Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016 AND RESUMPTION OF TRADING

The board (the "Board") of directors (the "Directors") of Synertone Communication Corporation (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016 together with the comparative figures for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	4	**106,376**	329,667
Cost of sales		**(117,504)**	(163,732)
Gross (loss)/profit		**(11,128)**	165,935
Other revenue and other net income	5	**23,946**	24,596
Selling and distribution expenses		**(8,060)**	(6,994)
Administrative and other operating expenses		**(85,695)**	(68,866)
Research and development expenditure	6(c)	**(33,477)**	(28,346)
Impairment loss of trade receivables	6(c)	**(61,207)**	–
Impairment loss of property, plant and equipment	6(c)	**(45,452)**	–
Impairment loss of intangible assets	6(c)	**(204,024)**	–
Impairment loss of goodwill	6(c)	**(31,063)**	–
(Loss)/profit from operations		**(456,160)**	86,325
Finance costs	6(a)	**(14,298)**	(22,577)
Share of results of an associate		**(97)**	–
(Loss)/profit before taxation	6	**(470,555)**	63,748
Income tax	7	**1,646**	(30,009)
(Loss)/profit for the year		**(468,909)**	33,739
Attributable to:			
Owners of the Company		**(469,702)**	33,739
Non-controlling interests		**793**	–
(Loss)/profit for the year		**(468,909)**	33,739
			(Restated)
(Loss)/earnings per share	8		
— Basic		**HK$(0.28)**	HK$0.02
— Diluted		**HK$(0.28)**	HK$0.02

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(468,909)**	33,739
Other comprehensive loss 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	**(22,486)**	(701)
Other comprehensive loss for the year, net of tax	**(22,486)**	(701)
Total comprehensive (loss)/income for the year (net of tax)	**(491,395)**	33,038
Attributable to:		
Owners of the Company	**(493,605)**	33,038
Non-controlling interest	**2,210**	–
	(491,395)	33,038

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**80,484**	71,904
Prepaid lease payments		**9,163**	–
Intangible assets		**375,584**	614,610
Goodwill		**214,960**	34,814
Interests in an associate		**2,844**	–
Available-for-sale investments		**3,900**	3,900
Derivative financial instruments		**95,235**	–
Prepayment for acquisition of property, plant and equipment	*9*	**8,901**	–
		791,071	725,228
Current assets			
Inventories		**37,746**	3,713
Trade and other receivables	*9*	**277,994**	345,714
Prepaid lease payments		**207**	–
Cash and cash equivalents		**12,421**	54,064
		328,368	403,491
Current liabilities			
Bank and other borrowings		**137,333**	44,439
Trade and other payables	*10*	**84,229**	75,831
Finance leases payables		**71,146**	49,810
Amount due to a director		**1**	1
Current taxation		**10,435**	26,789
		(303,144)	(196,870)
Non-current liabilities			
Bank and other borrowings		**3,600**	–
Finance leases payables		**355,523**	388,419
Deferred tax liabilities		**32,874**	22,159
		(391,997)	(410,578)
Net assets		**424,298**	521,271

	Note	2016 HK$'000	2015 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**83,720**	64,450
Reserves		**281,216**	456,821
		364,936	521,271
Non-controlling interests		**59,362**	–
Total equity		**424,298**	521,271

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1. SIGNIFICANT ACCOUNTING POLICIES

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies 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.

2. 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 HKAS 19	Defined Benefits Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

Except as described below, the application of the amendments to 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 these consolidated financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. During the year ended 31 March 2016, the Group has acquired MOX Products Pty Limited and Sense Field Group Limited. Consequently, two new segments, Building Intelligence and Smart Home and Industrial Control System, have been included in segment reporting.

In a manner consistent with the way in which information is reported internally to the chief executive officer of the Company, 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, 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 represent provision of satellite bandwidth capacity and communication services application.
Building Intelligence and Smart Home:	Building intelligence and smart home segment provides customers with (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home devices systems for new and existing households.
Industrial Control System:	Industrial control system segment mainly provides customers with (i) automation hardware and software products and information system platform, as well as (ii) the industrial and monitoring and scheduling management system solutions for municipal utilities industry.

