015, the remuneration paid or payable to the Company's external auditor, CCIF CPA Limited, in respect of audit and non-audit services rendered is set out below:

	Fee paid/payable for services rendered HK$'000
Audit service	900
Review of preliminary announcement service	10
Total	910

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group for the year ended 31 March 2015 and confirm that the financial statements give a true and fair view of the state of affairs of the Group in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The statement of the auditor as to its responsibility for the financial statements is set out in the Independent Auditor's Report set out in page 32 to 33 of this annual report. There are no material uncertainties relating to events or circumstances which would otherwise cast significant doubt upon the Company's and the Group's ability to operate as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

The internal control system has been designed to help achieve the Group's business objectives, safeguard assets, maintain proper accounting records, and execute appropriate authority and compliance of the relevant laws and regulations. The implementation of the internal control system is to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system is designed to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets.

The Board is responsible for maintaining the effectiveness of the Group's internal control systems, which includes financial, operational, and compliance controls and risk management functions. During the year under review, a review of the effectiveness of the Group's internal control system was conducted.

The Board considered that the Company's internal control system is adequate and effective.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates on the one hand and the Group on the other, and to protect the interests of the Shareholders, in particular, the minority Shareholders.

On behalf of the Board
Wong Chit On
Chairman

30 June 2015

INDEPENDENT AUDITOR'S REPORT

CCIF

CCIF CPA LIMITED

9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SYNERTONE COMMUNICATION CORPORATION
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Synertone Communication Corporation (the "Company") and its subsidiaries (together "the Group") set out on pages 34 to 103, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 30 June 2015

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Turnover	5	**329,667**	174,421
Cost of sales		**(163,732)**	(82,215)
Gross profit		**165,935**	92,206
Other revenue	6	**24,596**	27,289
Selling and distribution expenses		**(6,994)**	(8,600)
Administrative and other operating expenses		**(68,866)**	(45,158)
Research and development expenditure	7(c)	**(28,346)**	(15,336)
Profit from operations		**86,325**	50,401
Finance costs	7(a)	**(22,577)**	(11,564)
Profit before taxation	7	**63,748**	38,837
Income tax	8	**(30,009)**	(8,810)
Profit for the year attributable to owners of the Company		**33,739**	30,027
Earnings per share	13		
— Basic		**HK0.53 cents**	HK0.49 cents
— Diluted		**HK0.52 cents**	HK0.49 cents

The notes on pages 41 to 103 form part of these financial statements.

Details of dividends payable to owners of the Company attributable to profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 HK$'000	2014 HK$'000
Profit for the year	**33,739**	30,027
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and PRC subsidiaries	**(701)**	61
Other comprehensive (loss)/income for the year, net of tax	**(701)**	61
Total comprehensive income for the year (net of tax) attributable to owners of the Company	**33,038**	30,088

The notes on pages 41 to 103 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**71,904**	76,469
Intangible assets	*16*	**614,610**	616,565
Goodwill	*17*	**34,814**	–
Available-for-sale investments	*19*	**3,900**	–
		725,228	693,034
Current assets			
Inventories	*20(a)*	**3,713**	22,344
Trade and other receivables	*21*	**345,714**	175,567
Cash and cash equivalents	*22*	**54,064**	87,753
		403,491	285,664
Current liabilities			
Bank borrowings	*25*	**44,439**	22,874
Trade and other payables	*24*	**75,831**	20,981
Finance leases payables	*26*	**49,810**	52,655
Amount due to a director	*28*	**1**	239
Current taxation	*29(a)*	**26,789**	21,339
		(196,870)	(118,088)
Net current assets		**206,621**	167,576
Total assets less current liabilities		**931,849**	860,610
Non-current liabilities			
Finance leases payables	*26*	**388,419**	423,677
Deferred tax liabilities	*29(b)*	**22,159**	3,711
		(410,578)	(427,388)
Net assets		**521,271**	433,222
EQUITY			
Equity attributable to owners of the Company			
Share capital	*31(b)*	**64,450**	63,200
Reserves		**456,821**	370,022
Total equity		**521,271**	433,222

Approved and authorised for issue by the board of directors on 30 June 2015.

Wong Chit On
Director

Han Weining
Director

The notes on pages 41 to 103 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment in a subsidiary	*18*	**95,012**	95,012
Current assets			
Amounts due from subsidiaries	*23*	**314,632**	259,908
Deposits	*21*	**50**	–
Cash and cash equivalents	*22*	**157**	86
		314,839	259,994
Current liabilities			
Other payables	*24*	**944**	757
Amount due to a director	*28*	**1**	1
Amount due to a subsidiary	*23*	**732**	732
		(1,677)	(1,490)
Net current assets		**313,162**	258,504
Net assets		**408,174**	353,516
EQUITY	*31(a)*		
Share capital	*31(b)*	**64,450**	63,200
Reserves		**343,724**	290,316
Total equity		**408,174**	353,516

Approved and authorised for issue by the board of directors on 30 June 2015.

Wong Chit On
Director

Han Weining
Director

The notes on pages 41 to 103 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Note	Attributable to owners of the Company									
		Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Warrants reserve HK$'000	Convertible bonds reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2013		12,000	106,758	–	–	–	(90)	23,843	25,399	110,276	278,186
Comprehensive income											
Profit for the year		–	–	–	–	–	–	–	–	30,027	30,027
Other comprehensive income											
Exchange differences arising on translation of financial statements of PRC subsidiaries		–	–	–	–	–	–	–	61	–	61
Total comprehensive income for the year		–	–	–	–	–	–	–	61	30,027	30,088
Transactions with owners											
Equity-settled share-based payments		–	–	2,308	–	–	–	–	–	–	2,308
Transfer to statutory reserves		–	–	–	–	–	–	4,624	–	(4,624)	–
Issue of shares upon acquisition of assets		640	156,800	–	–	–	–	–	–	–	157,440
Issue of bonus shares	*31(b)(iii)*	50,560	–	–	–	–	–	–	–	(50,560)	–
Issue of warrants	*31(c)(vi)*	–	–	–	1,200	–	–	–	–	–	1,200
Final dividend in respect of the previous year	*12(b)*	–	–	–	–	–	–	–	–	(36,000)	(36,000)
Total transactions with owners		51,200	156,800	2,308	1,200	–	–	4,624	–	(91,184)	124,948
At 31 March 2014		63,200	263,558	2,308	1,200	–	(90)	28,467	25,460	49,119	433,222
At 1 April 2014		63,200	263,558	2,308	1,200	–	(90)	28,467	25,460	49,119	433,222
Comprehensive income											
Profit for the year		–	–	–	–	–	–	–	–	33,739	33,739
Other comprehensive loss											
Exchange differences arising on translation of financial statements of overseas and PRC subsidiaries		–	–	–	–	–	–	–	(701)	–	(701)
Total comprehensive income for the year		–	–	–	–	–	–	–	(701)	33,739	33,038
Transactions with owners											
Equity-settled share-based payments		–	–	8,128	–	–	–	–	–	–	8,128
Transfer to statutory reserves		–	–	–	–	–	–	3,717	–	(3,717)	–
Issue of warrants	*31(c)(vi)*	–	–	–	6,600	–	–	–	–	–	6,600
Issue of convertible bonds	*31(b)(ii)*					14,459					14,459
Shares issued upon conversion of convertible bonds	*31(b)(ii)*	1,250	49,145	–	–	(14,459)	–	–	–	–	35,936
Final dividend in respect of the previous year	*12(b)*	–	–	–	–	–	–	–	–	(10,112)	(10,112)
Total transactions with owners		1,250	49,145	8,128	6,600	–	–	–	–	(13,829)	55,011
At 31 March 2015		64,450	312,703	10,436	7,800	–	(90)	32,184	24,759	69,029	521,271

The notes on pages 41 to 103 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Profit before taxation		**63,748**	38,837
Adjustments for:			
Interest income	*6*	**(700)**	(1,094)
Finance costs	*7(a)*	**22,577**	11,564
Amortisation of intangible assets	*7(c)*	**72,181**	36,155
Depreciation of property, plant and equipment	*7(c)*	**10,321**	3,452
Write down of inventories	*20(b)*	**9,994**	3,655
Reversal of write down of inventories	*20(b)*	**(3,875)**	(1,997)
Loss on disposal of property, plant and equipment		**985**	–
Share-based payment expenses		**8,128**	2,308
		183,359	92,880
Changes in working capital			
Decrease/(increase) in inventories		**12,512**	(4,412)
Increase in trade and other receivables		**(170,147)**	(55,648)
Decrease in amounts due to directors		**(238)**	(2)
Increase/(decrease) in trade and other payables		**21,850**	(4,120)
Cash generated from operations		**47,336**	28,698
Income tax paid			
The People's Republic of China ("PRC")	*29(a)*	**(24,519)**	(14,001)
		(24,519)	(14,001)
Net cash generated from operating activities		**22,817**	14,697
Investing activities			
Payment for the purchase of property, plant and equipment		**(6,853)**	(27,628)
Payment of expenses directly attributable to acquisition of intangible assets		**–**	(1,816)
Payment for purchase of available-for-sale investments		**(3,900)**	–
Net cash outflows from acquisition of subsidiaries		**(56,853)**	–
Interest received	*6*	**700**	1,094
Net cash used in investing activities		**(66,906)**	(28,350)

The notes on pages 41 to 103 form part of these financial statements.

