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SYNERTONE

SYNERTONE COMMUNICATION CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

The board of directors (the “Board”) of Synertone Communication Corporation (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2014 together with the comparative figures for the year ended 31 March 2013 as follows:

ANNUAL RESULTS

Consolidated Statement of Profit or Loss

For the year ended 31 March 2014

| | <i>Note</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Turnover | 5 | 174,421 | 115,690 |
| Cost of sales | | <u>(51,371)</u> | <u>(41,574)</u> |
| Gross profit | | 123,050 | 74,116 |
| Other revenue | 6 | 27,289 | 33,856 |
| Selling and distribution expenses | | (8,600) | (12,007) |
| Administrative and other operating expenses | | (76,002) | (31,499) |
| Research and development expenditure | 7(c) | <u>(15,336)</u> | <u>(16,576)</u> |
| Profit from operations | | 50,401 | 47,890 |
| Finance costs | 7(a) | <u>(11,564)</u> | – |
| Profit before taxation | 7 | 38,837 | 47,890 |
| Income tax | 8 | <u>(8,810)</u> | <u>(11,883)</u> |
| Profit for the year attributable to owners of the Company | | <u>30,027</u> | <u>36,007</u> |
| Earnings per share | 9 | | |
| — Basic and diluted | | <u>HK0.49 cents</u> | <u>HK0.61 cents*</u> |

* Adjusted for the bonus issue in 2014.

Details of dividends payable to owners of the Company attributable to profit for the year are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2014

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit for the year | 30,027 | 36,007 |
| Other comprehensive income for the year | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of PRC subsidiaries | <u>61</u> | <u>2,004</u> |
| Total comprehensive income for the year (net of tax) attributable to owners of the Company | <u>30,088</u> | <u>38,011</u> |

Consolidated Statement of Financial Position
As at 31 March 2014

| | <i>Note</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 76,469 | 51,766 |
| Intangible assets | <i>10</i> | 616,565 | 12,231 |
| Deposits and prepayments for acquisition of intangible assets | | – | 4,680 |
| | | <u>693,034</u> | <u>68,677</u> |
| Current assets | | | |
| Inventories | | 22,344 | 19,590 |
| Trade and other receivables | <i>11</i> | 175,567 | 119,919 |
| Cash and cash equivalents | | 87,753 | 124,549 |
| | | <u>285,664</u> | <u>264,058</u> |
| Current liabilities | | | |
| Bank borrowings | | 22,874 | – |
| Trade and other payables | <i>12</i> | 20,981 | 24,223 |
| Finance lease payables | | 52,655 | – |
| Amount due to a director | | 239 | 241 |
| Current taxation | | 21,339 | 20,214 |
| | | <u>(118,088)</u> | <u>(44,678)</u> |
| Net current assets | | <u>167,576</u> | <u>219,380</u> |
| Total assets less current liabilities | | <u>860,610</u> | <u>288,057</u> |
| Non-current liabilities | | | |
| Finance lease payables | | 423,677 | – |
| Deferred tax liabilities | | 3,711 | 9,871 |
| | | <u>(427,388)</u> | <u>(9,871)</u> |
| Net assets | | <u>433,222</u> | <u>278,186</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 63,200 | 12,000 |
| Reserves | | 370,022 | 266,186 |
| Total equity | | <u>433,222</u> | <u>278,186</u> |

Notes to the Financial Statements

For the year ended 31 March 2014

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 “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, while the functional currency of the subsidiaries incorporated in the PRC is Renminbi (“RMB”). 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. BASIS OF PREPARATION

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 continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. 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 (the “Listing Rules”).

The consolidated financial statements for the year ended 31 March 2014 comprise the financial statements of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

| | |
|--|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009–2011 Cycle |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in the financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in the consolidated financial statements.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation — Special Purpose Entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes to the financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

4. 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.

The Group used to have four reportable segments. In 2014, the Group has introduced a new segment, Synertone 1 satellite system, as a result of the completion of acquisition of assets on 15 October 2013. Details of the Group's reportable segments are as follows:

| | |
|-------------------------------|--|
| 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. |
| 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 represents provision of satellite bandwidth capacity and communication service 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 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 interest income, finance costs, income tax and other 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.