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 chief executive officer 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 and other 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 prepaid lease payments and intangible assets, depreciation of property, plant and equipment, write down of inventories, reversal of write down of inventories, impairment loss of property, plant and equipment, intangible assets, goodwill and trade receivables, 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 chief executive officer for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is as follows:

	2016							
	Digital trunking system *HK$'000*	VSAT satellite system *HK$'000*	Systems technologies *HK$'000*	Synertone 1 satellite system *HK$'000*	Building intelligence and smart home *HK$'000*	Industrial control system *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers *(note)*	39,011	1,195	–	15,308	32,896	17,011	955	106,376
Inter-segment revenue	–	–	–	–	–	–	–	–
Reportable segment revenue	39,011	1,195	–	15,308	32,896	17,011	955	106,376
Reportable segment profit/(loss) (adjusted EBIT)	(135,884)	(41,543)	–	(260,971)	(1,185)	(5,258)	273	(444,568)
Interest income	67	8	–	2	–	1	–	78
Value-added taxes refund	7,523	–	–	–	4,529	–	–	12,052
Finance costs	(2,918)	(103)	–	(9,548)	(1,729)	–	–	(14,298)
Amortisation of prepaid lease payments	–	–	–	–	(71)	–	–	(71)
Amortisation of intangible assets	(9,041)	–	–	(65,300)	(3,219)	(486)	–	(78,046)
Depreciation of property, plant and equipment	(9,043)	(3,082)	–	–	(1,525)	(66)	–	(13,716)
Write down of inventories	(2,045)	–	–	–	–	–	–	(2,045)
Reversal of write down of inventories	2,945	–	–	–	–	–	–	2,945
Impairment loss of:								
— Property, plant and equipment	(44,872)	(580)	–	–	–	–	–	(45,452)
— Intangible assets	–	–	–	(204,024)	–	–	–	(204,024)
— Goodwill	(31,063)	–	–	–	–	–	–	(31,063)
— Trade receivables	(38,072)	(15,545)	–	–	(2,098)	(5,492)	–	(61,207)
Research and development expenditure	(31,531)	(1,946)	–	–	–	–	–	(33,477)
Income tax credit/(expenses)	1,973	–	–	(327)	–	–	–	1,646
Reportable segment assets	224,781	52,256	–	299,550	312,250	226,577	–	1,115,414
Additions to non-current segment assets								
— Prepaid lease payments	–	–	–	–	9,432	–	–	9,432
— Property, plant and equipment	11,501	3,698	–	–	57,845	516	–	73,560
— Intangible assets	–	–	–	–	40,302	6,332	–	46,634
	11,501	3,698	–	–	107,579	6,848	–	129,626
Reportable segment liabilities	81,532	6,997	–	423,574	149,645	15,907	–	677,655
Customer A	24,147	–	–	–	–	–	277	24,424
Customer B	12,530	–	–	–	–	–	–	12,530
Customer C	–	–	–	12,036	–	–	–	12,036
	36,677	–	–	12,036	–	–	277	48,990

	2015					
	Digital trunking system *HK$'000*	VSAT satellite system *HK$'000*	Systems technologies *HK$'000*	Synertone 1 satellite system *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers *(note)*	134,376	20,845	17,664	151,635	5,147	329,667
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	134,376	20,845	17,664	151,635	5,147	329,667
Reportable segment profit/(loss) (adjusted EBIT)	22,121	637	8,917	71,392	(313)	102,754
Interest income	543	34	115	–	–	692
Value-added taxes refund	9,339	576	1,987	–	–	11,902
Finance costs	(2,525)	(156)	(537)	(18,964)	–	(22,182)
Amortisation of intangible assets	(6,514)	(79)	(274)	(65,314)	–	(72,181)
Depreciation of property, plant and equipment	(7,861)	(829)	(1,631)	–	–	(10,321)
Write down of inventories	(7,842)	(484)	(1,668)	–	–	(9,994)
Reversal of write down of inventories	3,040	188	647	–	–	3,875
Research and development expenditure	(22,242)	(1,373)	(4,731)	–	–	(28,346)
Income tax expenses	(13,008)	(666)	(2,294)	(14,041)	–	(30,009)
Reportable segment assets	371,252	18,035	54,191	681,088	–	1,124,566
Additions to non-current segment assets						
— Property, plant and equipment	5,190	559	1,104	–	–	6,853
— Intangible assets	73,736	–	–	–	–	73,736
	78,926	559	1,104	–	–	80,589
Reportable segment liabilities	85,015	9,369	14,347	464,626	–	573,357
Customer A	–	1,346	–	140,410	–	141,756
Customer B	99,409	16,780	17,664	–	4,480	138,333
Customer C	7,581	–	–	–	–	7,581
Customer D	16,124	–	–	–	–	16,124
	123,114	18,126	17,664	140,410	4,480	303,794

Note: Revenue of three (2015: two) customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2016 are set out above.

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**106,376**	329,667
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**106,376**	329,667
(Loss)/profit		
Reportable segment (loss)/profit	**(444,568)**	102,754
Elimination of inter-segment profits	**–**	–
Reportable segment (loss)/profit derived from Group's external customers	**(444,568)**	102,754
Interest income	**78**	700
Finance costs	**(14,298)**	(22,577)
Unallocated corporate expenses	**(11,767)**	(17,129)
Consolidated (loss)/profit before taxation	**(470,555)**	63,748
Assets		
Reportable segment assets	**1,115,414**	1,124,566
Elimination of inter-segment receivables	**–**	–
	1,115,414	1,124,566
Available-for-sale investments	**3,900**	3,900
Unallocated corporate assets	**125**	253
Consolidated total assets	**1,119,439**	1,128,719
Liabilities		
Reportable segment liabilities	**677,655**	573,357
Elimination of inter-segment payables	**–**	–
	677,655	573,357
Amount due to a director	**1**	1
Unallocated corporate liabilities	**17,485**	34,090
Consolidated total liabilities	**695,141**	607,448

(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, prepaid lease payments, intangible assets, goodwill and prepayment for acquisition of property, plant and equipment ("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 prepaid lease payments and property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill. In the case of interests in an associate, it is the location of operations of such associate.