	Note	2015 HK$'000	2014 HK$'000
Financing activities			
Proceeds from new bank borrowings		**50,564**	25,219
Repayment of bank borrowings		**(28,999)**	(2,345)
Proceeds from issue of warrants	*31(c)(vi)*	**6,600**	1,200
Net proceeds from issue of convertible bonds		**50,000**	–
Finance lease rental payments		**(57,068)**	(8,872)
Dividend paid	*12(b)*	**(10,112)**	(36,000)
Interest paid		**(3,217)**	(1,984)
Net cash generated from/(used in) financing activities		**7,768**	(22,782)
Net decrease in cash and cash equivalents		**(36,321)**	(36,435)
Cash and cash equivalents at beginning of the year		**87,753**	124,549
Effect of foreign exchange rates changes		**(2,632)**	(361)
Cash and cash equivalents at end of the year	*22*	**54,064**	87,753
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	*22*	**54,064**	87,753

The notes on pages 41 to 103 form part of these financial statements.

1. GENERAL

Synertone Communication Corporation (the "Company") was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Block B, Teng Bang Building, 1st Qingshuihe Road, Luohu District, Shenzhen, the People's Republic of China (the "PRC") respectively.

On 18 April 2012, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, Very Small Aperture Terminal ("VSAT") satellite system and operation integrated system and (iii) provision of THAICOM-4 satellite ("Synertone 1") satellite bandwidth capacity and communication service application.

The principal operations of the Group are conducted in the PRC. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company. The directors consider that presenting consolidated financial statements in HK$ is preferable when controlling and monitoring the performance and financial position of the Group and in reporting to its immediate parent and ultimate holding company whose functional currency is HK$.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, continue to be those of the predecessor Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2015 comprise the financial statements of the Group.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in HK$, rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise set out in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) (i) BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

— a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 *Income Taxes*;

— assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) (i) BUSINESS COMBINATIONS *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(ii) GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) OTHER INVESTMENTS IN EQUITY SECURITIES

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(j)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(u)(iv).

When the investments are derecognised or impaired, the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(g) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress, are stated in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(j)(ii)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	5 years
Plant and machinery	4–10 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	5–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in the profit or loss on the date of retirement or disposal.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

(h) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimate useful life is finite) and impairment losses (see note 2(j)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Technical know-how for digital trunking system	3–5 years
Technical know-how for VSAT satellite system	5 years
Administrative system costs	5 years
Rights to use Synertone 1 satellite bandwidth	9.5 years
Safe communication technology softwares	10 years
Patents	10 years

Both the period and method of amortisation are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in intangible assets and the corresponding liabilities, net of finance charges, are recorded as finance leases payable. Amortisation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(j) IMPAIRMENT OF ASSETS

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in equity instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) IMPAIRMENT OF ASSETS *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— goodwill; and

— investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses
An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses
An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(j)(i)).

(m) CONVERTIBLE NOTES

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) CONVERTIBLE NOTES *(Continued)*

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(o) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) EMPLOYEE BENEFITS

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) SHARE-BASED PAYMENTS

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(s) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) INCOME TAX *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the date of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) PROVISIONS AND CONTINGENT LIABILITIES

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(t)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(t)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) PROVISIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Revenue from Synertone 1 satellite system

Income from provision of satellite bandwidth capacity and communication services application is recognised when the said services are provided to customers.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related cost for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(vi) Value-added taxes refund

Value-added taxes refund is recognised when the Group complied with the conditions attaching to them and the acknowledgement of refund from the PRC Tax Bureau has been received.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005 are translated into HK$ at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(w) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) RELATED PARTIES

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chairman, who has been identified as the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)–Int 21	Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 27 (2011) INVESTMENT ENTITIES

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

AMENDMENTS TO HKAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

AMENDMENTS TO HKAS 36 RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The application of these amendments will only affect the disclosure of information in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 39 NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)–INT 21 LEVIES

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period. Note 30 contain information about the assumptions and risk factors relating to equity-settled share-based transactions. Other judgements made by the management in the application of HKFRSs that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of non-financial assets (other than goodwill)

Determining whether there is an impairment requires an estimation of recoverable amounts of the property, plant and equipment, intangible assets or the respective CGU in which property, plant and equipment, intangible assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets of CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise.

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

(iii) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment in accordance with accounting policy stated in note 2(g). The Group will revise the depreciation charge where useful lives and residual values are different from the previous estimates, or will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives in accordance with accounting policy stated in note 2(h). The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

(v) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. The directors estimated the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(a) KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(vi) Estimation of impairment of receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual impairment losses would be higher than estimated.

(vii) Estimation of provision for warranty

The Group generally provides 0 to 3 years warranties to its customers on its products under which faulty products are repaired and replaced. Provision for warranty is made based on possible claims on the products by customers with reference to the percentage of warranty expenses incurred over total sales amounts during the year ended 31 March 2015, and no provision for warranty has been made in the consolidated financial statements. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place.

(b) CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(i) Taxation and deferred taxation

The Group is subject to income tax in Hong Kong and various taxes in PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax charge in the periods in which such estimate is changed.

(ii) Withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment.

5. TURNOVER

The principal activities of the Group are (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, VSAT satellite system and operation integrated system and (iii) provision of Synertone 1 satellite bandwidth capacity and communication services application.

Turnover represents the sales value of goods supplied to customers which excludes value-added and business taxes, and is after deduction of any goods returns and trade discounts. The amount of each significant category of revenue recognised during the year is as follows:

	2015 **HK$'000**	2014 HK$'000
Digital trunking system	**134,376**	83,261
VSAT satellite system	**20,845**	24,981
Systems technologies	**17,664**	16,348
Other accessory parts and components	**5,147**	2,382
Synertone 1 satellite system	**151,635**	47,449
	329,667	174,421

6. OTHER REVENUE

	2015 **HK$'000**	2014 HK$'000
Bank interest income from bank deposits *(note a)*	**700**	1,094
Government grants *(note b)*	**11,911**	14,609
Value-added taxes refund *(note c)*	**11,902**	11,533
Sundry income	**83**	53
	24,596	27,289

Note:

(a) Bank interest income from bank deposits represented the total interest income on financial assets not at fair value through profit or loss.

(b) These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to "hi-tech enterprise".

(c) Value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

(a) FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on bank borrowings wholly repayable within five years	**3,217**	1,984
Effective interest expenses on convertible bonds payables	**395**	–
Finance charges on finance lease payables	**18,965**	9,580
	22,577	11,564

(b) STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION IN NOTE 9)

	2015 HK$'000	2014 HK$'000
Salaries, wages and other benefits	**58,552**	44,720
Retirement benefit scheme contributions	**1,057**	1,005
Equity-settled share-based payment expenses	**8,128**	2,308
	67,737	48,033

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of Group are required to contribute a state-sponsored retirement plan, which is a defined contribution pension schemes, for all of their employees at a certain percentage of the employee's basic salary. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

Save for the above, the Group has no other obligation for payment of retirement benefits beyond the contributions.

7. PROFIT BEFORE TAXATION *(Continued)*

(c) OTHER ITEMS

	2015 HK$'000	2014 HK$'000
Auditor's remuneration	**910**	750
Cost of inventories *(note 20(b))*	**76,062**	47,975
Amortisation of intangible assets	**72,181**	36,155
Depreciation of property, plant and equipment	**10,321**	3,452
Loss on disposal of property, plant and equipment	**985**	–
Net exchange loss/(gain)	**752**	(2,697)
Operating lease charges in respect of leased property	**4,749**	5,034
Research and development expenditure *	**28,346**	15,336

* Research and development expenditure for the year ended 31 March 2015 included approximately HK$13,406,000 (2014: HK$9,409,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 7(b).

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS REPRESENTS:

	2015 HK$'000	2014 HK$'000
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (iv))*	**29,982**	14,970
Deferred tax		
Origination and reversal of temporary differences	**(1,991)**	(2,450)
Attributable to a change in tax rate	**2,018**	(3,710)
	30,009	8,810

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

(ii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the BVI subsidiaries of the Group are not subject to any income tax in the BVI.

(iii) No provision has been made for Hong Kong Profits Tax as the Group does not earn any income subject to Hong Kong Profits Tax during the year.

(iv) PRC subsidiaries of the Group, Synertone Communication Technology Limited ("Synertone Technology"), being the foreign invested "encouraged hi-tech enterprise" was entitled to a preferential EIT rate of 15%. The period of grant of preferential EIT rate was expired on 31 December 2013 and Synertone Technology has submitted an application for renewal and continued to use EIT rate of 15% as allowed by the relevant PRC authority in the PRC during the year ended 31 March 2014.

As Synertone Technology had changed its company name, it should re-submit the application of being an "encouraged hi-tech enterprise". The application is still in progress up to the date of approval of the financial statements. Thus, Synertone Technology was therefore subject to EIT rate of 25% during the year.

The period of grant for Synertone Satellite Communication (Shenzhen) Company Limited ("Synertone Satellite") as foreign invested "encouraged hi-tech enterprise" was expired on 31 December 2012 and the EIT rate was therefore 25% from 1 January 2013 onwards.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(a) INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS REPRESENTS: *(Continued)*

Notes: (Continued)

(v) Under the EIT Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval of the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% on 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. During the year ended 31 March 2015, withholding income tax rate of Synertone Technology was increased from 5% to 10% (2014: decreased from 10% to 5 %).

Deferred tax liabilities of approximately HK$4,659,000 (2014: HK$3,711,000) in respect of the withholding income tax on dividend to be paid out of earnings not yet distributed since 1 January 2008 has been recognised by the Group for the year ended 31 March 2015.