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 year is as follows:

| | Digital trunking system | | VSAT satellite system | | Systems technologies | | Synertone 1 satellite system | | Others | | Total | |
|--|-------------------------|----------------|-----------------------|--------------|----------------------|----------|------------------------------|----------|--------------|-----------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers (<i>note</i>) | 83,261 | 106,768 | 24,981 | 8,863 | 16,348 | - | 47,449 | - | 2,382 | 59 | 174,421 | 115,690 |
| Inter-segment revenue | - | - | - | - | - | - | - | - | - | - | - | - |
| Reportable segment revenue | <u>83,261</u> | <u>106,768</u> | <u>24,981</u> | <u>8,863</u> | <u>16,348</u> | <u>-</u> | <u>47,449</u> | <u>-</u> | <u>2,382</u> | <u>59</u> | <u>174,421</u> | <u>115,690</u> |
| Reportable segment profit/(loss) (adjusted EBIT) | 32,102 | 56,347 | 5,840 | (2,867) | 9,620 | - | 14,500 | - | (36) | - | 62,026 | 53,480 |
| Interest income | 785 | 584 | 76 | 10 | 233 | - | - | - | - | - | 1,094 | 594 |
| Value-added taxes refund | 11,533 | 30,932 | - | - | - | - | - | - | - | - | 11,533 | 30,932 |
| Finance costs | (1,333) | - | (255) | - | (396) | - | (9,580) | - | - | - | (11,564) | - |
| Amortisation of intangible assets | (5,150) | (5,010) | (161) | (817) | - | - | (30,844) | - | - | - | (36,155) | (5,827) |
| Depreciation of property, plant and equipment | (2,523) | (2,724) | (330) | (226) | (599) | - | - | - | - | (2) | (3,452) | (2,952) |
| Write down of inventories | (3,655) | (1,850) | - | - | - | - | - | - | - | - | (3,655) | (1,850) |
| Reversal of write down of inventories | 1,997 | 1,398 | - | - | - | - | - | - | - | - | 1,997 | 1,398 |
| Research and development expenditure | (10,655) | (13,064) | (1,664) | (3,512) | (3,017) | - | - | - | - | - | (15,336) | (16,576) |
| Income tax | (3,427) | (11,687) | (500) | (196) | (138) | - | (4,745) | - | - | - | (8,810) | (11,883) |
| Reportable segment assets | <u>220,091</u> | <u>320,667</u> | <u>34,560</u> | <u>7,171</u> | <u>64,997</u> | <u>-</u> | <u>658,943</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>978,591</u> | <u>327,838</u> |
| Additions to non-current segment assets | | | | | | | | | | | | |
| — Property, plant and equipment | 19,810 | 43,707 | 1,934 | 731 | 5,884 | - | - | - | - | - | 27,628 | 44,438 |
| — Intangible assets | - | 8,030 | - | - | - | - | 640,438 | - | - | - | 640,438 | 8,030 |
| | <u>19,810</u> | <u>51,737</u> | <u>1,934</u> | <u>731</u> | <u>5,884</u> | <u>-</u> | <u>640,438</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>668,066</u> | <u>52,468</u> |
| Reportable segment liabilities | <u>39,249</u> | <u>51,706</u> | <u>8,241</u> | <u>2,037</u> | <u>12,272</u> | <u>-</u> | <u>484,493</u> | <u>-</u> | <u>-</u> | <u>3</u> | <u>544,255</u> | <u>53,746</u> |
| Customer A | 35,508 | 43,249 | 12,857 | 7,359 | 9,794 | - | - | - | 59 | 59 | 58,218 | 50,667 |
| Customer B | - | - | - | - | - | - | 47,449 | - | - | - | 47,449 | - |
| Customer C | 7,942 | - | 11,215 | - | 5,399 | - | - | - | - | - | 24,556 | - |
| Customer D | 21,867 | 38,566 | - | - | - | - | - | - | - | - | 21,867 | 38,566 |
| Customer E | 15,040 | 21,176 | - | - | 1,155 | - | - | - | - | - | 16,195 | 21,176 |
| | <u>80,357</u> | <u>102,991</u> | <u>24,072</u> | <u>7,359</u> | <u>16,348</u> | <u>-</u> | <u>47,449</u> | <u>-</u> | <u>59</u> | <u>59</u> | <u>168,285</u> | <u>110,409</u> |

Note: Revenues of four (2013: three) customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2014 are set out above.