	Revenue from external customers		**Non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**6,026**	1,638
PRC	**106,180**	329,667	**685,910**	719,690
Overseas	**196**	–	**–**	–
	106,376	329,667	**691,936**	721,328

(d) Information about products and services

The Group's revenue from external customers for each principal type of products were set out in note 4.

4. REVENUE

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, (iii) provision of Synertone 1 satellite bandwidth capacity and communication services application, (iv) design, development and sale of automation control systems for industrial use and (v) design, research and developments manufacture and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC.

Revenue 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:

	2016	2015
	HK$'000	*HK$'000*
Digital trunking system	**39,011**	134,376
VSAT satellite system	**1,195**	20,845
Systems technologies	**–**	17,664
Other accessory parts and components	**955**	5,147
Synertone 1 satellite system	**15,308**	151,635
Building intelligence and smart home	**32,896**	–
Industrial control system	**17,011**	–
	106,376	329,667

5. OTHER REVENUE AND OTHER NET INCOME

	2016	2015
	HK\$'000	*HK\$'000*
Bank interest income from bank deposits *(note a)*	**78**	700
Government grants *(note b)*	**1,597**	11,911
Value-added taxes refund *(note c)*	**12,052**	11,902
Fair value change on derivative financial instruments	**9,082**	–
Sundry income	**1,137**	83
	23,946	24,596

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.

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging the following:

(a) Finance costs

	2016	2015
	HK\$'000	*HK\$'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on bank borrowings	**4,621**	3,217
Effective interest expenses on convertible notes payables	**–**	395
Finance charges on finance lease payables	**9,677**	18,965
	14,298	22,577

(b) Staff costs

	2016	2015
	HK\$'000	*HK\$'000*
Salaries, wages and other benefits	**53,523**	58,552
Contributions to defined contribution retirement plans	**3,643**	1,057
Equity-settled share-based payment expenses	**8,067**	8,128
	65,233	67,737

(c) Other items

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**1,180**	910
Cost of inventories	**38,400**	76,062
Amortisation of prepaid lease payments	**71**	–
Amortisation of intangible assets	**78,046**	72,181
Depreciation of property, plant and equipment	**13,716**	10,321
Net loss on disposal of property, plant and equipment	**281**	985
Net exchange loss	**1,307**	752
Impairment loss of trade receivables	**61,207**	–
Impairment loss of property, plant and equipment	**45,452**	–
Impairment loss of intangible assets	**204,024**	–
Impairment loss of goodwill	**31,063**	–
Operating lease charges in respect of leased property	**7,240**	4,749
Research and development expenditure*	**33,477**	28,346

* Research and development expenditure for the year ended 31 March 2016 included approximately HK$16,521,000 (2015: HK$13,406,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 6(b).

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

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

	2016	2015
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (d))*	**328**	29,982
Over-provision in respect of prior year		
PRC EIT	**(13)**	–
Deferred tax		
Origination and reversal of temporary differences	**(1,961)**	(1,991)
Attributable to a change in the tax rate	**–**	2,018
	(1,646)	30,009

Notes:

(a) 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.

(b) 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.

(c) 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.

(d) One of the 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 is valid for three years starting from 19 June 2015. During the year ended 31 March 2015, as 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 ended 31 March 2015.

Pursuant to the relevant laws and regulations in the PRC, one of the PRC subsidiaries of the Group, 萬科思自控信息(中國)有限公司, is exempted from PRC EIT for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

Other PRC subsidiaries of the Group are subject to PRC EIT at 25% (2015: 25%).

(e) 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 2016, withholding income tax rate of Synertone Technology was 10% (2015: increased from 5% to 10%).

Deferred tax liabilities of approximately HK$2,700,000 (2015: HK$4,659,000) 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 2016.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK$469,702,000 (2015: profit of HK$33,739,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company	**(469,702)**	33,739

Weighted average number of ordinary shares (basic)

	2016	2015
	'000	*'000*
		(note)
Issued ordinary shares at beginning of the year	**1,289,000**	1,264,000
Effect of shares issued under acquisition of subsidiaries	**163,286**	–
Effect of shares issued upon conversion of convertible bonds	**–**	8,082
Effect of shares issued under rights issue	**250,536**	219,449
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,702,882**	1,491,531

Notes:

(i) The weighted average number of shares used in the calculation of basic (loss)/earning per share for the year has been adjusted for the shares issued under rights issue which become effective on 28 April 2016.