(b) RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT AT APPLICABLE TAX RATES IS AS FOLLOWS:

	2015 HK$'000	2014 HK$'000
Profit before taxation	**63,748**	38,837
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	**14,468**	5,699
Tax effect of non-deductible expenses	**11,711**	3,610
Tax effect of non-taxable income	**(3,535)**	(3,165)
Tax effect of deductible temporary differences not recognised	**306**	655
Tax effect of unused tax losses not recognised	**2,470**	3,456
Tax effect of tax losses not allowed for tax deduction	**559**	1,286
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	**4,030**	(2,731)
Actual tax expense	**30,009**	8,810

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

	Year ended 31 March 2015						
	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 *(note i)*	Total HK$'000
Executive directors							
Wong Chit On *(note ii)*	100	3,565	–	18	3,683	87	3,770
Han Weining *(note ix)*	100	240	–	13	353	87	440
Zhang Jinbing *(note vii)*	4	22	–	1	27	68	95
Wang Shaodong *(note iv)*	100	240	–	13	353	68	421
Xia Liangbing *(note iii)*	–	403	–	–	403	–	403
Non-executive director							
Zhang Xuebin *(note v)*	100	–	–	–	100	680	780
Independent non-executive directors							
Lam Ying Hung Andy	100	–	–	–	100	87	187
Hu Yunlin	100	–	–	–	100	87	187
Cai Youliang *(note vi)*	100	–	–	–	100	87	187
	704	4,470	–	45	5,219	1,251	6,470

	Year ended 31 March 2014						
	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 *(note i)*	Total HK$'000
Executive directors							
Wong Chit On *(note ii)*	100	3,000	–	15	3,115	23	3,138
Lu Zhijie *(note viii)*	75	180	–	10	265	–	265
Han Weining *(note ix)*	100	240	–	13	353	23	376
Zhang Jinbing *(note vii)*	100	600	–	15	715	23	738
Wang Shaodong *(note iv)*	28	68	–	3	99	23	122
Non-executive director							
Zhang Xuebin *(note v)*	7	–	–	–	7	170	177
Independent non-executive directors							
Lam Ying Hung Andy	100	–	–	–	100	23	123
Hu Yunlin	100	–	–	–	100	23	123
Wu Xiaowen *(note x)*	12	–	–	–	12	–	12
Cai Youliang *(note vi)*	75	–	–	–	75	23	98
	697	4,088	–	56	4,841	331	5,172

9. DIRECTORS' REMUNERATION *(Continued)*

Notes:

(i) These represented the estimated value of share options granted to the directors under the Company's share option scheme adopted on 22 March 2012. The value of these share options in measured according to the Group's accounting policies for share-based payment as set out in note 2(r).

(ii) Mr. Wong Chit On was the chief executive officer of the Group during the two years ended 31 March 2015 and 2014 and the emoluments disclosed above include those for services rendered by him as chief executive officer. Mr. Wong Chit On ceased to be the chief executive officer with effect from 25 June 2015.

(iii) Appointed on 10 October 2014 and resigned on 26 May 2015.

(iv) Appointed on 20 December 2013 and resigned on 2 June 2015.

(v) Appointed on 6 March 2014 and resigned on 2 June 2015.

(vi) Appointed on 28 June 2013 with effect from 2 July 2013 and resigned on 25 June 2015.

(vii) Appointed on 23 August 2012 and resigned on 14 April 2014.

(viii) Resigned on 1 January 2014.

(ix) Appointed as chief executive officer with effect from 25 June 2015.

(x) Appointed on 23 August 2012 and resigned on 14 May 2013.

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2015 and 2014.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two directors (2014: two directors) of the Company whose emoluments are disclosed in note 9. The emoluments of the remaining three (2014: three) were as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowance and benefits in kind	**2,549**	1,978
Bonus	**902**	914
Equity-settled share-based payments	**45**	231
Retirement benefit scheme contributions	**2,184**	41
	5,680	3,164

The emoluments of the three (2014: three) individuals with the highest emoluments are within the following bands:

	2015	2014
HK$Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$3,000,000	**1**	–

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2015 and 2014.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of approximately HK$353,000 (2014: profit of approximately HK$10,378,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year are as follows:

	2015 HK$'000	2014 HK$'000
Final dividend proposed of HKNil (2014: HK0.16 cents) per ordinary share after the end of the reporting period	**–**	10,112

The directors do not recommend the payment of any dividends in respect of the year ended 31 March 2015.

For the year ended 31 March 2014, the final dividend proposed after the end of the reporting period is based on 6,320,000,000 ordinary shares, being the total number of issued shares at the date of approval of the financial statements.

(b) Dividend payable to owners of the Company attributable to the previous financial year, approved and paid during the year.

	2015 HK$'000	2014 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.16 cents (2014: HK3 cents) per ordinary share	**10,112**	36,000

13. EARNINGS PER SHARE

(a) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$33,739,000 (2014: HK$30,027,000) and the weighted average number of 6,360,411,000 ordinary shares (2014: 6,134,137,000 ordinary shares) in issue during the year, calculated as follows:

	2015 HK$'000	2014 HK$'000
Profit attributable to owners of the Company	**33,739**	30,027

Weighted average number of ordinary shares (basic)

	2015 '000	2014 '000
Issued ordinary shares at beginning of the year	**6,320,000**	6,000,000
Effect of shares issued under acquisition of assets	**–**	134,137
Effect of shares issued upon conversion of convertible bonds *(note 31(b)(ii))*	**40,411**	–
Weighted average number of ordinary shares (basic) at end of the year	**6,360,411**	6,134,137

13. EARNINGS PER SHARE *(Continued)*

(b) DILUTED EARNINGS PER SHARE

	2015 HK$'000	2014 HK$'000
Profit attributable to owners of the Company (diluted)	**33,739**	30,027

Weighted average number of ordinary shares (diluted)

	2015 '000	2014 '000
Weighted average number of shares at end of the year	**6,360,411**	6,134,137
Effect of deemed issue of shares from exercise of warrants	**55,480**	–
Effect of deemed issue of shares under share option scheme	**57,575**	–
Weighted average number of ordinary shares (diluted) at end of the year	**6,473,466**	6,134,137

For the year ended 31 March 2015, diluted earnings per share do not include the effect of the convertible bonds since their assumed conversion had an anti-dilutive effect on the basic earnings per share.

For the year ended 31 March 2014, diluted earnings per share did not assume the exercise of the Company's outstanding share options and warrants as the exercise price of those options and warrants were higher than the average market price per share.

14. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. On adoption of HKFRS 8, Operating segments, and in a manner consistent with the way in which information is reported internally to the Chairman, who has been identified as the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments:

Digital trunking system: Digital trunking system is designed to meet the demand from governmental departments or agencies, public utilities institutions and business enterprises for public safety and emergency communication, mainly consists of CITONE digital trunking radio communication system, WITONE digital trunking radio communication system and DITONE digital trunking radio communication system. Based on the specifications of customers, the Group offers a range of core components forming digital trunking system which can be operated under direct network, transmission network, single base station trunking network, single area multiple base stations network and multi-area network. Different modes of digital trunking system can be set up and operated with various combinations of components addressing particular needs of users.

VSAT satellite system: VSAT satellite system is a component of the specialised communication system. VSAT satellite antenna is a major component of the VSAT satellite system which enables and maintains communication under in-motion mode. With different models of VSAT satellite antenna, the Group offers different VSAT satellite systems including (a) VSAT low speed satellite transmission system; (b) VSAT high speed dynamic digital satellite system and (c) VSAT high speed stationary digital satellite system.

14. SEGMENT REPORTING *(Continued)*

Systems technologies:	This segment developed a wide variety of technical know-how and technology relating to specialised communication system. The customers (a) paid a licensing fee to the Group for the use of certain technical know-how and technology; and (b) paid commissions to the Group to conduct research and development and to design and develop particular technical know-how to meet their specifications and requirements and needs.
Synertone 1 satellite system:	This segment represent provision of satellite bandwidth capacity and communication services application.

The Group combined other business activities in "Others", in which, the Group offers accessory parts and components, as options to the customers for use in specialised communication system industry or other industry in accordance with customers' specifications.

(a) SEGMENT RESULTS, ASSETS AND LIABILITIES

For the purposes of assessing segment performance and allocating resources between segments, the Group's Chairman monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables attributable to the production and sales activities of the individual segments, bank borrowings and finance lease payables managed directly by the segments with the exception of other corporate liabilities which are unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is adjusted earnings before interest and taxes ("Adjusted EBIT"). To arrive at adjusted earnings before interest and taxes, the Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income, value-added taxes refund, finance costs, amortisation of intangible assets, depreciation of property, plant and equipment, write down of inventories, reversal of write down of inventories, research and development expenditure, income tax and additions to non-current segment assets used by the segments in their operations.