(b) 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 deposits paid for acquisition of intangible assets ("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 deposits paid for acquisition of intangible assets.

| | Revenue from external customers | | Non-current assets | |
|-----------|------------------------------------|-------------------------|-------------------------|-------------------------|
| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
| Hong Kong | – | 48 | 1,063 | 1,403 |
| PRC | 174,421 | 115,642 | 691,971 | 67,274 |
| | 174,421 | 115,690 | 693,034 | 68,677 |

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:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Digital trunking system | 83,261 | 106,768 |
| VSAT satellite system | 24,981 | 8,863 |
| Systems technologies | 16,348 | – |
| Other accessory parts and components | 2,382 | 59 |
| Synertone 1 satellite system | 47,449 | – |
| | 174,421 | 115,690 |

6. OTHER REVENUE

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Bank interest income from bank deposits (<i>note a</i>) | 1,094 | 595 |
| Government grants (<i>note b</i>) | 14,609 | 2,162 |
| Value-added taxes refund (<i>note c</i>) | 11,533 | 30,932 |
| Sundry income | 53 | 167 |
| | <u>27,289</u> | <u>33,856</u> |

Notes:

- (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):

(a) Finance costs

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Total interest expense on financial liabilities not at fair value through profit or loss: | | |
| Interest expense on bank borrowings wholly repayable within five years | 1,984 | – |
| Finance charges on finance lease payables | 9,580 | – |
| | <u>11,564</u> | <u>–</u> |

(b) Staff costs (including directors' remuneration)

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Salaries, wages and other benefits | 44,720 | 39,554 |
| Retirement benefit scheme contributions | 1,005 | 845 |
| Equity-settled share-based payment expenses | 2,308 | – |
| | <u>48,033</u> | <u>40,399</u> |

(c) Other items

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Auditor's remuneration | 750 | 500 |
| Cost of inventories | 51,371 | 41,574 |
| Amortisation of intangible assets | 36,155 | 5,827 |
| Depreciation of property, plant and equipment | 3,452 | 2,952 |
| Net exchange gain | (2,697) | (1,146) |
| Operating lease charges in respect of leased property | 5,034 | 5,448 |
| Research and development expenditure* | 15,336 | 16,576 |

* Research and development expenditure for the year ended 31 March 2014 included approximately HK\$9,409,000 (2013: HK\$7,969,000) 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

Income tax in the consolidated statement of profit or loss represents:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax | | |
| PRC Enterprise Income Tax ("EIT") (note (iv)) | 14,970 | 15,955 |
| Over-provision in respect of prior years | | |
| PRC EIT | — | (1,007) |
| | 14,970 | 14,948 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (6,160) | (3,065) |
| | 8,810 | 11,883 |

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 are subject to PRC EIT at 25%. The PRC subsidiaries of the Group, Synertone Soontend Electronic (Shenzhen) Company Limited ("Synertone Soontend") (literal translation of 協同迅達電子科技(深圳)有限公司) and Synertone Smartend Communication Technology (Shenzhen) Company Limited ("Synertone Smartend") (literal translation of 協同通信技術有限公司(前稱“協同智迅通信技術(深圳)有限公司”)), being the foreign invested “encouraged hi-tech enterprise” were entitled to a preferential EIT rate of 15%.

For Synertone Smartend, the period of grant of preferential EIT rate was expired on 31 December 2013. Synertone Smartend has submitted the application for renewal as being an “encouraged hi-tech enterprise”. The application is still in progress up to the date of approval of the financial statements. The subsidiary continued to use EIT rate of 15% as allowed by the relevant authority in the PRC.