(ii) For the year ended 31 March 2015, the weighted average number of ordinary shares has been adjusted for the effect of share consolidation which occurred during the year ended 31 March 2016.

(b) Diluted (loss)/earnings per share

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company (diluted)	**(469,702)**	33,739

Weighted average number of ordinary shares (diluted)

	2016	2015
	'000	*'000*
		(note)
Weighted average number of shares	**1,702,822**	1,491,531
Effect of deemed issue of shares from exercise of warrants	**–**	11,096
Effect of deemed issue of shares under share option scheme	**–**	11,515
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**1,702,822**	1,514,142

For the year ended 31 March 2016, the computation of diluted loss per share did not assume the exercise of warrants and the exercise of the Company's outstanding share options as the exercise prices higher than the average market price per share.

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

Note: For the year ended 31 March 2015, the weighted average number of ordinary shares has been adjusted for the effect of share consolidation which occurred during the year ended 31 March 2016.

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**198,234**	321,014
Less: Allowance for doubtful debts	**(61,207)**	–
	137,027	321,014
Other receivable	**92,765**	–
Bills receivable	**349**	–
Advance to suppliers	**25,812**	691
Advance to staff	**1,251**	515
VAT receivables	**2,929**	61
Loans and receivables	**260,133**	322,281
Other deposits and prepayments	**26,762**	23,433
	286,895	345,714
Reconciliation to the consolidated statement of financial position:		
Non-current	**8,901**	–
Current	**277,994**	345,714
	286,895	345,714

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

	2016	2015
	HK$'000	*HK$'000*
0–60 days	**19,368**	57,222
61–90 days	**6,040**	80
91–180 days	**36,258**	49,663
181–365 days	**58,555**	213,414
Over 365 days	**78,013**	635
	198,234	321,014
Less: Impairment loss on trade receivables	**(61,207)**	–
	137,027	321,014

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

10. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**26,036**	23,683
Bill payables	**4,026**	–
Accrued salaries	**4,784**	8,389
Accrued expenses and other payables	**40,611**	34,423
Financial liabilities measured at amortised cost	**75,457**	66,495
Deposits received from customers	**4,681**	3,823
Other tax payables	**4,091**	5,513
	84,229	75,831

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

	2016	2015
	HK$'000	*HK$'000*
0–60 days	**2,472**	2,233
61–90 days	**1,145**	–
91–180 days	**1,898**	4,492
181–365 days	**5,962**	12,587
Over 365 days	**14,559**	4,371
	26,036	23,683

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

11. DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the years ended 31 March 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a provider of integrated satellite broadband communication systems. The Group provides customers with (i) the high-throughput satellite (HTS) bandwidth transmission services; (ii) satellite broadband Internet access and applications; (iii) ground equipment and solutions for satellite communications; and (iv) building intelligence and industrial control systems and solutions. Through its own research and development efforts as well as the acquisition of the related intellectual property rights and technologies from third parties, the Group designs and develops products, solutions and services for satellite broadband communication systems. The Group also provides specialised communications network designs and implementation solutions to address the specific needs of its customers. In addition, the Group, through its newly acquired subsidiaries, MOX Products Pty Limited ("MOX") and Sense Field Group Limited ("Sense Field"), is engaged in building intelligence and security alarm industry solutions, smart home system solutions, industrial control system solutions, and internet-based intelligent management solutions.

The principal businesses of the Group include (i) Synertone 1 satellite system business; (ii) the VSAT satellite system business; (iii) building intelligence and smart home business; (iv) industrial control system business; (v) the digital trunking system business; and (vi) other ancillary businesses.

Synertone 1 Satellite System

Synertone 1 satellite system business mainly provides customers with (i) the high-throughput satellite (HTS) bandwidth transmission service; and (ii) the satellite broadband Internet access and applications.

The Company has entered into a memorandum of understanding with Gilat Satellite Networks Ltd. ("Gilat"), a public company headquartered in Israel that develops and sells a wide range of satellite ground segment equipment and Very Small Aperture Terminal, on 20 November 2015 for developing a strategic cooperation in the areas of Synertone 1 ground system upgrade, manufacturing of satellite communication products, and the research and development of the next generation of satellite communication products. On the same date, the Group has also entered into the sales agreement with Gilat for purchasing gateway equipment, a right to use the NMS software and related technical support services at a total consideration of US$12,392,924 (equivalent to approximately HK$96,700,000). The purchase of equipment from Gilat under the sales agreement represent part of the Group's ordinary investments in upgrading its ground network segment of Synertone 1 satellite and thereby increase the capacity of Synertone 1 satellite substantially, allowing it to support more application scenarios, and improve the service quality. Details of the aforesaid memorandum of understanding and sales agreement are set out in the Company's announcement dated 20 November 2015.