14. SEGMENT REPORTING *(Continued)*

(a) SEGMENT RESULTS, ASSETS AND LIABILITIES *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's chairman and executive director for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2015 and 2014 is as follows:

	Digital trunking system		VSAT satellite system		Systems technologies		Synertone 1 satellite system		Others		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Revenue from external customers *(note)*	**134,376**	83,261	**20,845**	24,981	**17,664**	16,348	**151,635**	47,449	**5,147**	2,382	**329,667**	174,421
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**134,376**	83,261	**20,845**	24,981	**17,664**	16,348	**151,635**	47,449	**5,147**	2,382	**329,667**	174,421
Reportable segment profit/(loss) (adjusted EBIT)	**22,121**	32,102	**637**	5,840	**8,917**	9,620	**71,392**	14,500	**(313)**	(36)	**102,754**	62,026
Interest income	**543**	785	**34**	76	**115**	233	**–**	–	**–**	–	**692**	1,094
Value-added taxes refund	**9,339**	11,533	**576**	–	**1,987**	–	**–**	–	**–**	–	**11,902**	11,533
Finance costs	**(2,525)**	(1,333)	**(156)**	(255)	**(537)**	(396)	**(18,964)**	(9,580)	**–**	–	**(22,182)**	(11,564)
Amortisation of intangible assets	**(6,514)**	(5,150)	**(79)**	(161)	**(274)**	–	**(65,314)**	(30,844)	**–**	–	**(72,181)**	(36,155)
Depreciation of property, plant and equipment	**(7,861)**	(2,523)	**(829)**	(330)	**(1,631)**	(599)	**–**	–	**–**	–	**(10,321)**	(3,452)
Write down of inventories	**(7,842)**	(3,655)	**(484)**	–	**(1,668)**	–	**–**	–	**–**	–	**(9,994)**	(3,655)
Reversal of write down of inventories	**3,040**	1,997	**188**	–	**647**	–	**–**	–	**–**	–	**3,875**	1,997
Research and development expenditure	**(22,242)**	(10,655)	**(1,373)**	(1,664)	**(4,731)**	(3,017)	**–**	–	**–**	–	**(28,346)**	(15,336)
Income tax expenses	**(13,008)**	(3,427)	**(666)**	(500)	**(2,294)**	(138)	**(14,041)**	(4,745)	**–**	–	**(30,009)**	(8,810)
Reportable segment assets	**371,252**	220,091	**18,035**	34,560	**54,191**	64,997	**681,088**	658,943	**–**	–	**1,124,566**	978,591
Additions to non-current segment assets												
– Property, plant and equipment	**5,190**	19,810	**559**	1,934	**1,104**	5,884	**–**	–	**–**	–	**6,853**	27,628
– Intangible assets	**73,736**	–	**–**	–	**–**	–	**–**	640,438	**–**	–	**73,736**	640,438
	78,926	19,810	**559**	1,934	**1,104**	5,884	**–**	640,438	**–**	–	**80,589**	668,066
Reportable segment liabilities	**85,015**	39,249	**9,369**	8,241	**14,347**	12,272	**464,626**	484,493	**–**	–	**573,357**	544,255
Revenue from:												
Customer A	**–**	–	**1,346**	–	**–**	–	**140,410**	47,449	**–**	–	**141,756**	47,449
Customer B	**99,409**	35,508	**16,780**	12,857	**17,664**	9,794	**–**	–	**4,480**	59	**138,333**	58,218
Customer C	**7,581**	7,942	**–**	11,215	**–**	5,399	**–**	–	**–**	–	**7,581**	24,556
Customer D	**16,124**	21,867	**–**	–	**–**	–	**–**	–	**–**	–	**16,124**	21,867
	123,114	80,357	**18,126**	24,072	**17,664**	15,193	**140,410**	47,449	**4,480**	59	**303,794**	152,090

Note: Revenues of two (2014: four) customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2015 are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 32(a).

14. SEGMENT REPORTING *(Continued)*

(b) RECONCILIATION OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES

	2015 HK$'000	2014 HK$'000
Revenue		
Reportable segment revenue	**329,667**	174,421
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**329,667**	174,421
Profit		
Reportable segment profit	**102,754**	62,026
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**102,754**	62,026
Interest income	**700**	1,094
Finance costs	**(22,577)**	(11,564)
Unallocated corporate expenses	**(17,129)**	(12,719)
Consolidated profit before taxation	**63,748**	38,837
Assets		
Reportable segment assets	**1,124,566**	978,591
Elimination of inter-segment receivables	**–**	–
	1,124,566	978,591
Available-for-sale investments	**3,900**	–
Unallocated corporate assets	**253**	107
Consolidated total assets	**1,128,719**	978,698
Liabilities		
Reportable segment liabilities	**573,357**	544,255
Elimination of inter-segment payables	**–**	–
	573,357	544,255
Amount due to a director	**1**	239
Unallocated corporate liabilities	**34,090**	982
Consolidated total liabilities	**607,448**	545,476

14. SEGMENT REPORTING *(Continued)*

(c) GEOGRAPHICAL INFORMATION

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**1,638**	1,063
PRC	**329,667**	174,421	**719,690**	691,971
	329,667	174,421	**721,328**	693,034

(d) INFORMATION ABOUT PRODUCTS AND SERVICES

The Group's revenue from external customers for each principal type of products were set out in note 5.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 April 2013	3,624	24,212	1,802	8,826	37,034	75,498
Additions	278	2,164	595	–	24,591	27,628
Effect of foreign currency exchange differences	32	215	16	52	420	735
At 31 March 2014	3,934	26,591	2,413	8,878	62,045	103,861
At 1 April 2014	3,934	26,591	2,413	8,878	62,045	103,861
Additions	232	6,411	99	111	–	6,853
Acquisition through business combination *(note 33)*	–	–	13	–	–	13
Disposals	(17)	(4,118)	(170)	–	–	(4,305)
Transfer	31,543	5,976	–	–	(37,519)	–
Adjustment resulted from cost variation	–	–	–	–	(213)	(213)
Effect of foreign currency exchange differences	24	37	3	8	52	124
At 31 March 2015	**35,716**	**34,897**	**2,358**	**8,997**	**24,365**	**106,333**
Accumulated depreciation and impairment						
At 1 April 2013	12	17,961	1,549	4,210	–	23,732
Charge for the year	519	1,771	83	1,079	–	3,452
Effect of foreign currency exchange differences	–	161	11	36	–	208
At 31 March 2014	531	19,893	1,643	5,325	–	27,392
At 1 April 2014	531	19,893	1,643	5,325	–	27,392
Charge for the year	6,783	2,400	185	953	–	10,321
Eliminated on disposals of assets	(13)	(3,137)	(170)	–	–	(3,320)
Effect of foreign currency exchange differences	5	24	2	5	–	36
At 31 March 2015	**7,306**	**19,180**	**1,660**	**6,283**	**–**	**34,429**
Carrying amounts						
At 31 March 2015	**28,410**	**15,717**	**698**	**2,714**	**24,365**	**71,904**
At 31 March 2014	3,403	6,698	770	3,553	62,045	76,469

16. INTANGIBLE ASSETS

THE GROUP

	Technical know-how for digital trunking system HK$'000	Technical know-how for VSAT satellite system HK$'000	Administrative system costs HK$'000 *(note a)*	Rights to use Synertone 1 satellite bandwidth HK$'000 *(note b)*	Safe communication technology softwares HK$'000 *(note c)*	Patents HK$'000 *(note c)*	Total HK$'000
Cost							
At 1 April 2013	52,787	9,500	5,011	–	–	–	67,298
Additions	–	–	–	640,438	–	–	640,438
Effect of foreign currency exchange differences	69	–	–	–	–	–	69
At 31 March 2014	52,856	9,500	5,011	640,438	–	–	707,805
At 1 April 2014	52,856	9,500	5,011	640,438	–	–	707,805
Additions	–	–	–	–	–	–	–
Acquisition through business combination *(note 33)*	–	–	–	–	34,637	39,099	73,736
Effect of foreign currency exchange differences	15	–	–	(3,742)	17	18	(3,692)
At 31 March 2015	**52,871**	**9,500**	**5,011**	**636,696**	**34,654**	**39,117**	**777,849**
Accumulated amortisation							
At 1 April 2013	42,812	9,500	2,755	–	–	–	55,067
Charge for the year	4,309	–	1,002	30,844	–	–	36,155
Effect of foreign currency exchange differences	18	–	–	–	–	–	18
At 31 March 2014	47,139	9,500	3,757	30,844	–	–	91,240
At 1 April 2014	47,139	9,500	3,757	30,844	–	–	91,240
Charge for the year	2,178	–	1,002	65,314	1,732	1,955	72,181
Effect of foreign currency exchange differences	9	–	–	(193)	1	1	(182)
At 31 March 2015	**49,326**	**9,500**	**4,759**	**95,965**	**1,733**	**1,956**	**163,239**
Carrying amounts							
At 31 March 2015	**3,545**	**–**	**252**	**540,731**	**32,921**	**37,161**	**614,610**
At 31 March 2014	5,717	–	1,254	609,594	–	–	616,565

Notes:

(a) Administrative system costs represent costs of Group's computer system software. Technical know-how for digital trunking system and VSAT satellite system represents technical know-how acquired by the Group in relation to the production of specialised communication systems.

(b) On 15 October 2013, the Group has completed the acquisition of assets in relation to the rights to use Synertone 1 satellite bandwidth for the provision of satellite bandwidth capacity and communication service application. The consideration amount to US$80,000,000, which consists of (i) cash installments in aggregate of approximately US$75,900,000 payable annually during the service period of 9.5 years and (ii) the 64,000,000 shares of the Company amounting to approximately US$4,100,000 to be allotted and issued at the issue price of HK$0.5034 per share.

16. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(b) *(Continued)*

The cost is allocated to intangible assets amounting to HK$640,438,000 on the basis of their fair values at the date of acquisition. The fair value of the shares at the date of acquisition was determined using the published market price at the date of acquisition. The present value of minimum lease payments was calculated based on the present value of the contractually determined stream of future cash flows discounted at 4.486%.

The rights have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the useful lives of 9.5 years.

(c) It represents the technologies in relation to the provision of a safe communication environment for end users.

(d) At the end of the reporting period, the carrying amount of intangible assets held under finance lease of the Group was HK$540,731,000 (2014: HK$609,594,000).

(e) The amortisation charge for the year is included in cost of sales of approximately HK$70,179,000 (2014: HK$31,974,000), research and development expenditure of approximately HK$462,000 (2014: HK$502,000) and administrative expenses of approximately HK$1,540,000 (2014: HK$3,679,000) respectively in the consolidated statements of profit or loss.