For Synertone Soontend, the period of grant of preferential EIT rate was expired on 31 December 2012. The EIT rate was therefore 25% from 1 January 2013 onwards.

- (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. Deferred tax liabilities of approximately HK\$3,711,000 (2013: HK\$9,871,000) 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 2014.

9. 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\$30,027,000 (2013: HK\$36,007,000) and the weighted average number of 6,134,137,000 ordinary shares (2013: 5,930,137,000 ordinary shares (restated)) in issue during the year, calculated as follows:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|--------------------------------------|
| Profit attributable to owners of the Company | <u>30,027</u> | <u>36,007</u> |
| | 2014 <i>'000</i> | 2013 <i>'000</i> <i>(Note)</i> |
| Weighted average number of ordinary shares at end of the year | <u>6,134,137</u> | <u>5,930,137</u> |

Note: For the year ended 31 March 2013, the weighted average number of ordinary shares has been adjusted to reflect the effect of bonus issue by the Company on the basis of four bonus share for every one existing share completed on 21 February 2014.

(b) Diluted earnings per share

The computation of 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 of shares.

Diluted earnings per share for both the years ended 31 March 2014 and 31 March 2013 were the same as the basic earnings per share as no potential ordinary share was in issue.

10. INTANGIBLE ASSETS

| | Technical know-how for digital trunking system <i>HK\$'000</i> | Technical know-how for VSAT satellite system <i>HK\$'000</i> | Administrative system costs <i>HK\$'000</i> <i>(note a)</i> | Rights to to use Synertone 1 satellite bandwidth <i>HK\$'000</i> <i>(note b)</i> | Total <i>HK\$'000</i> |
|--|---|---|---|--|--------------------------|
| Cost | | | | | |
| At 1 April 2012 | 44,660 | 9,500 | 5,011 | – | 59,171 |
| Additions | 8,030 | – | – | – | 8,030 |
| Effect of foreign currency exchange differences | 97 | – | – | – | 97 |
| At 31 March 2013 | 52,787 | 9,500 | 5,011 | – | 67,298 |
| 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 |
| Accumulated amortisation | | | | | |
| At 1 April 2012 | 38,770 | 8,700 | 1,753 | – | 49,223 |
| Charge for the year | 4,025 | 800 | 1,002 | – | 5,827 |
| Effect of foreign currency exchange differences | 17 | – | – | – | 17 |
| At 31 March 2013 | 42,812 | 9,500 | 2,755 | – | 55,067 |
| 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 |
| Carrying amounts | | | | | |
| At 31 March 2014 | 5,717 | – | 1,254 | 609,594 | 616,565 |
| At 31 March 2013 | 9,975 | – | 2,256 | – | 12,231 |

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) It represents the rights to use Synertone 1 satellite bandwidth in relation to the provision of satellite bandwidth capacity and communication service application upon completion of acquisition on 15 October 2013. 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) The amortisation charge for the year is included in cost of sales of approximately HK\$1,130,000, research and development expenditure of approximately HK\$502,000 and administrative expenses of approximately HK\$34,523,000 respectively in the consolidated statements of profit or loss.

11. TRADE AND OTHER RECEIVABLES

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Trade receivables | 166,023 | 115,824 |
| Advance to suppliers | 626 | 1,214 |
| Advance to staff | 1,744 | 879 |
| VAT receivables | 140 | 175 |
| | <hr/> | <hr/> |
| Loans and receivables | 168,533 | 118,092 |
| Other prepayments and deposits | 7,034 | 1,827 |
| | <hr/> | <hr/> |
| | 175,567 | 119,919 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 0–60 days | 84,020 | 50,662 |
| 61–90 days | 724 | 22,832 |
| 91–180 days | 9,866 | 588 |
| 181–365 days | 63,180 | 40,190 |
| Over 365 days | 8,233 | 1,552 |
| | <hr/> | <hr/> |
| | 166,023 | 115,824 |
| Less: Impairment loss on trade receivables | <hr/> – | <hr/> – |
| | 166,023 | 115,824 |
| | <hr/> <hr/> | <hr/> <hr/> |

For the year ended 31 March 2014, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2013: 30 to 180 days). A longer credit period of 181 to 365 days (2013: 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.