During the year under review, Synertone 1 satellite system business recorded an income of HK$15.3 million, representing a relatively large decrease as compared with last year, mainly attributable to the Group's commencement of the comprehensive technology upgrade for Synertone 1 satellite system during the year and the suspension of part of its business due to the upgrade. The Group expects the new system and application can be put into operation in the coming year.

VSAT Satellite System

VSAT satellite system is a component of the broadband satellite communication system, which enables and maintains communication in-motion. The Group provides different solutions to various applications with different VSAT satellite systems, including (i) vehicle satellite communication system; (ii) shipping satellite communication system; and (iii) fixed station satellite communication system.

During the year under review, the Group focused on the development of the VSAT satellite system and the technology upgrades for Synertone 1 satellite system, and completed the design and development of a wide range of VSAT satellite products to meet the application requirements of the upgraded Synertone 1 satellite system.

During the year under review, VSAT satellite system business recorded an income of HK$1.2 million, representing a relatively large decrease as compared with last year.

Industrial Control System Business through MOX

Industrial Control System business mainly provides customers with (i) automation hardware and software products and information system platform, as well as (ii) the industrial and monitoring and scheduling management system solutions for municipal utilities industry.

The Group has acquired 100% equity interests in MOX from an independent vendor at a consideration of HK$302 million, payable by issuing 604,000,000 consideration shares at the issue price of HK$0.50 each on 17 July 2015 ("Acquisition of 100% interest in MOX"). MOX, through its wholly-owned subsidiaries namely 萬科思自動化(上海)有限公司 (Wankesi Automation (Shanghai) Company Ltd.) and 悉雅特萬科思自動化(杭州)有限公司 (Xiyate Wankesi Automation (Hangzhou) Company Ltd.) ("Hangzhou Wankesi"), is principally engaged in the design, development and sales of automation control systems for industrial use. As a result, 604,000,000 consideration shares have been issued as consideration upon the completion of the acquisition on 17 July 2015. Such acquisition would enable the Group to broaden its customer base by integrating Hangzhou Wankesi's existing customers which have strong demand for the Group's existing products and the automation control systems provided by Hangzhou Wankesi would become more reliable and efficient with the support of Synertone 1 satellite brandwidth. Details of the Acquisition of 100% interest in MOX and the issue of 604,000,000 consideration shares are set out in the Company's announcements dated 30 June 2015, 3 July 2015 and 17 July 2015.

During the year under review, industrial control system business recorded an income of HK$17.0 million.

Digital Trunking System

Digital trunking system is designed to meet the demand from governmental departments, public utility institutions and business enterprises for public safety and emergency communications. 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 year under review, digital trunking system business recorded an income of HK$39 million, representing a relatively large decrease as compared with last year.

Building Intelligence and Smart Home Business through Sense Field

Building Intelligence and Smart Home business mainly provides customers with (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home devices and systems for households.

The Group has acquired 49% equity interests in Sense Field from independent vendors at a consideration of HK$195 million, payable by issuing 1,323,000,000 consideration shares at the issue price of approximately HK$0.1474 each on 16 December 2015 ("Acquisition of 49% interest in Sense Field"). Sense Field and its group of companies ("SF Group") are principally engaged in the research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for building across the PRC. As a result, 1,323,000,000 consideration shares have been issued as consideration upon the completion of the acquisition on 16 December 2015. Such acquisition would enable the Group to diversify its customers' base in the private sector, particularly with regard to property development companies in the PRC, and also to provide services to the existing and potential customers of SF Group through the Group's existing satellite communication capabilities. Details of the Acquisition of 49% interest in Sense Field and the issue of 1,323,000,000 consideration shares are set out in the Company's announcements dated 27 November 2015 and 16 December 2015.

During the year under review, building intelligence and smart home business recorded an income of HK$32.9 million.

OTHER SIGNIFICANT EVENTS

Termination of the subscription agreement relating to the Convertible Bonds

On 15 January 2014, the Group and Regal Force Limited (the "Subscriber") entered into a subscription agreement ("Subscription Agreement"), pursuant to which the Company had agreed to issue and Regal Force Limited had agreed to subscribe for the convertible bonds in the aggregate principal amount of HK$500,000,000 ("Convertible Bonds") in tranches in accordance with the written demands to be made by the Company within 2 years from 15 January 2014. During the year ended 31 March 2014, the Group, for the first time, issued a written demand to the Subscriber for the subscription of the Convertible Bonds in a principal amount of HK$50,000,000. The Group received the subscription money and the Subscriber subsequently exercised the conversion rights attached to the Convertible Bonds to convert an aggregate principal amount of HK$50,000,000 of the Convertible Bonds into 125,000,000 conversion shares at the conversion price of HK$0.40 per conversion share. On 15 July 2015, a second written demand was issued to the Subscriber for the subscription of the Convertible Bonds in a principal amount of HK$445,000,000 (the "Subscription Money"). The Subscriber has neither paid the Subscription Money nor made any response to the written demand on or before 15 August 2015. On 31 August 2015, the Company, via the Company's legal adviser, issued a letter to the Subscriber for accepting the Subscriber's repudiation of the subscription agreement and the subscription agreement was thereby terminated.