17. GOODWILL

	The Group	
	2015	2014
	HK$'000	HK$'000
Cost:		
At beginning of year	**–**	–
Acquisition of a subsidiary *(note 33)*	**34,798**	–
Effect of foreign currency exchange differences	**16**	–
At end of the year	**34,814**	–
Accumulated impairment losses:		
At the beginning of the year	**–**	–
Impairment loss	**–**	–
At end of the year	**–**	–
Carrying amount	**34,814**	–

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

Goodwill is allocated to the Group's CGU as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
Provision of safe communication technologies	**34,814**	–

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

17. GOODWILL *(Continued)*

The key assumptions, long-term growth rate and discount rate used in value-in-use calculations are as follows:

	The Group 2015 %	2014 %
— Gross margin	**92%**	N/A
— Long term growth rate	**3%**	N/A
— Pre-tax discount rate	**16.77%**	N/A

Management determined the budgeted gross margin based on its expectations for market development. The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

18. INVESTMENT IN A SUBSIDIARY

	2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	**95,012**	95,012

At as 31 March 2015, the details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of equity interest hold: Group's effective interest	Direct	Indirect	Principal activities/ place of operation
Synertone Group Holdings Limited ("Synertone Group")	Hong Kong	10,000 ordinary shares	100%	100%	–	Investment holding/Hong Kong
Vastsuccess Holdings Limited ("Vastsuccess")	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding and provision of satellite bandwidth capacity and communication services application/Hong Kong and PRC
Radio World Holding Limited	BVI	1,000 ordinary shares of US$1 each	100%	–	100%	Investment holding/Hong Kong
Synertone Satellite Communication Limited (previously known as "Synertone Communication Limited")	Hong Kong	10,000 ordinary shares	100%	–	100%	Trading of specialised communication systems, investment holding/Hong Kong

18. INVESTMENT IN A SUBSIDIARY *(Continued)*

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of equity interest hold: Group's effective interest	Direct	Indirect	Principal activities/ place of operation
Synertone Communication Technology Limited (previously known as "Synertone Wireless Limited")	Hong Kong	10,000 ordinary shares	100%	–	100%	Trading of specialised communication systems, investment holding/Hong Kong
協同衛星通信(深圳)有限公司 (前稱: "協同迅達電子科技(深圳)有限公司") *(note (a))*	PRC	Registered capital of HK$16,000,000	100%	–	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC
協同通信技術有限公司 *(note (a))*	PRC	Registered capital of HK$80,000,000	100%	–	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC
Thrive United Holdings Limited	BVI	1 ordinary share	100%	–	100%	Investment holding/Hong Kong and PRC
Longching Technology Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Investment holding/Hong Kong and PRC
朗晴通科技(深圳)有限公司 *(note (a))*	PRC	Registered capital of HK$1,000,000	100%	–	100%	Design, development and sale of security systems/PRC

Notes:

(a) Registered under the laws of the PRC as a wholly-owned foreign enterprise.

19. AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2015	2014
	HK$'000	HK$'000
Unlisted investment, at cost:		
— Equity securities	**3,900**	–

Unlisted equity investment comprise equity interests in an entity which focuses on the satellite technology, dedicated ASIC development and high-tech research and development. There is no open market for this investment and the directors consider that the marketability of the Group's shareholdings in this investment is low. In light of the non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of this investment cannot be reliably assessed. The investment is therefore stated at cost less impairment. The Group makes assessment when there is objective evidence that the available-for-sale investments are impaired in accordance with the guidelines in HKAS 39 *Financial Instruments: Recognition and Measurement*. The assessment requires the directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investee, prospect of their operations in short to medium terms, as well as the prospect of the industries the investee operate in, and changes in their operating environment.

20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2015	2014
	HK$'000	HK$'000
Raw materials	**1,290**	4,927
Work in progress	**1,446**	13,463
Finished goods	**977**	3,954
	3,713	22,344

(b) The analysis of the amount of inventories recognised as expense and included in profit or loss is as follows:

	2015	2014
	HK$'000	HK$'000
Carrying amount of inventories sold	**69,943**	46,297
Write down of inventories	**9,994**	3,655
Reversal of write down of inventories	**(3,875)**	(1,997)
	76,062	47,975

The reversal of write down of inventories arose due to an increase in the estimated net realisable value of certain products as a result of change in market condition and sales of certain products which had been written down to net realisable value in prior years.

The carrying amount of inventories sold above does not include costs related to Synertone 1 satellite system and provision of safe communication technologies.

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(notes (b), (c) and (d))*	**321,014**	166,023	**–**	–
Advance to suppliers	**691**	626	**–**	–
Advance to staff	**515**	1,744	**–**	–
VAT receivables	**61**	140	**–**	–
Loans and receivables	**322,281**	168,533	**–**	–
Other deposits and prepayments	**23,433**	7,034	**50**	–
	345,714	175,567	**50**	–

(a) For certain contracts, retention money representing 5% to 10% of the contract is not due until the warranty period expired, which varies from one year to two years. Included in trade receivables as at 31 March 2015 are retention money of HK$294,000 (2014: HK$1,001,000). Also, the amount of the Group's deposits expected to be recovered after more than one year is HK$987,000 (2014: HK$780,000). All of the trade and other receivables, except for the retention money which are expected to be recovered after the warranty period and deposits which is expected to be recovered after more than one year, are expected to be recovered within one year.

(b) For the year ended 31 March 2015, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2014: 30 to 180 days). A longer credit period of 181 to 365 days (2014: 181 to 365 days) may be extended to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group.

(c) The following is an analysis of trade receivables by age, presented based on date of delivery:

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
0–60 days	**57,222**	84,020	**–**	–
61–90 days	**80**	724	**–**	–
91–180 days	**49,663**	9,866	**–**	–
181–365 days	**213,414**	63,180	**–**	–
Over 365 days	**635**	8,233	**–**	–
	321,014	166,023	**–**	–
Less: Impairment loss on trade receivables	**–**	–	**–**	–
	321,014	166,023	**–**	–

The directors consider the carrying amounts of trade receivables approximate to their fair values.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(d) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**105,367**	94,609	**–**	–
Past due but not impaired				
Less than 1 month past due	**56,197**	55,591	**–**	–
1 to 3 months past due	**20,388**	6,822	**–**	–
More than 3 months but less than 12 months past due	**138,427**	767	**–**	–
More than 12 months past due	**635**	8,234	**–**	–
	215,647	71,414	**–**	–
	321,014	166,023	**–**	–

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. For any significant amounts past due, the Group would actively seek repayment from the debtors and the Group would enforce its legal right to the contractually due amount when considered necessary. There have been no disputes over the balances due from these debtors, therefore, the directors consider that the balances are fully recoverable. The Group does not hold any collateral over these balances.

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**54,064**	87,753	**157**	86
Cash and cash equivalents in the statement of financial position and statement of cash flows	**54,064**	87,753	**157**	86

The interest rates on the cash at bank and deposits with banks ranged from 0.001% to 0.35% (2014: 0.001% to 2.8%) per annum.

23. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The balances are unsecured, interest-free and repayable on demand.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**23,683**	9,530	**–**	–
Accrued salaries	**8,389**	2,457	**–**	–
Accrued expenses and other payables	**1,423**	5,061	**944**	757
Payables for acquisition of a subsidiary *(note 33)*	**33,000**	–	**–**	–
Financial liabilities measured at amortised cost	**66,495**	17,048	**944**	757
Deposits received from customers	**3,823**	689	**–**	–
Other tax payables	**5,513**	3,244	**–**	–
	75,831	20,981	**944**	757

The following is an analysis of trade payables by age presented based on the date of receipt:

	The Group	
	2015	2014
	HK$'000	HK$'000
0–60 days	**2,233**	3,180
61–90 days	**–**	32
91–180 days	**4,492**	1,052
181–365 days	**12,587**	737
Over 365 days	**4,371**	4,529
	23,683	9,530

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

25. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
Current liabilities		
Portion of borrowings from banks due for repayment within 1 year	**44,439**	22,874

At 31 March 2015, interest-bearing bank borrowings were due for repayment as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
Portion of term loans due for repayment within 1 year	**44,439**	22,874

The banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 March 2015, none of the covenants relating to drawn down facilities had been breached (2014: HK$Nil).

All of the bank borrowings, including amounts repayable on demand, are carried at amortised cost.

Notes:

(a) All the Group's bank borrowings are denominated in RMB.

(b) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2015	2014
Effective interest rates:		
Fixed-rate borrowings	**7.12% — 7.5%**	7.2%
Variable-rate borrowings	**6.26%**	–

(c) The unsecured bank borrowings were non-revolving facilities.

(d) The bank borrowings were unsecured and guaranteed by a subsidiary of the Company.

(e) At 31 March 2015, the Group have undrawn banking facilities in relation to bank borrowings of RMB10,000,000 (equivalent to approximately HK$12,624,800) (2014: HK$Nil).

26. FINANCE LEASES PAYABLES

At 31 March 2015, the Group had obligation under finance leases repayable as follows:

	The Group			
	2015		2014	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**49,810**	**54,281**	52,655	54,600
After 1 year but within 2 years	**61,292**	**69,790**	50,103	54,600
After 2 years but within 5 years	**168,533**	**209,369**	177,128	210,600
After 5 years	**158,594**	**195,045**	196,446	266,391
	388,419	**474,204**	423,677	531,191
	438,229	**528,485**	476,332	586,191
Less: total future interest expenses		**(90,256)**		(109,859)
Present value of lease obligations		**438,229**		476,332

27. CONVERTIBLE BONDS PAYABLES

On 8 November 2013, the Company and an independent third party, Regal Force Limited ("Regal Force"), entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue, and Regal Force has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$500,000,000 at the conversion price of HK$2.00 per conversion share (adjusted to HK$0.4 after issuing of bonus shares on 21 February 2014). The conditions of the subscription agreement were fulfilled and completed on 15 January 2014.