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

12. TRADE AND OTHER PAYABLES

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payables | 9,530 | 13,524 |
| Accrued salaries | 2,457 | 1,732 |
| Accrued expenses and other payables | 5,061 | 1,428 |
| | <hr/> | <hr/> |
| Financial liabilities measured at amortised costs | 17,048 | 16,684 |
| Deposits received from customers | 689 | 1,544 |
| Other tax payables | 3,244 | 5,995 |
| | <hr/> | <hr/> |
| | 20,981 | 24,223 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0–60 days | 3,180 | 9,316 |
| 61–90 days | 32 | 40 |
| 91–180 days | 1,052 | 413 |
| 181–365 days | 737 | 1,008 |
| Over 365 days | 4,529 | 2,747 |
| | <hr/> | <hr/> |
| | 9,530 | 13,524 |
| | <hr/> <hr/> | <hr/> <hr/> |

13. DIVIDENDS

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Final dividend proposed of HK0.16 cents (2013: HK3 cents) per ordinary share after the end of the reporting period | 10,112 | 36,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

The final dividend proposed after the end of the reporting period is based on 6,320,000,000 ordinary shares (2013: 1,200,000,000 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final dividend for 2014 proposed after the end of the reporting period is subject to shareholders' approval in the forthcoming annual general meeting. It has not been recognised as a liability at the end of the reporting period.

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents (2013: HK4 cents) per ordinary share | 36,000 | 48,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of core components of specialised communication systems. Thanks to its autonomous research and development efforts and through the acquisition of the related intellectual property rights and technical knowledge 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 that are customized according to 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 utilized 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 utilized in setting up the digital trunking system and VSAT satellite system, which can be loaded on vehicles as operation integrated system.

The Group has completed the acquisition of communication resources in the PRC region (including Hong Kong and Macao) (“Thaicom-4 satellite”) from Ipstar Company Limited, including (i) the bandwidth capacity and the bandwidth capacity service and (ii) the right to use for the transmission of broadband Internet access and other applications. Thereafter, the Group has become one of the satellite operators in the PRC region providing communication bandwidth services. The Group has named the acquired satellite resources as “協同一號” (“Synertone 1”). It is expected that the provision of satellite bandwidth business will make remarkable contribution to the revenue and profit of the Group and will account of a significant proportion to the total assets of the Group in the foreseeable future. The said business contributed approximately HK\$47 million to the revenue of the Group during the year.

The Group is principally engaged in five major businesses, including (i) the digital trunking system business; (ii) the VSAT satellite system business; (iii) the system 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. Due to the original system maintenance and software upgrades of CITONE and Witone, some of the sales orders are delayed during the financial year and expected to pick up once the system maintenance and software upgrades are completed.

VSAT satellite system

On 5 December 2013, the Company entered into a strategic framework agreement with Nanjin China Spacenet Satellite Telecom Co., Limited. Pursuant to the strategic framework agreement, Nanjin China Spacenet Satellite Telecom Co., Limited had committed as a sales agent of the Company for the sale of satellite bandwidth and “On-the-move” products during a period from 5 December 2013 to 4 December 2015.

On 7 March 2014, the Company entered into a non-binding co-operative memorandum of understanding with China Telecom Satellite Communications Limited (“CTS”). Pursuant to which, CTS shall act as the principal agent of the Company in PRC to sell the Company’s “On-the-move” communication products in its product line and for related business cooperation and CTS shall become a strategic partner of the Company to develop the satellite communication industry in the PRC.

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 to conduct research and development and to design and develop particular technical know-how to meet their specifications and requirements and needs. During the year, the Group a record high HK\$16.3 million in relation to systems technologies and posted a desirable gross profit margin.

Synertone 1 satellite system

On 24 January 2014, the Company entered into an agreement with Shanghai Beidou Satellite Navigation Platform Co. Limited, in which Shanghai Beidou Satellite Navigation Platform Co. Limited guaranteed to lease “Synertone 1” satellite bandwidth and purchase terminal equipment from the Company for the period from 24 January 2014 to 23 January 2015.