Termination of the memorandum of understanding in respect of the subscription of new shares

On 10 October 2014, the Company and Mr. Wong Chit On ("Mr. Wong"), the Chairman of the Board and an executive Director, entered into the memorandum of understanding ("MOU") (which is legally binding) with an independent 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 by cash. On 10 April 2015, the parties entered into a supplemental MOU 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 parties have not reached an agreement for further extension, the MOU was terminated on 6 June 2015.

Prospects

Looking forward, the Group expects that the technology upgrade of Synertone 1 satellite system will be completed in stages and the new high-throughput satellite (HTS) system products and integrated satellite solutions will be available to the customers from various industries. The recent innovation in technologies for the satellite industry will usher in a brand new era in satellite broadband communications. The Group is poised to seize the opportunities to gain greater achievements by promoting its newly developed products and upgraded systems, through constant innovation in its technology, business and services.

Financial review

Turnover

The Group recorded a revenue of approximately HK$106.4 million for the year ended 31 March 2016, representing a decrease of approximately HK$223.3 million or 67.7% as compared to approximately HK$329.7 million for the year ended 31 March 2015. It was mainly attributable to the technology upgrade for Synertone 1 satellite system during the year which resulted in the suspension of some business and the adjustment of some business market and opportunities, leading to lower revenue.

During the year ended 31 March 2016, the Group derived its revenue substantially from digital trunking system and building intelligence and smart home. The following table sets forth a breakdown of revenue by product category for the years presented:

	2016		2015	
	HK$'000	***%***	*HK$'000*	*%*
Digital trunking system	**39,011**	**36.7**	134,376	40.8
VSAT satellite system	**1,195**	**1.1**	20,845	6.3
Systems technologies	**–**	**–**	17,664	5.4
Synertone 1 satellite system	**15,308**	**14.4**	151,635	46.0
Building intelligence and smart home	**32,896**	**30.9**	–	–
Industrial control system	**17,011**	**16.0**	–	–
Other accessory parts and components	**955**	**0.9**	5,147	1.5
	106,376	**100.0**	329,667	100.0

The sales of digital trunking system decreased by approximately HK$95.4 million or 71.0% from approximately HK$134.4 million for the year ended 31 March 2015 to approximately HK$39.0 million for the year ended 31 March 2016. It was mainly due to the fluctuant demand from certain major customers as a result of the economic fluctuations and economic reform. The sales of VSAT satellite system decreased by approximately HK$19.6 million or 94.2% from approximately HK$20.8 million for the year ended 31 March 2015 to approximately HK$1.2 million for the year ended 31 March 2016. The turnover of the Synertone 1 satellite system decreased by approximately HK$136.3 million or 89.9% from approximately HK$151.6 million for the year ended 31 March 2015 to approximately HK$15.3 million to the year ended 31 March 2016, mainly due to the technology upgrade for Synertone 1 satellite system.

Cost of sales

Cost of sales of the Group comprises costs of raw materials, labour costs, manufacturing overheads and amortisation of intangible assets. It decrease by approximately HK$46.2 million or 28.2% from approximately HK$163.7 million for the year ended 31 March 2015 to approximately HK$117.5 million for the year ended 31 March 2016, mainly attributable to the decrease of revenue.

Gross (loss)/profit and gross (loss)/profit margin

As a result of the foregoing factors, the gross profit of the Group decreased by approximately HK$177.0 million or 106.7% from a gross profit of approximately HK$165.9 million for the year ended 31 March 2015 to a gross loss of approximately HK$11.1 million for the year ended 31 March 2016, mainly attributable to the decrease in income from Synertone 1 satellite system and digital trunking system. And the gross profit margin of the Group dropped from approximately 50.3% for the year ended 31 March 2015 to a gross loss margin of approximately 10.5% for the year ended 31 March 2016.

Other revenue

The other revenue of the Group amounted to approximately HK$23.9 million for the year ended 31 March 2016, representing a decrease of approximately HK$0.7 million or 2.9% from approximately HK$24.6 million for the year ended 31 March 2015.

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately HK$1.1 million or 15.7% from approximately HK$7.0 million for the year ended 31 March 2015 to approximately HK$8.1 million for the year ended 31 March 2016, mainly due to the new business acquisitions which led to an expansion of the scale during the year.

Administrative and other operating expenses

The administrative and other operating expenses of the Group increased by approximately HK$16.8 million or 24.4% from approximately HK$68.9 million for the year ended 31 March 2015 to approximately HK$85.7 million for the year ended 31 March 2016, mainly attributable to the new business acquisitions which led to an expansion of the scale during the year.