Pursuant to the subscription agreement, the convertible bonds shall issue and subscribe by the parties in tranches in accordance with the written demands by the Company to be made within 2 years after completion date of subscription agreement. On 31 October 2014, the Company had issued a written demand to Regal Force Limited, for a subscription of the convertible bonds in a principal amount of HK$50,000,000 and convertible bonds in the principal amount of HK$50,000,000 was issued on 3 November 2014.

The convertible bonds give the holder the right (the "Conversion Right") to convert all or any part of the outstanding principal amount of the convertible bonds into fully paid ordinary shares of HK$0.01 each in the Company at HK$2.00 per share (the "Conversion Price"). The Conversion Price is subject to adjustment for share consolidation, share split or reverse share split, share subdivision or other similar event affecting the number of outstanding conversion shares. The Conversion Price has been adjusted to HK$0.4 after the issue of bonus shares on 21 February 2014.

The holder can exercise the Conversion Right from time to time during the conversion period from the issuance date to the maturity date. The convertible bonds shall mature five years from the date of issue (i.e. 3 November 2018).

The convertible bonds bear interest from the date of issue of the convertible bonds at the rate of 5% per annum on the principal amount of the convertible bonds, payable at the anniversary date annually in arrears.

27. CONVERTIBLE BONDS PAYABLES *(Continued)*

The movement of the liability component and equity component of the convertible bonds for the year ended 31 March 2015 was set out below:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
As at 1 April 2014	–	–	–
Issued during the year	35,541	14,459	50,000
Effective interest charged during the year	395	–	395
Converted during the year	(35,936)	(14,459)	(50,395)
As at 31 March 2015	–	–	–

The fair value of the liability component of the convertible bonds is calculated using cash flows discounted at a rate based on the effective interest rate of 13.342% per annum.

At the time when the convertible bonds are converted into ordinary shares of the Company, the nominal value of the shares issued upon conversion will be transferred from the liability component and the equity component of the convertible bonds to the share capital account while the difference will be transferred to the share premium.

On 3 December 2014, convertible bonds in the principal amount of HK$50,000,000 were converted into 125,000,000 ordinary shares of the Company. The conversion price of the convertible bonds has been adjusted from HK$2 to HK$0.4 per share for the effect of the issue of bonus shares on 21 February 2014. Accordingly, HK$1,250,000 was transferred to share capital account while HK$49,145,000 was transferred to share premium.

28. AMOUNT DUE TO A DIRECTOR

The balance is unsecured, interest-free and repayable on demand.

29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position and the movement during the year is as follows:

	2015 HK$'000	2014 HK$'000
At beginning of the year	**21,339**	20,214
Provision for the year *(note 8(a))*		
— PRC EIT	**29,982**	14,970
Over-provision in respect of prior years		
— PRC EIT	**–**	–
Tax payment for the year		
— Hong Kong Profits Tax	**–**	–
— PRC EIT	**(24,519)**	(14,001)
	(24,519)	(14,001)
Effect of foreign currency exchange differences	**(13)**	156
At end of the year	**26,789**	21,339

(b) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Fair value adjustment on intangible assets HK$'000	**Undistributed profits of subsidiaries** HK$'000	**Total** HK$'000
Deferred tax arising from:			
At 1 April 2013	–	9,871	9,871
Credited to profit or loss	–	(6,160)	(6,160)
At 31 March 2014	–	3,711	3,711
At 1 April 2014	–	3,711	3,711
Acquired under business combination *(note 33)*	18,412	–	18,412
(Credited)/charged to profit or loss	(921)	948	27
Effect of foreign currency exchange differences	9	–	9
At 31 March 2015	17,500	4,659	22,159

29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in note 2(s), the Group and the Company has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$50,203,000 (2014: HK$35,651,000) as at 31 March 2015 respectively as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for tax losses of RMBNil (2014: RMBNil) in PRC which is available for carry forward to set-off future assessable income for a period of five years.

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 22 March 2012 (the "Share Option Scheme") whereby the board of directors or a duly authorised committee thereof may at any time on any business day following the date of adoption and before the tenth anniversary thereof, offer to grant to eligible participants, including directors and employees of the Company or any of its subsidiaries, any person or entity that provides research, development or other technological support to the Company, any of its subsidiaries, an option to subscribe for shares of the Company. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company will not exceed 30% of the issued share capital of the Company.

No option may be granted to any one person in any 12-month period which, if exercised in full, would result in the total number of shares already issued to him/her under all the options previously granted to him/her which have been exercised and, issuable to him/her under all the options previously granted to him/her which are for the time being subsisting and unexercised, exceeding 1% of the share capital of the Company in issue on the last date of such 12-month period unless approved by the shareholders in a general meeting.

The subscription price for shares under the Share Option Scheme will be a price not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the shares.

The share options granted on 24 December 2013 may be exercised in accordance with the following terms of the Scheme as to:

— up to the maximum of one-third of the share options exercisable commencing on 24 December 2015 to 23 December 2016, with vesting period from 24 December 2013 to 23 December 2015, the fair value of each option at the date of grant is approximately HK$0.2605 ("Lot 1");

— up to a maximum of one-third of the share options exercisable commencing on 24 December 2016 to 23 December 2017, with vesting period from 24 December 2013 to 23 December 2016, the fair value of each option at the date of grant is approximately HK$0.2778 ("Lot 2");

— all the remaining share options that have not been exercised (including those which have not been exercised as mentioned in (i) and (ii) above) exercisable commencing on 24 December 2017 to 23 December 2018, with vesting period from 24 December 2013 to 23 December 2017, the fair value of each option at the date of grant is approximately HK$0.3058 ("Lot 3").

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) The terms and conditions of the grants that existed as at 31 March 2015 are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options *(note i)*	Exercise price *(note i)*	Contractual life of options
Options granted to directors:			
— on 24 December 2013	96,000,000	HK$0.50	5 years
Options granted to employees:			
— on 24 December 2013	311,350,000	HK$0.50	5 years
Options granted to other participants:			
— on 24 December 2013	120,000,000	HK$0.50	5 years
	527,350,000		

The terms and conditions of the grants that existed as at 31 March 2014 are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options *(note i)*	Exercise price *(note i)*	Contractual life of options
Options granted to directors:			
— on 24 December 2013	102,000,000	HK$0.50	5 years
Options granted to employees:			
— on 24 December 2013	378,000,000	HK$0.50	5 years
Options granted to other participants:			
— on 24 December 2013	120,000,000	HK$0.50	5 years
	600,000,000		

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) The number and the weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted average exercise price	**Number of shares issuable under options granted**	Weighted average exercise price	Number of shares issuable under options granted *(note i)*
Outstanding at the beginning of the year	**HK$0.50**	**600,000,000**		–
Granted during the year		**–**	HK$0.50	600,000,000
Forfeited during the year *(note ii)*	**HK$0.50**	**(72,650,000)**		–
Outstanding at the end of the year	**HK$0.50**	**527,350,000**	HK$0.50	600,000,000
Exercisable at the end of the year		**–**		–

Notes:

(i) The exercise price and number of shares issuable under option granted has been adjusted for the effect of the issue of bonus shares on 21 February 2014.

(ii) During the year ended 31 March 2015, 72,650,000 share options were forfeited prior to the vesting period relevant share options due to the resignation of directors and employees (2014: Nil). The impact of the revision of the estimates during the vesting period was recognised on the profit or loss, with a corresponding adjustment to the share-based compensation reserve.

(iii) During the year ended 31 March 2014, 60,000,000 share options granted to Mr. Zhang Xuebin were reclassified from the category of "Employees" to "Directors" upon his appointment as non-executive director of the Company on 6 March 2014.

As at 31 March 2015, the number of shares in respect of options under the Share Option Scheme that had been granted and remained outstanding was 527,350,000, representing approximately 8% of the shares of the Company in issue at the year end date.

Each option gives the option holder the right to subscribe for one ordinary share in the Company and is settled gross on shares.

No share option was exercised during the years ended 31 March 2015 and 2014.

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model.

	Lot 1	Lot 2	Lot 3
Fair value of share options and assumptions	HK$0.26	HK$0.28	HK$0.31
Share price *(note)*	HK$0.50	HK$0.50	HK$0.50
Exercise price *(note)*	HK$0.50	HK$0.50	HK$0.50
Contractual life	5 years	5 years	5 years
Expected volatility (expected as weighted average volatility used in the modeling under Black-Scholes Option Pricing Model)	31.510%	31.878%	33.069%
Expected option period (expressed as weighted average life used in the modeling under the Black-Scholes Option Pricing Model)	3.500 years	4.001 years	4.501 years
Expected dividends	5.882%	5.882%	5.882%
Risk-free rate (based on yields of Hong Kong government bonds and treasury bills)	0.835%	1.027%	1.204%

Note: The share price and the exercise price has been adjusted for the effect of the issue of bonus shares on 21 February 2014.

The expected volatility is based on the historical volatilities of the comparable companies of the Company, over the expected option period. Expected dividend yield are based on historical dividend payout of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options granted to other participants are measured at fair values of options granted as these other participants are providing services that are similar to those rendered by employees.