On 19 June 2014, Synertone Communication Limited, a wholly-owned subsidiary of the Company, entered into a co-operative memorandum of understanding with China Great Wall Industrial (Hong Kong) Corp. Limited (“Great Wall HK”), regarding a possible construction of the “Synertone 2” communication satellite in order to meet the growing market in the PRC. Great Wall HK is engaged in the merchandising, contracting, developing, importing/exporting, and technological development of relevant electronic products in the commercial satellite industry.

Prospects

In addition to improving and developing our traditional business, the Group also contributed a lot in operational management in acquisition of satellite resources through strengthening cooperation with major communication providers in various areas, to improve satellite bandwidth services and increase income from the sale of terminal equipment; Meanwhile, the Group introduced new technologies to explore and research on the satellite resources, and prepared to, through technological cooperation and introduction, with cost and technological

advantages from the satellite resources, advance and update related technologies and equipment, and to develop new types of various application terminals, in order to launch integrated satellite communication application solution services.

Looking forward, it is expected that, with the steady development of China's economy, domestic demand for satellite communication network will increase continuously in the next few years, thereby providing enormous opportunities for the Group's development in the industry.

For future development of the Group's business and advancement of the Group's technology and products, the Company will keep exploring any possible opportunities in enhancing its value through investments in or acquisitions of relevant assets in the future.

Financial review

Turnover

The Group recorded a revenue of approximately HK\$174.4 million for the year ended 31 March 2014, representing an increase of approximately HK\$58.7 million or 50.7% from approximately HK\$115.7 million for the year ended 31 March 2013, mainly resulting from rally of traditional businesses, including the upgrading of VSAT system and the growth of the system technology business, as well as gain from the newly acquired Synertone 1 satellite system business..

During the year ended 31 March 2014, the Group derived its revenue substantially from digital trunking system. The following table sets forth a breakdown of revenue by product category for the years indicated:

| | 2014 | | 2013 | |
|--------------------------------------|----------------|--------------|----------------|--------------|
| | HK\$'000 | % | HK\$'000 | % |
| Digital trunking system | 83,261 | 47.7 | 106,768 | 92.3 |
| VSAT satellite system | 24,981 | 14.3 | 8,863 | 7.6 |
| Systems technologies | 16,348 | 9.4 | – | – |
| Synertone 1 satellite system | 47,449 | 27.2 | – | – |
| Other accessory parts and components | 2,382 | 1.4 | 59 | 0.1 |
| | <u>174,421</u> | <u>100.0</u> | <u>115,690</u> | <u>100.0</u> |

The sales of digital trunking system decreased by approximately HK\$23.5 million or 22.0% from approximately HK\$106.8 million for the year ended 31 March 2013 to approximately HK\$83.3 million for the year ended 31 March 2014. The decrease was mainly due to the decrease in sales of digital trunking systems as a result of delay of sales orders from some of its major customers of digital trunking mobile communication systems due to the original system maintenance and software upgrades. The sales of VSAT satellite system increase by approximately HK\$16.1 million or 181.9% from approximately HK\$8.9 million for the year ended 31 March 2013 to approximately HK\$25.0 million for the year ended 31 March 2014.

The increase in sales of the VSAT satellite system was mainly attributable to the global economic recovery which brings about the increasing demand of VSAT satellite system. Revenue derived from system technologies was HK\$16.3 million for the year ended 31 March 2014, primarily as a result of three technologies being licensed to the Group's customers for the year ended 31 March 2014, as compared to no technologies being licensed for the year ended 31 March 2013. For the year ended 31 March 2014, turnover of the Synertone 1 satellite system was approximately HK\$47.4 million, mainly attributable to the bandwidth rental service income from the new "Synertone 1" satellite of the Group. For the year ended 31 March 2014, sales of other accessory parts and components was approximately HK\$2.38 million.

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\$9.8 million or 23.6% from approximately HK\$41.6 million for the year ended 31 March 2013 to approximately HK\$51.4 million for the year ended 31 March 2014, mainly attributable to the increase in sales volume of its traditional businesses compared to last year, as well as the corresponding increase in sales cost.