Research and development expenditure

The research and development expenditure of the Group surged by approximately HK$5.2 million or 18.4% from approximately HK$28.3 million for the year ended 31 March 2015 to approximately HK$33.5 million for the year ended 31 March 2016. 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 to developing future new products, with a view to minimising the decline in and fluctuations of the life cycles and competitiveness of the products.

Finance costs

The finance costs of the Group was HK$14.3 million for the year ended 31 March 2016, mainly attributable to the finance fee of approximately HK$9.7 million mainly in relation to the finance charges on finance lease payable of acquisition of Synertone 1 satellite bandwidth resources.

Income tax

The tax expense of the Group decreased by approximately HK$28.4 million or 94.7% from approximately HK$30.0 million for the year ended 31 March 2015 to approximately HK$1.6 million for the year ended 31 March 2016, mainly attributable to the decrease in direct tax expense as a result of the decreased in revenue.

Loss for the year

Given the foregoing factors, the Group recorded the loss attributable to the owner of the Company of approximately HK$469.7 million for the year ended 31 March 2016, while the profit attributable to the owner of the Company for the last financial year was approximately HK$33.7 million.

Capital structure, liquidity and financial resources

Share Consolidation

At an extraordinary general meeting held on 23 March 2016 ("EGM"), the shareholders of the Company ("Shareholders") approved an ordinary resolution to consolidate every five (5) issued and unissued shares of par value of HK$0.01 each ("Old Shares") into one (1) consolidated share of par value of HK$0.05 each ("Shares") ("Share Consolidation"). Prior to the Share Consolidation, the authorised share capital of the Company was HK$200,000,000 divided into 20,000,000,000 Old Shares, of which 8,372,000,000 Old Shares were in issue and were fully paid or credited as fully paid. Upon the implementation of the Share Consolidation on 24 March 2016, the authorised share capital of the Company had become HK$200,000,000 divided into 4,000,000,000 Shares and the number of issued Shares (which were fully paid or credited as fully paid) was reduced to 1,674,400,000.

Increase in Authorised Share Capital

At the EGM, the Shareholders also passed an ordinary resolution to increase the authorised share capital of the Company which took effect immediately after the Share Consolidation on 24 March 2016, such that the authorised share capital of the Company was increased from HK$200,000,000 divided into 4,000,000,000 Shares to HK$400,000,000 divided into 8,000,000,000 Shares by the creation of an additional 4,000,000,000 Shares ("Increase in Authorised Share Capital"), which rank pari passu in all respects with each other.

Further details on the Share Consolidation and Increase in Authorised Share Capital are set out in the Company's announcements dated 5 February 2016 and 23 March 2016, and the Company's circular dated 7 March 2016.

Rights Issue

At the EGM, the independent Shareholders also passed an ordinary resolution which subject to, amongst others, the Share Consolidation and the Increase in Authorised Share Capital becoming effective, to implement a rights issue, by way of the issue of not less than 1,674,400,000 Shares and not more than 1,829,279,995 Shares ("Rights Shares"), on the basis of one Rights Share for every one Share held on the record date i.e. 6 April 2016 ("Record Date") at the subscription price of HK$0.125 per share ("Rights Issue") to raise a minimum gross proceeds of approximately HK$209.3 million. Pursuant to the ordinary resolution approving the Right Issue, the Company provisionally allotted to the qualifying shareholders one (1) Rights Share in nil-paid form for every one (1) Share in issue and held on the Record

Date, as detailed in the prospectus of the Company dated 7 April 2016 (the "Prospectus"). Pursuant to the underwriting agreement dated 5 February 2016 (as supplemented on 26 February 2016) entered into between the Company and Excel Time Investments Limited ("Underwriter"), a company whose entire issued share capital is beneficially owned by Mr. Wong, the Rights Issue was fully underwritten.

The Rights Issue was subsequently completed on 28 April 2016 and a total of 1,674,400,000 Rights Shares were issued. The net proceeds, after deducting all necessary expenses, raised from the Rights Issue were approximately HK$206.2 million, which were intended to be used according to the prospectus of the Company dated 7 April 2016. Details of the Rights Issue were set out in the Company's announcements dated 5 February 2016, 23 March 2016 and 28 April 2016, the Company's circular dated 7 March 2016 and the Company's prospectus dated 7 April 2016.

As at 31 March 2016, the Company's total issued shares were 1,674,400,000 Shares (31 March 2015: 6,445,000,000 Old Shares). As disclosed above, during the year under review, the Company completed the Acquisition of 100% interest in MOX and the Acquisition of 49% interest in Sense Field and 604,000,000 Old Shares and 1,323,000,000 Old Shares were issued on 17 July 2015 and 16 December 2015 respectively.