31. CAPITAL AND RESERVES

(a) RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Merger reserve *(note 31(c)(vi))* HK$'000	Convertible bonds reserves HK$'000	Warrants reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
		Attributable to owners of the Company							
At 1 April 2013		12,000	106,758	–	71,349	–	–	28,083	218,190
Comprehensive income									
Profit for the year		–	–	–	–	–	–	10,378	10,378
Total comprehensive income for the year		–	–	–	–	–	–	10,378	10,378
Transactions with owners									
Equity-settled share-based payments		–	–	2,308	–	–	–	–	2,308
Issue of shares upon acquisition of assets	*19*	640	156,800	–	–	–	–	–	157,440
Issue of warrants	*31(c)(vi)*	–	–	–	–	–	1,200	–	1,200
Issue of bonus shares	*31(b)(iii)*	50,560	–	–	–	–	–	(50,560)	–
Final dividend in respect of the previous year	*12(b)*	–	–	–	–	–	–	(36,000)	(36,000)
At 31 March 2014		63,200	263,558	2,308	71,349	–	1,200	(48,099)	353,516
At 1 April 2014		63,200	263,558	2,308	71,349	–	1,200	(48,099)	353,516
Comprehensive income									
Loss for the year		–	–	–	–	–	–	(353)	(353)
Total comprehensive income for the year		–	–	–	–	–	–	(353)	(353)
Transactions with owners									
Equity-settled share-based payments		–	–	8,128	–	–	–	–	8,128
Issue of warrants		–	–	–	–	–	6,600	–	6,600
Issue of convertible bonds	*31(b)(ii)*	–	–	–	–	14,459	–	–	14,459
Share issued upon conversion of convertible bonds	*31(b)(ii)*	1,250	49,145	–	–	(14,459)	–	–	35,936
Final dividend in respect of the previous year	*12(b)*	–	–	–	–	–	–	(10,112)	(10,112)
At 31 March 2015		64,450	312,703	10,436	71,349	–	7,800	(58,564)	408,174

31. CAPITAL AND RESERVES *(Continued)*

(b) SHARE CAPITAL

	2015 No. of shares '000	**2015** Amount HK$'000	2014 No. of shares '000	2014 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**20,000,000**	**200,000**	2,000,000	20,000
Shares issued *(note 32(b)(i))*	**–**	**–**	18,000,000	180,000
At end of the year	**20,000,000**	**200,000**	20,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**6,320,000**	**63,200**	1,200,000	12,000
Issue of shares upon acquisition of assets *(note 31(b)(iv))*	**–**	**–**	64,000	640
Issue of bonus shares *(note 31(b)(iii))*	**–**	**–**	5,056,000	50,560
Issue of shares upon conversion of convertible bonds *(note 31(b)(ii))*	**125,000**	**1,250**	–	–
At end of the year	**6,445,000**	**64,450**	6,320,000	63,200

Notes:

(i) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 21 February 2014, the Company's authorised share capital was increased from HK$20,000,000 (divided into 2,000,000,000 shares) to HK$200,000,000 (divided into 20,000,000,000 shares) by creation of 18,000,000,000 new shares.

(ii) During the year ended 31 March 2015, the Company issued convertible bonds in an aggregate principal amount of HK$50,000,000 (note 27). During the period, convertible notes of the principal amount of HK$50,000,000 were converted into 125,000,000 ordinary shares of the Company.

(iii) During the year ended 31 March 2014, the Company issued bonus shares on the basis of four bonus share for every one existing share. The bonus issue was created as fully paid at par by way of the capitalisation of an amount in the retained profits account of the Company.

(iv) During the year ended 31 March 2014, the Company issued 64,000,000 shares upon completion of acquisition of rights to use Synertone 1 satellite bandwidth (note 16).

The owners of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

31. CAPITAL AND RESERVES *(Continued)*

(c) NATURE AND PURPOSE OF RESERVES

(i) *Share premium*

Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Capital reserve*

The capital reserve of the Group represents the differences between the nominal value of the Company's shares issued and the nominal value of shares of Synertone Group acquired through a reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange in December 2006.

(iii) *Statutory reserve*

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of the entity's registered capital.

The Company's certain subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations to the statutory reserves until the reserve balances reaches 50% of the registered capital. The transfer must be made before distribution of dividends to owners.

The statutory reserve can be utilised in setting off accumulated losses or increasing capital of the respective subsidiary and is non-distributable other than in the event of liquidation.

(iv) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

(v) *Merger reserve*

The merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of Synertone Group and its subsidiaries acquired through an exchange of shares in December 2006 pursuant to the reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange, which was not available for distribution.

31. CAPITAL AND RESERVES *(Continued)*

(c) NATURE AND PURPOSE OF RESERVES *(Continued)*

(vi) Warrants reserve

On 30 September 2013, the Company entered into the subscription agreement with CITIC Merchant Co., Limited ("CITIC Merchant") pursuant to which the Company has agreed to issue and CITIC Merchant has agreed to subscribe for 120,000,000 warrants at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe at any time during the exercise period of two years commencing from the date of issue of the warrant. The subscription was completed on 22 October 2013 and an aggregate of 120,000,000 warrants have been issued.

On 28 August 2014, the Company and an independent third party, CITIC Capital Management Limited ("CITIC Management"), entered into a subscription agreement pursuant to which the Company has agreed to issue and CITIC Management has agreed to subscribe for 660,000,000 warrants at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe at any time during the exercise period at any time during the exercise period of five years commencing from the date of issue of the warrant. The subscription was completed on 22 September 2014 and an aggregate of 660,000,000 warrants have been issued.

(vii) Share-based compensation reserve

This comprises the portion of fair value of unexercised share options granted to eligible participants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r).

(viii) Convertible bonds reserve

The convertible bonds reserve comprises the value of the equity component of unexercised convertible notes issued by the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(m).

(d) DISTRIBUTABILITY OF RESERVES

As at 31 March 2015, the aggregate amount of reserves available for distribution to owners of the Company, which included retained earnings and share premium, was approximately HK$254,139,000 (2014: HK$215,459,000).

After the end of the reporting period, the directors proposed a final dividend of HKNil per share (2014: HK0.16 cents per share) amounting to HK$Nil (2014: HK$10,112,000). This dividend has not been recognsied of a liability at the end of the reporting period.

(e) CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

31. CAPITAL AND RESERVES *(Continued)*

(e) CAPITAL MANAGEMENT *(Continued)*

Consistent with industry practice, the Group monitors its capital structure on the basis of the adjusted net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the Group's bank borrowings less cash and cash equivalents.

As at 31 March 2015, the Group has outstanding bank borrowings of HK$44,439,000 (2014: HK$22,874,000).

The Group's capital structure is as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
Total equity	**521,271**	433,222

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Trade and other receivables	**345,714**	175,567	**50**	–
Cash and cash equivalents	**54,064**	87,753	**157**	86
Available-for-sale investments	**3,900**	–	**–**	–
Loans and receivables	**403,678**	263,320	**207**	86
Financial liabilities				
Trade and other payables	**75,831**	20,981	**944**	757
Bank borrowings	**44,439**	22,874	**–**	–
Finance lease payables	**438,229**	476,332	**–**	–
Amount due to a director	**1**	239	**1**	1
Financial liabilities at amortised costs	**558,500**	520,426	**945**	758

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(a) CREDIT RISK

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

(ii) The Group's credit risk is primarily attributable to trade and other receivables. In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each major customer periodically. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. The Group and the Company do not require collateral from its customers. Debts are usually due within 30 to 180 days from the date of billing.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 March 2015, the Group has a certain concentration of credit risk as 42% (2014: 43%) of the total loans and receivables were due from the Groups' largest customer respectively and 99% (2014: 96%) of the total loans and receivables were due from the five largest customers respectively.

Further quantitative disclosures in respect of the Group's and the Company's exposure to credit risk arising from trade and other receivables are set out in note 21.

(iii) The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts with respect to credit risk arising from amounts due from subsidiaries, the Company's exposure to credit risk arising from default of the counterparties is limited as the Company monitors the operating results and cash flows of the counterparties and the Company does not expect to incur a significant loss for uncollected amounts due from subsidiaries.

(iv) In respect of amounts due from subsidiaries, the Company has concentration of credit risk as 55% (2014: 61%) of the amounts due from subsidiaries are owed from a subsidiary.

(v) Cash is deposited with financial institutions with sound credit ratings that are located where the Group and the Company operate and the Group and the Company have exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

(b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to parent Company's board approval. The Group's policy is to regularly monitor current and expected parent Company's liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables set out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(b) LIQUIDITY RISK *(Continued)*

The Group

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2015						
Trade payables	**23,683**	**–**	**–**	**–**	**23,683**	**23,683**
Accrued salaries	**8,389**	**–**	**–**	**–**	**8,389**	**8,389**
Accrued expenses and other payables	**1,423**	**–**	**–**	**–**	**1,423**	**1,423**
Payable for acquisition of a subsidiary	**33,000**	**–**	**–**	**–**	**33,000**	**33,000**
Amount due to a director	**1**	**–**	**–**	**–**	**1**	**1**
Bank borrowings	**45,085**	**–**	**–**	**–**	**45,085**	**44,439**
Finance lease payables	**54,281**	**68,790**	**209,369**	**186,106**	**518,546**	**438,229**
	165,862	**68,790**	**209,369**	**186,106**	**630,127**	**549,164**

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2014						
Trade payables	9,530	–	–	–	9,530	9,530
Accrued salaries	2,406	51	–	–	2,457	2,457
Accrued expenses and other payables	5,061	–	–	–	5,061	5,061
Amount due to a director	239	–	–	–	239	239
Bank borrowings	22,874	–	–	–	22,874	22,874
Finance lease payables	54,600	54,600	210,600	266,391	586,191	476,332
	94,710	54,651	210,600	266,391	626,352	516,493

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(b) LIQUIDITY RISK *(Continued)*

The Company

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2015						
Accrued expenses and other payables	**944**	**–**	**–**	**–**	**944**	**944**
Amount due to a director	**1**	**–**	**–**	**–**	**1**	**1**
Amount due to a subsidiary	**732**	**–**	**–**	**–**	**732**	**732**
	1,677	**–**	**–**	**–**	**1,677**	**1,677**

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2014						
Accrued expenses and other payables	757	–	–	–	757	757
Amount due to a director	1	–	–	–	1	1
Amount due to a subsidiary	732	–	–	–	732	732
	1,490	–	–	–	1,490	1,490

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement if that amount is claimed by the counterparty to the guarantee.

Bank borrowings of the Group with the repayment on demand clause are included in the "within 1 year or on demand" time band in the above analysis. As at 31 March 2015 and 31 March 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$45,085,000 and HK$22,874,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates as set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK$23,899,000.

The Group's interest rate risk arises primarily from the borrowings and bank deposits. The Company's interest rate risk arises primarily from its bank deposits.

The Group's cash flow interest rate risk mainly concentrates on fluctuation of market interest rate arising from the Group's bank deposits and borrowings.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) INTEREST RATE RISK

(i) *Interest rate profile*

The Company's cash flow interest rate risk mainly concentrates on fluctuation of market interest rate arising from bank deposits.

The following table details the interest rate profile of the Group's bank deposits and borrowings at the end of the reporting period:

The Group

	2015 Range of interest rates	2015 HK$'000	2014 Range of interest rates	2014 HK$'000
Fixed rate bank borrowings:				
Bank borrowings	7.12% — 7.5%	31,814	7.2%	22,874
Finance lease payables	4.486%	438,229	4.486%	476,332
		470,044		499,206
Variable rate bank deposits:				
Cash at bank	0.001% — 0.35%	53,363	0.001% — 1.15%	87,581
Variable rate bank borrowings:				
Short term bank borrowings	6.26%	12,625	–	–

The Company

	2015 Effective interest rate	2015 HK$'000	2014 Effective interest rate	2014 HK$'000
Variable rate bank deposits:				
Cash at bank	0.001% — 0.35%	157	0.001% — 0.01%	86

(ii) *Sensitivity analysis*

All of the borrowings and deposits with banks of the Group which are fixed rate instruments are insensitive to any changes in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

At 31 March 2015, it is estimated that a general increase/decrease of 100 basis points (2014: 100 basis points) in interest rates for variable rate bank deposits and with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$316,000 (2014: HK$731,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The Company's sensitivity to interest rates was not significant and therefore is not presented at 31 March 2015 and 2014. No sensitivity analysis is presented by the Company as the exposure is considered insignificant.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) INTEREST RATE RISK *(Continued)*

(ii) Sensitivity analysis (Continued)

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

The 100 basis points (2014: 100 basis points) increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates over the period until the end of the reasonably possible changes in interest rates. The analysis is performed on the same basis for 2014.

(d) CURRENCY RISK

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily United States Dollars, Renminbi and Euro.

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	Exposure to foreign currencies (expressed in HK$'000)				
	2015			2014	
	United States Dollars	**Renminbi**	**Euro**	United States Dollars	Euro
Trade and other receivables	**88**	**131,264**	**–**	49,347	–
Cash and cash equivalents	**198**	**5,655**	**4**	353	26
Trade and other payables	**(5,172)**	**–**	**–**	(1,170)	–
Net exposure arising from recognised assets and liabilities	**(4,886)**	**136,919**	**4**	(48,530)	26

The Company

	Exposure to foreign currencies (expressed in HK$'000)	
	2015	2014
	United States Dollars	United States Dollars
Cash and cash equivalents	**12**	12
Gross exposure arising from recognised assets	**12**	12

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) CURRENCY RISK *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise if exchange rates to which the Group and the Company has significant exposure at the end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on the company's profit after taxation and equity measured in its functional currency, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The Group

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits HK$'000
Renminbi	**5%**	**5,716**	5%	–
	(5%)	**(5,716)**	(5%)	–
Euro	**5%**	**1**	5%	1
	(5%)	**(1)**	(5%)	(1)

Results of the analysis is presented in the above table represent an aggregate of the instantaneous effects on each of the group entities' profit after taxation and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2014.

In management's opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the expose during the year.

(e) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2015 and 2014.

33. BUSINESS COMBINATION

On 30 September 2014, the Group acquired 100% equity interests of Thrive United Holdings Limited ("Thrive United") and its subsidiaries. At completion date, an aggregate consideration of HK$90,000,000 was paid by the Group.

Thrive United and its subsidiaries, Longching Technology Limited and 朗晴通科技（深圳）有限公司 (collectively referred to as the "Thrive United Group") are mainly engaged in the design, development and sale of security systems for use in the internet and mobile phones using Android operating system.

Following the acquisition of Synertone 1 satellite bandwidth during the year ended 31 March 2013, the Group had started to construct its own satellite communication network to provide broadband, telephone and broadcasting services. Network security is an important aspect in the provision of such services. The acquisition allows the Group to provide a safe communication environment for end users.

As for the Group's existing trunking business, the acquisition shall allow the Group to make use of the intellectual properties, know-how and research and development capabilities of the Thrive United Group to develop new generation digital trunking products with higher level of security capabilities.

Included in the profit for the year is approximately HK$336,000 attributable to Thrive United Group. Thrive United Group did not contribute any revenue to the Group during the year.

Had the business combination been effected on 1 April 2014, profit for the year would have been approximately HK$34,495,000. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment *(note 15)*	13
Intangible assets *(note 16)*	73,736
Cash and cash equivalents	147
Other payables	(282)
Deferred tax liabilities *(note 29(b))*	(18,412)
Total identifiable net assets at fair value	55,202
Goodwill arising on acquisition *(note 17)*	34,798
Consideration, satisfied in cash	90,000
Less: Other payables *(note 24)*	(33,000)
Cash and cash equivalent balances acquired	(147)
Net cash outflow	56,853

33. BUSINESS COMBINATION *(Continued)*

Acquisition-related costs amounting to HK$150,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the 'other operating expenses' line item in the consolidated statement of profit or loss.

The goodwill of approximately HK$34,798,000 arising from the acquisition is attributable to the anticipated cash flows from the provision of a safe communication environment for end users and the future operating synergies from the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

34. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2015 not provided for in the consolidated financial statements were as follows:

	2015 **HK$'000**	2014 HK$'000
Contracted but not provided for		
Renovation of new office	**1,815**	1,813
	1,815	1,813

The Company has no significant capital commitments as at 31 March 2015 and 2014.

(b) As at 31 March 2015, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**5,363**	4,540
In the second to fifth year inclusive	**11,014**	15,634
Over five years	**4,094**	8,014
	20,471	28,188

Operating lease payments represent rental payable by the Group for certain of its office and factory premises. Leases and rentals are negotiated and fixed for an average of 2 to 10 years. None of the leases includes contingent rentals.

The Company has no significant operating lease commitments as at 31 March 2015 and 2014.

35. MATERIAL RELATED PARTY TRANSACTIONS

The Group and the Company have entered into the following material related party transactions.

(a) BALANCES WITH RELATED PARTIES

At the end of each reporting period, the Group and the Company had the following balances with related parties:

(i) Amount due to a director

The Group

	2015 HK$'000	2014 HK$'000
Wong Chit On	**1**	239

The amount was unsecured, interest-free and repayable on demand.

(ii) Amount due from/(to) subsidiaries

The amounts were unsecured, interest-free and repayable on demand.

(b) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Emoluments for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10 are as follows:

	2015 HK$'000	2014 HK$'000
Short-term employee benefits	**14,180**	11,315
Equity-settled share-based payments	**4,010**	987
Post-employment benefit	**193**	145
	18,383	12,447

Total emoluments is included in "Staff Costs" (see note 7(b)).

36. EVENTS AFTER THE REPORTING PERIOD

On 30 June 2015, Vastsuccess Holdings Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Mr. John Edward Hunt, an independent third party (the "Vendor"), entered into the conditional sale and purchase agreement ("S&P Agreement") for the acquisition by the Purchaser of 100% equity interest in MOX Products Pty Limited ("MOX"), an automation control services company that serves various industries in the PRC, for a consideration of HK$302 million, which will be satisfied by the allotment and issue of 604,000,000 shares ("Consideration Share") at the issue price of HK$0.50 per Consideration Share upon completion of the sale and purchase of the entire issued share capital of MOX.

37. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTIES

As at 31 March 2015, the directors consider the immediate parent and ultimate controlling company of the Group to be Excel Time Investments Limited ("Excel Time"), which is incorporated in the BVI with limited liability. The ultimate controlling party is Mr. Wong Chit On. Excel Time does not produce financial statements available for public use.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2015

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

39. COMPARATIVE FIGURES

Certain comparative amounts in the consolidated statement of profit or loss have been reclassified which would result in a more appropriate presentation of events or circumstances. Accordingly, comparative amounts have been reclassified to conform to current year's presentation.

FIVE YEARS SUMMARY

	For the year ended 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**329,667**	174,421	115,690	218,264	218,824
Cost of sales	**(163,732)**	(82,215)	(41,574)	(69,561)	(75,743)
Gross profit	**165,935**	92,206	74,116	148,703	143,081
Profit before taxation	**63,748**	38,837	47,890	89,817	98,130
Income tax	**(30,009)**	(8,810)	(11,883)	(26,207)	(25,277)
Profit for the year	**33,739**	30,027	36,007	63,610	72,853
Attributable to:					
Owners of the Company	**33,739**	30,027	36,007	63,610	72,853

	As at 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	**403,491**	285,664	264,058	245,110	233,663
Non-current assets	**725,228**	693,034	68,677	19,634	25,882
Total assets	**1,128,719**	978,698	332,735	264,744	259,545
Current liabilities	**196,870**	118,088	44,678	47,728	86,698
Non-current liabilities	**410,578**	427,388	9,871	12,936	10,277
Total liabilities	**607,448**	545,476	54,549	60,664	96,975
Net assets	**521,271**	433,222	278,186	204,080	162,570
Share capital	**64,450**	63,200	12,000	9,000	9,000
Reserves	**456,821**	370,022	266,186	195,080	153,570
Equity attributable to owners of the Company	**521,271**	433,222	278,186	204,080	162,570