Gross profit and gross profit margin

As a result of the foregoing factors, the gross profit of the Group increased by approximately HK\$49.0 million or 66.0% from approximately HK\$74.1 million for the year ended 31 March 2013 to approximately HK\$123.1 million for the year ended 31 March 2014, mainly attributable to the increase in income from its new Synertone 1 satellite system, the resource amortisation cost is accounted in the administration cost. The gross profit margin of the Group rose from approximately 64.1% for the year ended 31 March 2013 to approximately 70.5% for the year ended 31 March 2014, mainly due to the fact that, as compared to last year, the composition of gross profit of its newly acquired Synertone 1 satellite system business during the year is different from that of its traditional businesses, while certain fixed costs such as manufacturing overheads and labour costs have been relatively stable.

Other revenue

The other revenue of the Group amounted to approximately HK\$27.3 million for the year ended 31 March 2014, representing a decrease of approximately HK\$6.6 million or 19.4% from approximately HK\$33.9 million for the year ended 31 March 2013, mainly contributed by a grant of the value-added tax refund by the relevant government authority of approximately HK\$11.5 million, a decrease of approximately HK\$19.4 million from HK\$30.9 million of last year, as a financial support to the business of specialised communication system in which the Group is operating, and government grants of approximately HK\$14.6 million from relevant government bodies for the purpose of giving incentive to hi-tech enterprise, an increase of approximately HK\$12.4 million as compared to HK\$2.2 million of last year.

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately HK\$3.4 million or 28.4% from approximately HK\$12.0 million for the year ended 31 March 2013 to approximately HK\$8.6 million for the year ended 31 March 2014, 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\$44.5 million or 141.3% from approximately HK\$31.5 million for the year ended 31 March 2013 to approximately HK\$76.0 million for the year ended 31 March 2014, mainly attributable to the amortization of intangible resources incurred by its newly acquired Synertone 1 satellite system business during the year, resulting in the increase of approximately HK\$30.4 million in amortization cost.

Research and development expenditure

The research and development expenditure of the Group decreased by approximately HK\$1.3 million or 7.5% from approximately HK\$16.6 million for the year ended 31 March 2013 to approximately HK\$15.3 million for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in staff costs for the research and development of digital trunking mobile communication systems as the associated technologies have already been well developed.

Finance costs

The finance costs of the Group was HK\$11.6 million for the years ended 31 March 2014, mainly attributable to the finance fee of approximately HK\$9.6 million in relation to the finance lease payable of acquisition of Synertone 1 satellite bandwidth resources, as well as interest expense of approximately HK\$2.0 million.

Tax expense

The tax expense of the Group decreased by approximately HK\$3.1 million or 25.9% from approximately HK\$11.9 million for the year ended 31 March 2013 to approximately HK\$8.8 million for the year ended 31 March 2014, mainly attributable to the incurring and reversed of temporary difference.

Profit for the year

The Group's profits for the year decreased by approximately HK\$6.0 million or 16.6% from approximately HK\$36.0 million for the year ended 31 March 2013 to approximately HK\$30.0 million for the year ended 31 March 2014, mainly due to the fact that its newly acquired Synertone 1 satellite system business has yet to show its value, and the increase in management and listing expenses incurred by the newly developed business, as well as the increase in the provision of options granted.

Liquidity and capital resources

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has historically met 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 2013 and 2014:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Net cash generated from operating activities | 28,189 | 105,985 |
| Net cash used in investing activities | (73,334) | (56,553) |
| Net cash generated from financing activities | 8,710 | 36,095 |

Operating activities

Net cash generated from operating activities amounted to approximately HK\$28.2 million for the year ended 31 March 2014 compared to approximately HK\$106.0 million for the year ended 31 March 2013. The decrease was due to the combined effect of the increase in trade and other receivables of approximately HK\$55.6 million, and the increase in amortisation of intangible assets of approximately HK\$30.4 million.

Investing activities

Net cash used in investing activities amounted to approximately HK\$73.3 million for the year ended 31 March 2014 compared to approximately HK\$56.6 million for the year ended 31 March 2013. The increase in the net cash used in investing activities was mainly attributable to the acquisition of satellite bandwidth.

Financing activities

Net cash generated from financing activities amounted to approximately HK\$8.7 million for the year ended 31 March 2014 compared to approximately HK\$36.1 million for the year ended 31 March 2013.

Bank borrowings

As of 31 March 2014, the Group had outstanding bank borrowings of HK\$22.9 million. Such borrowing represents the bank credit facilities, which is granted without pledge.

Pledge of assets

As of 31 March 2014, the Group had no assets pledged for securing any credit facilities.

Contingent liabilities

As at 31 March 2014, the Group had no material contingent liabilities.

Significant capital expenditure for the year

The Group's capital expenditures for the year under review was approximately HK\$73.3 million which was mainly used for purchase of property, plant and equipment of HK\$27.6 million, and the purchase of the bandwidth capacity of Ipstar of HK\$46.8 million.

Employee and remuneration policy

As at 31 March 2014, the Group had 261 employees. For the year ended 31 March 2014, the staff cost of the Group was approximately HK\$44.7 million.

The Group's employee remuneration policy is determined based on a number of factors such as their 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 salary such as bonus may also be awarded to employees based on internal performance evaluation.

The Group invests 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 2014, the Company had used approximately HK\$34.5 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. And as at the date of this announcement, the Group has not yet fully utilised the proceeds from the Company's initial public offering.

Final Dividend

After the end of the reporting period, the Directors have proposed a final dividend of HK0.16 cents per ordinary share for the year ended 31 March 2014 to the Company's shareholders whose names appear on the register of members of the Company on 29 August 2014, subject to the approval of the shareholders of the Company in the Annual General Meeting ("AGM"). If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or around 11 September 2014.

Closure of Register of Members

For the purpose of ascertaining shareholders' entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Thursday, 28 August 2014 to Friday, 29 August 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to receive the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 28 August 2014.

Non-adjusting events after the reporting period

There were no significant events affecting the Group which have occurred since 31 March 2014.

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 2014.

Corporate Governance

During the year ended 31 March 2014, the Company has fully complied with the applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), 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. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive directors, non-executive director and independent non-executive directors.

Resignation and Appointment of Directors

On 14 May 2013, Mr. Wu Xiaowen tendered his resignation as an independent non-executive director, the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company due to his own decision to devote more time to his personal endeavours.

Following Mr. Wu's resignation, the number of independent non-executive directors and the members of the Audit Committee will fall below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules.

On 28 June 2013, the Board appointed Mr. Cai Youliang to fill a casual vacancy of the independent non-executive director and a member of Audit Committee and a member of the Remuneration Committee and the chairman of the Nomination Committee with effect from 2 July 2013.

On 13 December 2013, the Board appointed Dr. Wang Shaodong as an executive director with effect from 20 December 2013.

On 13 December 2013, Mr. Lu Zhijie tendered his resignation as an executive director with effect from 1 January 2014 due to his own decision to devote more time to his personal endeavours.

On 3 March 2014, the Board appoint Mr. Zhang Xuebin as a non-executive director with effect from 6 March 2014.

On 14 April 2014, Mr. Zhang Jinbing tendered his resignation as an executive director with effect from 14 April 2014 due to his own decision to devote more time to his personal endeavours.

Model Code for Securities Transactions by Directors

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code for the year ended 31 March 2014.

Audit Committee

An audit committee was established by the Company with written terms of reference in compliance with the Code. 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 Lam Ying Hung Andy, Hu Yunlin and Cai Youliang all being independent non-executive directors. Lam Ying Hung Andy is the chairman of the audit committee. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2014 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

Publication of Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.synertone.net). The annual report for the year ended 31 March 2014 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the same websites in due course.

For and on behalf of the Board
Synertone Communication Corporation
Wong Chit On
Chairman and executive director

Hong Kong, 30 June 2014

As at the date of this announcement, the executive directors of the Company are Mr. Wong Chit On, Mr. Han Weining and Dr. Wang Shaodong and non-executive director is Mr. Zhang Xuebin and the independent non-executive directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Cai Youliang.