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 current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2016 was approximately 1.1 (31 March 2015: approximately 2.0). 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 2016 was 130.0% (31 March 2015: 82.2%).

The following table summarises the cash flows for the two years ended 31 March 2015 and 2016:

	2016	2015
	HK$'000	*HK$'000*
Net cash generated from operating activities	**21,238**	22,817
Net cash used in investing activities	**4,876**	(66,906)
Net cash generated from/(used in) financing activities	**(24,189)**	7,768

Operating activities

Net cash generated from operating activities amounted to approximately HK$21.2 million for the year ended 31 March 2016 compared to approximately HK$22.8 million for the year ended 31 March 2015.

Investing activities

Net cash used in investing activities amounted to approximately HK$4.9 million for the year ended 31 March 2016 compared to approximately HK$66.9 million for the year ended 31 March 2015. The decrease in the net cash used in investing activities was mainly attributable to the decrease of payment of the acquisition of subsidiaries.

Financing activities

Net cash generated from financing activities amounted to approximately HK$24.2 million for the year ended 31 March 2016 compared to net cash used in financing activities amounted to approximately HK$7.8 million for the year ended 31 March 2015.

Bank borrowings

As at 31 March 2016, the Group had outstanding bank borrowings of HK$129.7 million, among which bank borrowings amounting to approximately HK$97.1 million were secured by the Group's assets.

Contingent liabilities

As at 31 March 2016, the Group had no material contingent liabilities.

Significant capital expenditure for the year

Save as disclosed above, the Group has no significant capital expenditure commitments as at 31 March 2016.

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 2016.

Employee and remuneration policy

As at 31 March 2016, the Group had 465 employees. For the year ended 31 March 2016, the staff costs (including Directors' remuneration) of the Group amounted to approximately HK$65.2 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 2016, the Company had 68,600,000 share options outstanding under the share option scheme.

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.

EVENT AFTER THE REPORTING PERIOD

Completion of Rights Issue

As disclosed above, the Rights Issue was subsequently completed on 28 April 2016 and a total of 1,674,400,000 new Shares were issued.

Further Acquisition of 36% interest in Sense Field

As set out in the Company's prospectus dated 7 April 2016 in relation to the Rights Issue, the Company intends to raise additional fund to acquire future equity stakes in Sense Field beyond 50% thereby securing a control over the SF Group.

On 29 June 2016, the Company entered into a conditional agreement with the three current shareholders of Sense Field ("Vendors") for the acquisition of a further 36% equity interest in Sense Field for a consideration of HK$130 million to be satisfied by cash. The proposed acquisition is subject to the approval of the shareholders of the Company. The Directors are of the view that the proposed acquisition would enable the Group to consolidate and secure control over the SF Group which would allow it to better diversify its customers' base in the private sector, particularly with regard to property development companies in the PRC. Details of the proposed acquisition were set out in the announcement of the Company dated 29 June 2016. As at the date of the approval of these consolidated financial statements, the proposed acquisition has not yet completed and a circular containing more information on the proposed acquisition will be despatched to the shareholders of the Company in due course.

OTHER INFORMATION

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 March 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 March 2016.

CORPORATE GOVERNANCE PRACTICES

The Directors consider that throughout the year ended 31 March 2016, 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 of Hong Kong Limited ("Stock Exchange") ("Listing Rules"), except for the following deviations from certain code provisions:

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

Mr. Wong served as both the chairman of the Board ("Chairman") and chief executive officer of the Company ("CEO") until 25 June 2015. In line with the development of the Company and for the enhancement of corporate governance of the Company, Mr. Wong has voluntarily tendered his resignation as the CEO on 25 June 2015, but remains as the Chairman and an executive Director. On the same date, Mr. Han Weining, an executive Director, was appointed as the CEO. Since then, the roles of Chairman and CEO have been separated and performed by different individuals, and therefore, the Company has complied with the Code provision A.2.1.

Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting.

Mr. Wong, the Chairman of the Board, was not able to attend the annual general meeting of the Company held on 30 September 2015 due to another important business meeting.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for securities transactions by Directors. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standards set out in the Model Code during the year ended 31 March 2016.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference and revised from time to time to comply with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review the financial reporting process and internal control and risk management system of the Group. The Audit

Committee currently comprises three independent non-executive Directors, Mr. Lam Ying Hung Andy (as chairman), Mr. Hu Yunlin and Mr. Wang Chen. 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 consolidated financial statements of the Group for the year ended 31 March 2016 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the results announcement of the Group for the year ended 31 March 2016 have been reviewed and agreed by the Group's auditor, CCIF CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on this announcement.

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 2016 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 above websites in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 4 July 2016 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 16 August 2016.

For and on behalf of the Board
Synertone Communication Corporation
Wong Chit On
Chairman and Executive Director

Hong Kong, 15 August 2016

As at the date of this announcement, the executive Directors are Mr. Wong Chit On and Mr. Han Weining, and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen.