THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Synertone Communication Corporation, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED FURTHER ACQUISITION OF 36% EQUITY INTEREST IN SENSE FIELD GROUP LIMITED; RE-ELECTION OF DIRECTOR; AND NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

GOLDIN FINANCIAL LIMITED
高銀融資有限公司

A letter from the Board is set out on pages 6 to 23 of this circular and a letter from the Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 42 of this circular.

A notice convening an extraordinary general meeting of Synertone Communication Corporation to be held at Suite 1801, 18th Floor, The Chinese Bank Building, 61–65 Des Voeux Road Central, Hong Kong on Monday, 16 January 2017 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting.

Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, such form(s) of proxy shall be deemed to be revoked.

28 December 2016

CONTENTS

In this circular, unless the context otherwise requires, the following expressions bear the following meanings:

"associates"	has the meaning ascribed to it in the Listing Rules
"Auditors"	CCIF CPA Limited, the auditors of the Group
"Board"	the board of Directors
"Business Day"	a day other than a Saturday or Sunday, on which banks in Hong Kong are open generally
"Clarification Announcement"	the clarification announcement of the Company dated 23 September 2016 in relation to, inter alia, the First Round Acquisition and the Proposed Further Acquisition
"Company"	Synertone Communication Corporation, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1613)
"Completion"	completion of the Further Acquisition S&P Agreement
"Completion Date"	the date of Completion, a date which shall be within 7 Business Days after fulfilment of the conditions precedent as set out in the Further Acquisition S&P Agreement (or waived by the Purchaser if allowed under the applicable laws, regulations and the Listing Rules), or such other date as the parties to the Further Acquisition S&P Agreement may agree in writing when the Completion shall take place
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consolidation Advice"	the advice given by the Auditors to the Group regarding the consolidation of the financial statements of the SF Group into the Group's accounts upon completion of the First Round Acquisition
"Director(s)"	the director(s) of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"EGM"	the extraordinary general meeting of the Company to be convened and held at Suite 1801, 18th Floor, The Chinese Bank Building, 61–65 Des Voeux Road Central, Hong Kong on Monday, 16 January 2017 at 2:00 p.m. to consider and, if thought fit, approve the Further Acquisition S&P Agreement and the transactions contemplated thereunder and the re-election of Director

"First Round Acquisition"	the acquisition of 49% equity interest in Sense Field by the Purchaser as detailed in the First Round Acquisition Announcements, which was completed on 16 December 2015
"First Round Acquisition Announcements"	the announcements of the Company dated 27 November 2015 and 16 December 2015 in relation to, inter alia, the First Round Acquisition
"Further Acquisition Announcement"	the announcement of the Company dated 29 June 2016 in relation to, inter alia, the Proposed Further Acquisition
"Further Acquisition S&P Agreement"	the conditional sale and purchase agreement dated 29 June 2016 (as amended and supplemented by two extension letters dated 23 September 2016 and 12 December 2016 respectively) entered into between the Vendors and the Purchaser for the Proposed Further Acquisition
"Group"	the Company and its subsidiaries from time to time
"Hangzhou Aomai Intelligent Technology"	杭州奧邁智能科技有限公司 (Hangzhou Aomai Intelligent Technology Co., Limited), a company incorporated in the PRC with 49% of its equity interest being held by Wankesi Automation, which is therefore an associated company of Wankesi Automation
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Proposed Further Acquisition
"Independent Financial Adviser" or "Goldin"	Goldin Financial Limited, a corporation licensed under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Further Acquisition S&P Agreement
"Independent Shareholders"	Shareholders other than Ms. Xiong Sylvia Wei and Ms. Hua Shu and their respective associates and persons who have a material interest in the Proposed Further Acquisition who shall abstain from voting on the Proposed Resolutions in relation to the Further Acquisition S&P Agreement and the transactions contemplated thereunder

"Independent Third Party(ies)"	person(s) or company(ies) which is/are independent of any member of the Group, the directors, the chief executives, the substantial shareholders of the Company or any of its subsidiaries, and their respective associates
"Latest Practicable Date"	21 December 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	28 February 2017 (or such later date as the parties to the Further Acquisition S&P Agreement may agree in writing)
"MOX Group"	MOX Group Limited, Wankesi Automation and Xiyate Building Automation
"MOX Group Limited"	a company incorporated in the British Virgin Islands, being the wholly-owned subsidiary of Sense Field and holds 100% interest in Wankesi Automation and Xiyate Building Automation
"Notice of EGM"	the notice to Shareholders set out in this circular regarding the convening of the EGM and setting out therein the Proposed Resolutions
"PRC"	the People's Republic of China, excluding for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proposed Further Acquisition"	the proposed further acquisition by the Purchaser of 36% equity interest in Sense Field in accordance with the terms of the Further Acquisition S&P Agreement
"Proposed Resolutions"	the proposed ordinary resolutions of the Shareholders as set out in the Notice of EGM to approve, inter alia, the Proposed Further Acquisition and the re-election of Director
"Purchaser"	Vastsuccess Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Rights Issue"	the issue of 1,674,400,000 Rights Shares by the Company on 28 April 2016, details of which are set out in the prospectus of the Company dated 7 April 2016

"Rights Share(s)"	new Share(s) allotted and issued in respect of the Rights Issue
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Sale Shares"	36 ordinary shares of Sense Field, representing 36% of the issued share capital of Sense Field
"Sense Field"	Sense Field Group Limited, a company incorporated in the British Virgin Islands and holds 100% interest in MOX Group Limited
"SF Group"	Sense Field, MOX Group Limited, Wankesi Automation and Xiyate Building Automation
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"Share Consolidation"	the consolidation of every five (5) issued and unissued shares of the Company of HK$0.01 each into one (1) consolidated share of the Company of HK$0.05 which took effect on 24 March 2016
"Shareholder(s)"	holder(s) of the Shares
"Shareholders Agreement"	the shareholders agreement entered into between the Vendors and the Purchaser upon completion of the First Round Acquisition in relation to, among others, the rights and obligations of the Vendors and the Purchaser in Sense Field
"Share Option(s)"	the share options granted by the Company pursuant to the share option scheme adopted on 22 March 2012 exercisable into Shares at the exercise price of HK$2.06 (subject to adjustment)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Right"	the right given to the Purchaser under the Shareholders Agreement to subscribe further shares of Sense Field to increase its shareholding in Sense Field to more than 50%
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules

"Vendors"	(i) Ms. Xiong Sylvia Wei; (ii) Ms. Hua Shu; and (iii) Ms. Tse Suet Mei
"Wankesi Automation"	萬科思自控信息(中國)有限公司 (Wankesi Automation Information (China) Co., Limited), a company incorporated in the PRC, which is a wholly-owned subsidiary of MOX Group Limited
"Warrants"	the outstanding unlisted warrants issued by the Company to Citic Capital Management Limited on 22 September 2014, exercisable into 196,666,667 Shares at the subscription price of HK$1.98 per Share (subject to adjustment)
"Xiyate Building Automation"	悉雅特樓宇自控(杭州)有限公司 (Xiyate Building Automation (Hangzhou) Co., Limited), a company incorporated in the PRC, which is a wholly-owned subsidiary of MOX Group Limited
"%"	per cent

協同通信集團有限公司
SYNERTONE COMMUNICATION CORPORATION
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1613)

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

Independent non-executive Directors:
Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi

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

Principal place of business in Hong Kong:
Room 1012, 10/F
Tsim Sha Tsui Centre
66 Mody Road
Kowloon, Hong Kong

28 December 2016

To the Shareholders,

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED FURTHER ACQUISITION OF 36%
EQUITY INTEREST IN SENSE FIELD GROUP LIMITED;
AND
RE-ELECTION OF DIRECTOR**

INTRODUCTION

On 29 June 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Further Acquisition S&P Agreement with the Vendors, pursuant to which the Purchaser agreed to further acquire from the Vendors an aggregate of 36% equity interest in Sense Field for a cash consideration of HK$130 million.

Upon completion of the Proposed Further Acquisition, the Purchaser will hold an aggregate of 85% equity interest in Sense Field.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the Proposed Further Acquisition; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the Notice of EGM.

THE ACQUISITION

The First Round Acquisition

Reference is made to the First Round Acquisition Announcements in relation to, inter alia, the acquisition of 49% equity interest in Sense Field by the Purchaser for a consideration of HK$195 million.

The First Round Acquisition was completed on 16 December 2015, and a total of 264,600,000 Shares (adjusted after completion of the Share Consolidation) were issued to Mr. Cheng Edward, Ms. Xiong Sylvia Wei and Ms. Hua Shu (being the vendors in the First Round Acquisition) as consideration shares (in which 108,000,000 Shares, 129,600,000 Shares and 27,000,000 Shares were issued and allotted to Mr. Cheng Edward, Ms. Xiong Sylvia Wei and Ms. Hua Shu respectively).

As disclosed in the Clarification Announcement, since completion of the First Round Acquisition, Sense Field has become a subsidiary of the Company and the financial statements of the SF Group have been consolidated into the Group's accounts.

For details, please refer to the First Round Acquisition Announcements and the Clarification Announcement.

The Proposed Further Acquisition

Reference is made to the Further Acquisition Announcement in relation to, inter alia, the proposed further acquisition of 36% equity interest in Sense Field by the Purchaser. Pursuant to the Further Acquisition S&P Agreement, the Purchaser agreed to purchase and the Vendors agreed to sell an aggregate of 36% equity interest in Sense Field for a cash consideration of HK$130 million, subject to and upon the terms and conditions under the Further Acquisition S&P Agreement.

PARTICULARS OF THE PROPOSED FURTHER ACQUISITION

Date

29 June 2016

Parties Involved

Purchaser : Vastsuccess Holdings Limited, a wholly-owned subsidiary of the Company.

Vendors : (i) Ms. Xiong Sylvia Wei, holder of 6 ordinary shares of Sense Field (representing 6% of the issued share capital of Sense Field);

(ii) Ms. Hua Shu, holder of 35 ordinary shares of Sense Field (representing 35% of the issued share capital of Sense Field); and

(iii) Ms. Tse Suet Mei, holder of 10 ordinary shares of Sense Field (representing 10% of the issued share capital of Sense Field).

Ms. Xiong Sylvia Wei, Ms. Hua Shu and Ms. Tse Suet Mei have respectively agreed to transfer 6, 20 and 10 ordinary shares of Sense Field to the Purchaser, which amounts to 36 ordinary shares of Sense Field in total (representing 36% of the issued share capital of Sense Field).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ms. Xiong Sylvia Wei is an Independent Third Party.

As disclosed in the Clarification Announcement, although the Group will not obtain actual control over the SF Group until completion of the Proposed Further Acquisition (if proceeded), since the financial information of the SF Group has already been consolidated into the Group's accounts, the Company has taken a stringent approach to treat the substantial shareholders of Sense Field (save and except the Purchaser) as the Company's connected persons. As such, Ms. Hua Shu and Ms. Tse Suet Mei (who are respectively holding 35% and 10% equity interest in Sense Field as at the Latest Practicable Date) are treated as connected persons of the Company.

Subject matter

The Sale Shares, representing 36% of the issued share capital of Sense Field.

Consideration and payment terms

The consideration for the Proposed Further Acquisition is HK$130 million. The consideration for the Proposed Further Acquisition was determined by the Group and the Vendors following arm's length negotiation and with reference to:

(a) The business valuation report (as contained in Appendix VI to this circular) dated 27 November 2015 prepared by Roma Appraisals Limited, a valuer independent to the Group and the Vendors, which had placed a valuation of RMB354 million (approximately HK$435 million) to the SF Group as at 31 October 2015 (the "**Valuation**");

(b) The audited accounts of the SF Group as at 31 December 2015; and

(c) The unaudited management accounts of the SF Group as at 31 March 2016.

As disclosed in the First Round Acquisition Announcements, the Valuation had been used as a reference to determine the consideration for the First Round Acquisition. Details of the Valuation (including the methodology and the principal assumptions) are set out in Appendix VI to this circular. The Board noted that the major assumptions adopted in the Valuation include, inter alia, the following:

(a) Financial forecast made by management of the SF Group covering a period of 6 years. Terminal growth rate of 3% is adopted based on long term projected inflation rate of the PRC;

(b) A discount rate of 19.30% was adopted, which was the estimated weighted average cost of capital of the SF Group with reference to comparable companies engaged in similar businesses;

(c) There will be sufficient supply of technical staff in the industries in which the SF Group operates, and the SF Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

(d) There will be no major change in the current taxation laws in the localities in which the SF Group operates or intends to operate and that all applicable laws and regulations will be complied with;

(e) There will be no major change in the political, legal, economic or financial conditions in the localities in which the SF Group operates or intends to operate, which would adversely affect the revenue attributable to and profitability of the SF Group; and

(f) Interest rates and exchange rates in the localities for the operation of the SF Group will not differ materially from those presently prevailing.

The Board considers that the principal assumptions underlying the Valuation remain valid and reasonable as at the date of the Further Acquisition S&P Agreement in light of the following:

(a) The Directors are of the view that the profit forecast is fair and reasonable based on the information provided by the senior management of the SF Group, and in accepting the profit forecast the Directors took into account the following factors: (i) the increasing demand for building intelligence and smart home products in the PRC market; (ii) the prospect of the overall real estate industry in the PRC; (iii) there is no change in the PRC long-term projected inflation rate of 3% being used as the terminal growth rate; and (iv) that the Proposed Further Acquisition presents an ideal opportunity for the Company to expand its revenue base and obtain a relatively stable income stream;

(b) The Directors further reviewed the parameters used to determine the discount rate which include: (i) cost of equity based on the calculation result from the capital asset pricing model as set out in the Valuation, being 19.54%; (ii) cost of debt based on the expected lending rate of the SF Group and with reference to the current borrowing rate of the SF Group, being 4.90%; and (iii) rate of income tax based on the tax rate applicable to the enterprise appraised, being 25%. Based on the aforesaid, the discount rate was determined to be 19.30%. The Directors consider that, as at the date of the Further Acquisition S&P Agreement, such parameters did not materially differ from those as at the date of the Valuation;

(c) The Directors noted that, since the date of the Valuation and up to the date of the Further Acquisition S&P Agreement, there was no material change to the senior management team of the SF Group who are the key personnel to support the ongoing operations and developments of the SF Group;

(d) The Directors noted that there is no major change to the current taxation laws in the localities in which the SF Group operates and all applicable laws and regulations had been complied with since the date of the Valuation up to the date of the Further Acquisition S&P Agreement;

(e) The Directors noted that there is no major change in the political, legal, economic or financial conditions in the localities in which the SF Group operates or intends to operate, which would adversely affect the revenue attributable to and profitability of the SF Group; and

(f) The Directors noted that, as at the date of the Further Acquisition S&P Agreement, interest rates and exchange rates in the localities for the operation of the SF Group did not differ materially from those prevailing as at the date of Valuation.

In determining the consideration for the Proposed Further Acquisition, the Board has taken into account a number of factors including the business nature and the business prospects of the SF Group, the historical financial performance of the SF Group, the profit guarantee, the 36% share of the estimated market value of the SF Group of RMB127,440,000 pursuant to the Valuation, and the payment terms. In particular, as the Vendors requested for the consideration for the Proposed Further Acquisition to be settled by cash (instead of Shares which was the case in the First Round Acquisition), the Board has negotiated for a discount and the provision of a profit guarantee by the Vendors.

Pursuant to the terms of the Further Acquisition S&P Agreement, the Purchaser has already paid HK$35 million in cash to the Vendors after execution of the Further Acquisition S&P Agreement as deposit (the "**Deposit**"). The balance of HK$95 million (the "**Balance**") shall be made in cash in the following manner:

(a) The Purchaser shall pay HK$82 million to the Vendors on the Completion Date (which sum when aggregated with the Deposit shall constitute 90% of the consideration for the Proposed Further Acquisition); and

(b) Subject to the adjustment provisions set out below, the remaining HK$13 million (the "**Retention Funds**") shall be paid by the Purchaser to the Vendors within 14 Business Days after the consolidated audited accounts of the SF Group made up to 31 December 2016 (the "**2016 Accounts**") shall become available.

The Deposit was, and the Balance is expected to be, funded by the proceeds from the Rights Issue.

Profit guarantee, adjustments and indemnification

According to the Further Acquisition S&P Agreement, the Vendors have jointly and severally warranted and undertaken to the Purchaser that:

(a) The EBITDA of the SF Group for the year ending 31 December 2016 (the "**2016 EBITDA**") shall not be less than HK$40 million (the "**First-year Target**"); and

(b) The EBITDA of the SF Group for the year ending 31 December 2017 (the "**2017 EBITDA'**'), when aggregated with the 2016 EBITDA, shall not be less than HK$95 million (the "**Two-year Target**").

The First-year Target and Two-year Target were determined with reference to the profit forecast prepared by the management of the SF Group for each of the financial year ending 31 December 2016 and 31 December 2017 respectively.

In the event that the First-year Target can be achieved, the Purchaser shall, as provided above, pay the Retention Funds in full to the Vendors within 14 Business Days after the 2016 Accounts shall become available. However, if later on the 2016 EBITDA, when aggregated with the 2017 EBITDA, cannot meet the Two-year Target, the Vendors shall, within 60 days after the consolidated audited accounts of the SF Group made up to 31 December 2017 (the "**2017 Accounts**") shall become available, indemnify the Purchaser of the shortfall (the "**Shortfall**") which shall be calculated as follows:

Shortfall = the Two-year Target – (the 2016 EBITDA + the 2017 EBITDA).

In the event that the First-year Target cannot be achieved, the date for the Purchaser to pay the Retention Funds shall automatically be extended to any time that is within 14 Business Days after the 2017 Accounts shall become available.

Even if the First-year Target cannot be achieved, if later on the Two-year Target can be met when the 2016 EBITDA is aggregated with the 2017 EBITDA, then the Purchaser shall pay the Retention Funds in full to the Vendors within 14 Business Days after the 2017 Accounts shall become available.

If the First-year Target cannot be achieved and the Two-year Target cannot be met either, the Purchaser shall then be entitled to deduct from the Retention Funds the Shortfall and shall pay to the Vendors the amount equivalent to the difference between the Retention Funds and the Shortfall within 14 Business Days after the 2017 Accounts shall become available, and in such case the Purchaser shall be deemed to have fulfilled its obligation under the Further Acquisition S&P Agreement to pay the Retention Funds to the Vendors.

In the event that the Retention Funds shall not be sufficient to cover the Shortfall:

(a) Then the Purchaser shall not be required to pay to the Vendors all or any part of the Retention Funds, and in such case the Purchaser shall be deemed to have fulfilled its obligation under the Further Acquisition S&P Agreement to pay the Retention Funds to the Vendors; and

(b) The Vendors shall, within 60 days after the 2017 Accounts shall become available, indemnify the Purchaser of the amount equivalent to the difference between the Retention Funds and the Shortfall.

In the event that the Vendors shall be required to indemnify the Purchaser in accordance with the above mechanism, the Purchaser is entitled to request Ms. Hua Shu to transfer all or part of the shares of Sense Field held by her for the time being to satisfy the Vendors' indemnification obligations mentioned hereinabove.

In the event that the above profit guarantee cannot be fulfilled, the Company will comply with the disclosure requirements under Rule 14A.63 of the Listing Rules.

The Board has assessed the unaudited management accounts of the SF Group as at 30 June 2016 and is not aware of any events or conditions that the above profit guarantee (as determined on the basis of the SF Group's profit forecast) is not likely to be met. The Board is of the view that the profit guarantee has served as an extra safeguard and additional assurance to the Company in respect of the performance and financial results of the SF Group after 31 December 2015 (being the date which the audited financial statements of the SF Group were made up to). Hence the Board is of the view that the profit guarantee is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Proposed Further Acquisition is conditional upon the fulfillment or waiver (where applicable) of the following conditions:

(a) Approval by the Independent Shareholders of the Further Acquisition S&P Agreement at the EGM;

(b) All necessary approvals, consents, authorisations, or waivers (as appropriate) from, or notices to, third parties, the Stock Exchange and/or any other regulatory authorities having been obtained for the Further Acquisition S&P Agreement and the transactions contemplated thereunder;

(c) The Purchaser being satisfied with its due diligence on the SF Group and its businesses on or before the Completion Date; and

(d) The warranties given by the Vendors in the Further Acquisition S&P Agreement remaining true and accurate and not misleading in any material respect.

In the event that any of the conditions precedent in the Further Acquisition S&P Agreement shall remain unsatisfied or not waived by the Purchaser (if allowed under the applicable laws, regulations and the Listing Rules) by the Long Stop Date, all rights and obligations of the parties under the Further Acquisition S&P Agreement shall terminate and cease to have any effect, and no party shall have any claim against the others save for any claim in respect of any antecedent breach thereof.

Completion

Completion shall take place within seven Business Days upon fulfilment of the conditions precedent as set out in the Further Acquisition S&P Agreement (or waived by the Purchaser if allowed under the applicable laws, regulations and the Listing Rules), or such other date as the parties may agree in writing.

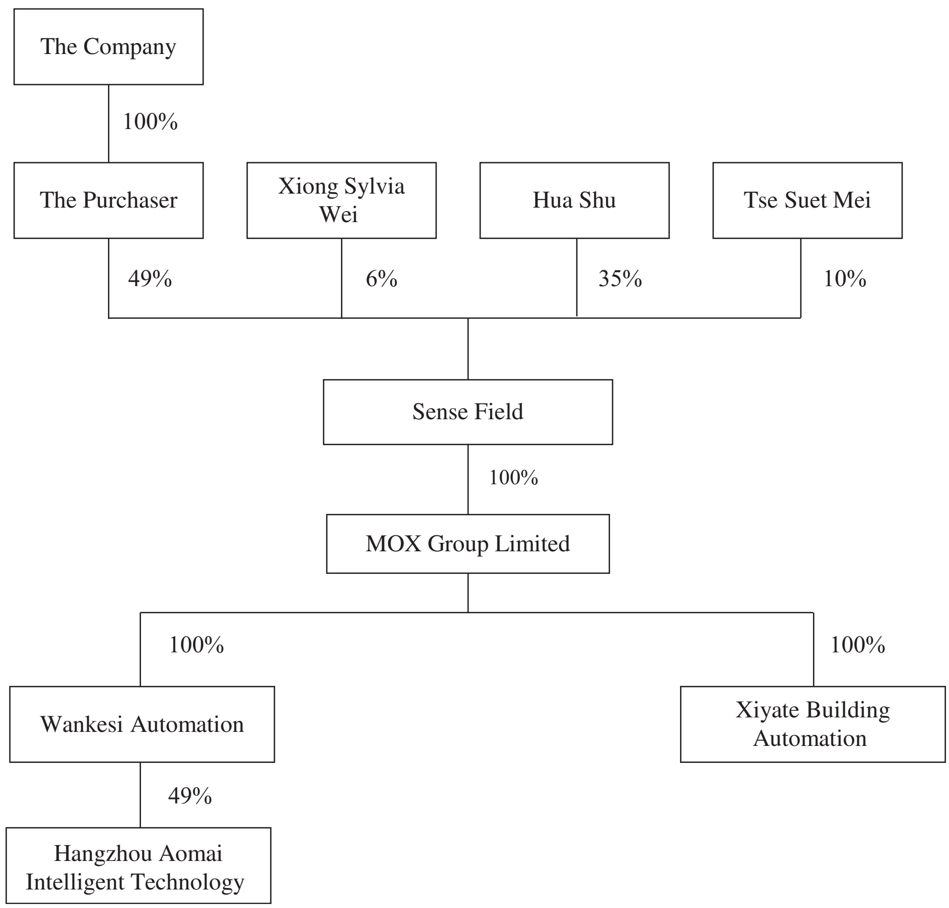
Information on the Group

The Group is primarily engaged in (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies; (ii) the provision of a total solution of specialised communication system, including digital trunking system, Very Small Aperture Terminal ("**VSAT**") satellite system and operation integrated system; (iii) the provision of Synertone 1 satellite bandwidth capacity and communication service application; (iv) the design, development and sale of automation control systems for industrial use; and (v) research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings across the PRC.

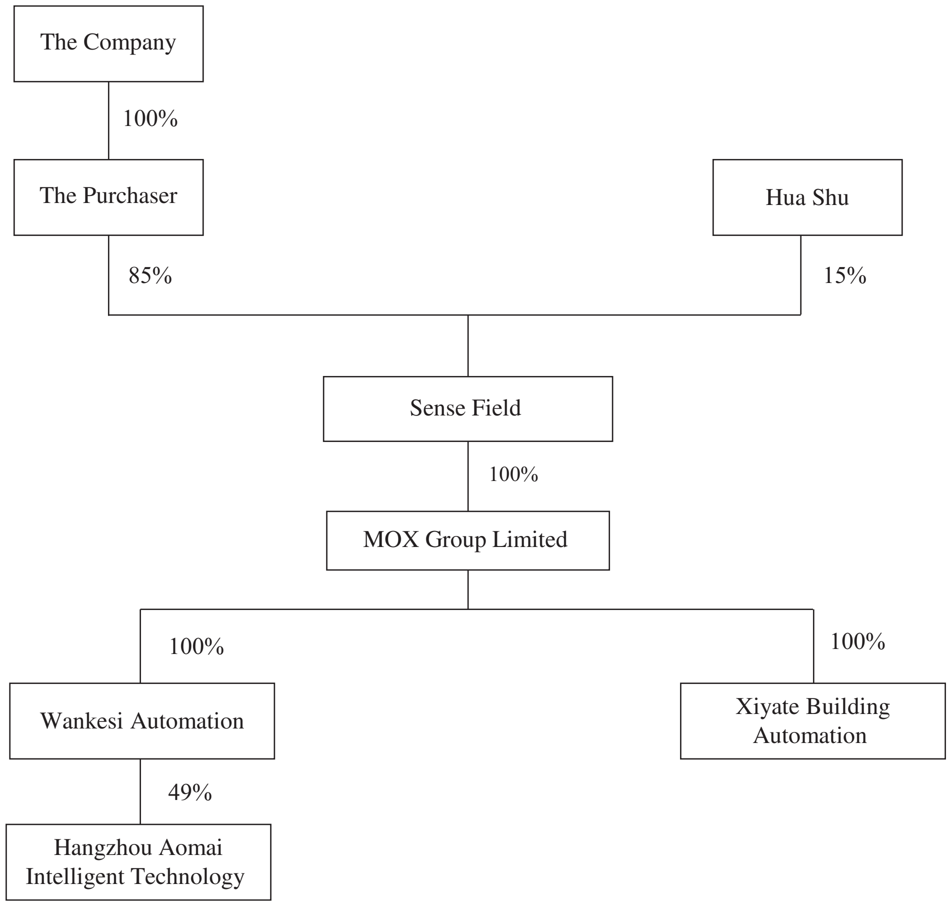
Information on the SF Group

Corporate structures of Sense Field before and after Completion of the Proposed Further Acquisition are as follows:

Before Completion of the Proposed Further Acquisition



Following Completion of the Proposed Further Acquisition



Sense Field is the investment holding company of MOX Group Limited, the foreign investor of both Wankesi Automation (incorporated in 2011) and Xiyate Building Automation (incorporated in 2001). The SF Group is based in the Zhejiang province of the PRC and is primarily engaged in the research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC. Most of the customers of the SF Group are either property or building systems' developers. These customers include, inter alia, Greentown China Holdings Limited (綠城中國控股有限公司), Longfor Properties Company Limited (龍湖地產有限公司), China Resources Land Limited (華潤置地有限公司) and Top Spring International Holdings Limited (萊蒙國際集團有限公司). Over the years, the SF Group has established a sales network in not less than 23 first and second tier cities across the country.

Financial information of the SF Group and MOX Group Limited

The SF Group

Based on the accountants' report on the SF Group as set out in Appendix II to this circular, the net assets for the SF Group as at 31 December 2013, 2014, 2015 and 30 June 2016 were RMB1,000, RMB1,000, RMB91,612,000 and RMB81,461,000 respectively. The audited operating results of the SF Group for each of the three years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016 are as follows:

	Year ended 31 December			**Six months ended 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Net profit (loss) before tax *(Notes)*	—	—	90,572	(10,854)
Net profit (loss) after tax *(Notes)*	—	—	91,275	(10,151)

Notes:

(i) Members the SF Group include Sense Field (being an investment holding company and the sole shareholder of MOX Group Limited), MOX Group Limited (being a subsidiary of Sense Field and the sole shareholder of Wankesi Automation and Xiyate Building Automation respectively), Wankesi Automation and Xiyate Building Automation. As MOX Group Limited was only acquired by Sense Field on 25 June 2015, no audited operation results of the SF Group for the years ended 31 December 2013 and 2014 were shown above.

(ii) MOX Group Limited was acquired by Sense Field on 25 June 2015 at a nominal consideration of US$50,000. Prior to 25 June 2015, the whole of the equity interest of MOX Group Limited was held by a nominee (Zhu Ying (朱鷹)) on trust for Tse Suet Mei (who was the sole shareholder of Sense Field immediately before the acquisition). The aforesaid acquisition of MOX Group Limited by Sense Field was made for the purpose of restructuring to facilitate the beneficial owner to prepare for a sale of the interests in MOX Group Limited and its subsidiaries.

MOX Group Limited

Based on the accountants' report on MOX Group Limited as set out in Appendix III to this circular, the net assets for MOX Group Limited as at 31 December 2013, 2014, 2015 and 30 June 2016 were RMB65,905,000, RMB65,402,000, RMB71,895,000 and RMB63,853,000 respectively. The audited operating results of MOX Group Limited for each of the three years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016 are as follows:

	Year ended 31 December			Six months ended 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Net profit (loss) before tax	4,041	(493)	6,461	(8,042)
Net profit (loss) after tax	3,515	(503)	6,461	(8,042)

Reasons for the Acquisition

As mentioned in the section headed "Information on the Group" above, the Group is primarily engaged in (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies; (ii) the provision of a total solution of specialised communication system, including digital trunking system, VSAT satellite system and operation integrated system; (iii) the provision of Synertone 1 satellite bandwidth capacity and communication service application; (iv) the design, development and sale of automation control systems for industrial use; and (v) research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings across the PRC. As disclosed in the Clarification Announcement, notwithstanding that the financial information of the SF Group has already been consolidated into the Group's accounts, the Group will not obtain actual control over the SF Group until completion of the Proposed Further Acquisition. The Directors believe that the Proposed Further 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. Notwithstanding that the SF Group recorded a net loss for the first half of 2016 with a decreased gross margin, the Board considers that the sales pattern of the SF Group demonstrates seasonal fluctuation similar to that in previous financial years, where the financial performance of the SF Group for the whole year would be comparable with the financial forecast made by the management of the SF Group. It is expected that the Group, upon completion of the Proposed Further Acquisition, would share a larger portion of the earnings from the SF Group. The Group also plans to leverage on its existing satellite communication capabilities to provide services to the existing and potential customers of the SF Group, and believe that upon completion of the Proposed Further Acquisition, the Group will be able to expand and upgrade its Synertone 1 satellite service business by utilizing the domestic sales network and customer resources of the SF Group as well as its research and production base located at the Yangtze River Delta, thus bringing positive impact to the Group's earnings. The Directors are of the view that the Proposed Further Acquisition is fair and reasonable, on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

Financial effects of the transaction

Upon completion of the First Round Acquisition on 16 December 2015, the Purchaser became a shareholder of Sense Field, holding 49% of its equity interest.

It was not the intention of the Group to obtain "control" over the SF Group upon completion of the First Round Acquisition, and this was reflected in the following:

(a) Less than 50% equity interest in Sense Field was acquired by the Purchaser upon completion of the First Round Acquisition; and

(b) The Group had no intention, and the subject contract did not allow the Group, to control the board of directors of Sense Field or any of its subsidiaries upon completion of the First Round Acquisition.

Notwithstanding the above, subsequent to the publication of the Further Acquisition Announcement, in the course of discussing the draft audited financial results of the Group for the financial year ended 31 March 2016 with the Auditors, the Board was advised by the Auditors of their view by reference to the relevant accounting standard that the financial statements of the SF Group should have been consolidated into the Group's financial statements upon completion of the First Round Acquisition. Reasons given by the Auditors as understood by the Board are summarized as follows:

(a) In determining whether the accounts of an investee should be consolidated into those of the investor, the ultimate question to ask is whether the investor has "control" over the investee, which should be considered against the facts and circumstances of the case; and

(b) The Purchaser's control over Sense Field can be exercised through its Subscription Right (as per the terms of the Shareholders Agreement) to subscribe further shares of Sense Field to increase its shareholding to more than 50%.

The Company has discussed with the Auditors, among other things:

(a) The fact that the Group has no actual control over the SF Group since completion of the First Round Acquisition and will not have actual control until completion of the Proposed Further Acquisition;

(b) The fact that the Subscription Right (which will lapse and expire after 15 December 2017 if not exercised) has not been exercised by the Purchaser; and

(c) The possibility that an absurd situation may arise if, on the one hand, the financial statements of the SF Group were consolidated into the Group's accounts upon completion of the First Round Acquisition; whilst on the other hand, if the Subscription Right will not be exercised on or before 15 December 2017 and the Proposed Further Acquisition never takes place; then, the financial statements of the SF Group will have to be "de-consolidated" from the Group's accounts.

Nevertheless, the Board accepts that the subsequent Proposed Further Acquisition is a change in circumstances which, when considered together with the First Round Acquisition with the benefit of hindsight, somehow indicates retrospectively the Group's "control" of the SF Group. Therefore, taking the Proposed Further Acquisition into account, the Board (after careful consideration) decided to take the Auditors' Consolidation Advice. Therefore, as shown in the announcement of the Company dated 15 August 2016 setting out the Group's annual results for the financial year ended 31 March 2016 and the Company's 2016 annual report, since completion of the First Round Acquisition on 16 December 2015, the financial statements of the SF Group have been consolidated into the Group's accounts (and accordingly Sense Field shall be treated as a subsidiary of the Company).

Immediately after Completion, 85% equity interest in Sense Field will be owned by the Company. The assets and liability and results of the SF Group will continue to be consolidated into the Company's consolidated financial statements. Set out in Appendix IV to this circular is the unaudited pro forma financial information on the Group which illustrates the financial effects of the Proposed Further Acquisition on the Group on the assumption that the Proposed Further Acquisition had been completed as at 30 September 2016.

Assets

Based on the unaudited pro form financial information of the Group set out in Appendix IV to this circular, upon Completion, the unaudited pro forma consolidated total assets of the Group would be reduced by approximately HK$134,999,000.

Liabilities

Based on the unaudited pro forma financial information of the Group set out in Appendix IV to this circular, upon Completion, the unaudited pro forma consolidated total liabilities of the Group would be increased by approximately HK$55,539,000.

Earnings

The financial results of the SF Group will continue to be consolidated with those of the Group.

As per the Auditors' Consolidation Advice, the Purchaser's control over Sense Field can be exercised through its Subscription Right. Therefore, subject to the paragraph below, even if the Proposed Further Acquisition is not completed (which the Purchaser will continue to hold 49% equity interest in Sense Field), Sense Field will still be regarded as a non-wholly owned subsidiary of the Company and the revenue, profits, assets and liabilities of the SF Group will continue to be consolidated into the Group's accounts.

As mentioned above, the Subscription Right will lapse and expire after 15 December 2017 if not exercised. In the event that the Subscription Right is not exercised on or before 15 December 2017 and the Proposed Further Acquisition is not completed, the Purchaser will no longer be able to exercise its "control" over Sense Field and in such case, the revenue, profits, assets and liabilities of the SF Group will then have to be de-consolidated from the Group's accounts. In the above circumstances, any difference between the Group's carrying value in its 49% equity interest in Sense Field and the net assets of the SF Group being de-recognized as a result of the de-consolidation will be reflected in the Group's profit and loss.

RE-ELECTION OF DIRECTOR

Ms. Li Mingqi (李明綺) ("**Ms. Li**") was appointed as an independent non-executive Director with effect from 3 October 2016. Pursuant to article 83(3) of the articles of association of the Company, Ms. Li shall hold office only until the EGM, and being eligible, offers herself for re-election at the EGM. The biographical details of Ms. Li are set out below:

Ms. Li, aged 49, was appointed as an independent non-executive Director with effect from 3 October 2016. She is also the chairperson of remuneration committee and a member of both of audit committee and nomination committee of the Company. Ms. Li graduated from the Fudan University in Shanghai with a Bachelor's degree in Economics. She has also obtained a Master's degree in Economics from the Southern Methodist University and a Master's degree in Management and Administrative Sciences from the University of Texas. Ms. Li is a Certified Public Accountant in the State of New York, the United States of America. Ms. Li has extensive experience in financial management. She was a senior associate of JP Morgan Chase, associate/portfolio manager of BHF Capital, vice president of Transamerica Business Capital, vice president of Morgan Stanley and hedge fund controller of Mercury Capital Management. She was also an independent non-executive director of Sino Gas International Holdings, Inc., whose shares were previously listed on the Over-The-Counter Bulletin Board in the US, from March 2011 to November 2014. She served as a business consultant of Seekers Advisors H.K. Limited. She is currently an independent non-executive director of Neo-Neon Holdings Limited, whose shares are listed on the main board of the Stock Exchange.

Ms. Li has entered into a service contract with the Company for an initial term of three years commencing from 3 October 2016, which is automatically renewable for successive terms of three years each and may be terminated by either party giving not less than three months' prior notice and is subject to retirement by rotation and re-election and other related provisions as stipulated in the articles of association of the Company. Pursuant to the terms of the service contract between the Company and Ms. Li, she is entitled to a director fee of HK$100,000 per annum, which is based on the Company's remuneration policy adopted for independent non-executive Directors and the recommendation from the remuneration committee of the Company.

Save as disclosed above, as at the Latest Practicable Date, Ms. Li: (i) has not held any other major appointments and qualifications or directorships in other listed public companies in the last three years; (ii) did not have any relationship with any Director, senior management, substantial or controlling shareholders (having the meaning ascribed to it in the Listing Rules) of the Company; (iii) did not hold other positions with the Company or other members of the Group; and (iv) was not interested in any Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there is no further information required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules (particularly in relation to sub-paragraphs (h) to (v) therein) nor are there any other matters relating to the re-election of Ms. Li that need to be brought to the attention of the Shareholders.

IMPLICATIONS UNDER THE LISTING RULES

The First Round Acquisition and the Proposed Further Acquisition form a series of transactions which should be treated as if they were one transaction under Rule 14.22 of the Listing Rules. Upon aggregation, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 25% but all applicable percentage ratios are below 100%, the Proposed Further Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the notification, announcement and shareholders' approval requirements of the Listing Rules.

As at the Latest Practicable Date, Ms. Hua Shu and Ms. Tse Suet Mei (being two out of the three Vendors in the Proposed Further Acquisition) are respectively holding 35% and 10% equity interest in Sense Field, who are therefore substantial shareholders of Sense Field. As disclosed in the Clarification Announcement, notwithstanding that the Group will not obtain actual control over the SF Group until completion of the Proposed Further Acquisition (if proceeded), since the financial information of the SF Group has already been consolidated into the Group's accounts, the Company has taken a stringent approach to treat the substantial shareholders of Sense Field (save and except the Purchaser) as the Company's connected persons. By reason of the above, Ms. Hua Shu and Ms. Tse Suet Mei are treated as connected persons of the Company. The Proposed Further Acquisition therefore constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Any Shareholder with a material interest in the Proposed Further Acquisition and his/her/its associates shall abstain from voting on the Proposed Resolutions in relation to the Further Acquisition S&P Agreement and the transactions contemplated thereunder. Upon completion of the First Round Acquisition, 129,600,000 Shares (adjusted after completion of the Share Consolidation) and 27,000,000 Shares (adjusted after completion of the Share Consolidation) were issued and allotted to Ms. Xiong Sylvia Wei and Ms. Hua Shu respectively as consideration shares. As at the Latest Practicable Date, Ms. Xiong Sylvia Wei and Ms. Hua Shu were holding 129,600,000 Shares (constituting 3.87% of the issued share capital of the Company) and 27,000,000 Shares (constituting 0.81% of the issued share capital of the Company) respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, save and except Ms. Xiong Sylvia Wei and Ms. Hua Shu (who are vendors in the Proposed Further Acquisition and are Shareholders at the same time, thus having a material interest in the Proposed Further Acquisition and shall abstain from voting on the Proposed Resolutions in relation to the

Further Acquisition S&P Agreement and the transactions contemplated thereunder), no other Shareholder or any of his/her/its close associates has any material interest in the Proposed Further Acquisition. Therefore, no Shareholder other than Ms. Xiong Sylvia Wei and Ms. Hua Shu is required to abstain from voting on the Proposed Resolutions in relation to the Further Acquisition S&P Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi, has been established to give a recommendation to the Independent Shareholders as to whether the Further Acquisition S&P Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and whether the Further Acquisition S&P Agreement and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned and to advise the Independent Shareholders on how to vote, taking into account the advice of the Independent Financial Adviser. Goldin has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

None of the Directors has a material interest in the Further Acquisition S&P Agreement and the transactions contemplated thereunder and hence no Director is required to abstain from voting on the relevant board resolutions approving the Further Acquisition S&P Agreement and the transactions contemplated thereunder.

EGM

The EGM will be held at Suite 1801, 18th Floor, The Chinese Bank Building, 61–65 Des Voeux Road Central, Hong Kong on Monday,16 January 2017 at 2:00 p.m., for the purpose of considering and, if thought fit, passing the Proposed Resolutions. The Notice of EGM is set out on pages EGM-1 to EGM-2 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, such form(s) of proxy shall be deemed to be revoked.

RECOMMENDATION

The Proposed Further Acquisition

Your attention is drawn to the letter from the Independent Board Committee set out on pages 24 to 25 of this circular which contains its advice to Independent Shareholders as to whether the terms of the Further Acquisition S&P Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, and the voting action that the Independent Board Committee would recommend at the EGM.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 26 to 42 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Further Acquisition S&P Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole, and the voting action that the Independent Financial Adviser would recommend at the EGM.

For the reasons set out in this letter, the Board considers the terms of the Further Acquisition S&P Agreement and the transactions contemplated thereunder are normal commercial terms and are fair and reasonable, and the Further Acquisition S&P Agreement and transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The Board, accordingly, recommends the Independent Shareholders to vote in favour of the Proposed Resolutions in relation to the Further Acquisition S&P Agreement and the transactions contemplated thereunder.

Re-election of Director

The Board considers that the re-election of Ms. Li Mingqi as a Director is in the interests of the Company and the Shareholders as a whole, and therefore recommends the Shareholders to vote in favour of the Proposed Resolution in relation to the re-election of Director.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the Appendices to this circular.

WARNING NOTICE

As Completion of the Proposed Further Acquisition is subject to fulfilment (or, if applicable, waiver) of the conditions precedent under the Further Acquisition S&P Agreement, the Proposed Further Acquisition may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of Board of
Synertone Communication Corporation
Wong Chit On
Chairman and Executive Director

協同通信集團有限公司
SYNERTONE COMMUNICATION CORPORATION
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1613)

28 December 2016

To the Independent Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED FURTHER ACQUISITION OF 36% EQUITY INTEREST IN SENSE FIELD GROUP LIMITED

We refer to the circular of the Company dated 28 December 2016 (the "**Circular**"), of which this letter forms part. Unless otherwise indicated herein or the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined in the section headed "Definitions" of the Circular.

We have been appointed by the Board as members of the Independent Board Committee to consider the terms of the Further Acquisition S&P Agreement and to advise the Independent Shareholders as to whether the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise us and the Independent Shareholders as to whether the terms of the Further Acquisition S&P Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 6 to 23 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages 26 to 42 of the Circular and to the appendices of the Circular.

Having considered, among other matters, the terms of the Further Acquisition S&P Agreement and the transactions contemplated thereunder, and having taken into account the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice dated 28 December 2016 (the text of which is set out on pages 26 to 42 of the Circular), we consider that the terms of the Further Acquisition S&P

Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the Proposed Resolutions in relation to the Further Acquisition S&P Agreement and the transactions contemplated thereunder, particulars of which are set out in the Notice of EGM set out on pages EGM-1 to EGM-2 of the Circular.

Yours faithfully.
Independent Board Committee
of
Synertone Communication Corporation
Lam Ying Hung Andy **Wang Chen** **Li Mingqi**
Independent non-executive Directors

The following is the full text of the letter from the Goldin setting out the advice to the Independent Board Committee and Independent Shareholders in respect of the Further Acquisition S&P Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Goldin Financial Limited
Suites 2202–2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

28 December 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED FURTHER ACQUISITION OF 36% EQUITY INTEREST IN SENSE FIELD GROUP LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Further Acquisition S&P Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 28 December 2016 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 June 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Further Acquisition S&P Agreement with the Vendors, pursuant to which the Purchaser agreed to further acquire from the Vendors an aggregate of 36% equity interest in Sense Field for a cash consideration of HK$130 million.

Upon completion of the Proposed Further Acquisition, the Purchaser will hold an aggregate of 85% equity interest in Sense Field.

The First Round Acquisition and the Proposed Further Acquisition form a series of transactions which should be treated as if they were one transaction under Rule 14.22 of the Listing Rules. Upon aggregation, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 25% but all applicable percentage ratios are below 100%, the Proposed Further Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the notification, announcement and shareholders' approval requirements of the Listing Rules.

As at the Latest Practicable Date, Ms. Hua Shu and Ms. Tse Suet Mei (being two out of the three Vendors in the Proposed Further Acquisition) are respectively holding 35% and 10% equity interest in Sense Field, who are therefore substantial shareholders of Sense Field. As disclosed in the Clarification Announcement, notwithstanding that the Group will not obtain actual control over the SF Group until completion of the Proposed Further Acquisition (if proceeded), since the financial information of the SF Group has already been consolidated into the Group's accounts, the Company has taken a stringent approach to treat the substantial shareholders of Sense Field (save and except the Purchaser) as the Company's connected persons. By reason of the above, Ms. Hua Shu and Ms. Tse Suet Mei are treated as connected persons of the Company. The Proposed Further Acquisition therefore constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi, has been established to advise the Independent Shareholders in relation to the Proposed Further Acquisition.

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Further Acquisition S&P Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole, and as to voting at the EGM. Our appointment has been approved by the Independent Board Committee.

During the past two years, we have been appointed as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company, details of such appointment are set out in the circular of the Company dated 7 March 2016. Apart from the normal professional fees for our services to the Company in connection with the engagements described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, the substantial Shareholders, Directors or chief executive of the Company, or any of their respective subsidiaries or their respective associates as at the Latest Practicable Date. We are independent under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Proposed Further Acquisition.

BASIS OF OUR ADVICE

In arriving at our opinions and recommendations, we have reviewed, inter alia, the announcement of the Company dated 29 June 2016 (the "**Announcement**"), the clarification announcement of the Company dated 23 September 2016 (the "**Clarification Announcement**"), the Circular, the Further Acquisition S&P Agreement and the annual report of the Company for the year ended 31 March 2016 (the "**Annual Report 2016**"). We have also reviewed certain information provided by the management of the Company in relation to the operations, financial conditions and prospects of the SF Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as at the date hereof and the Shareholders will be notified of any material changes as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and that we have reviewed, all currently available information and documents under recent circumstances to enable us to reach an informed view regarding the terms of and the reasons for the transactions contemplated under the Further Acquisition S&P Agreement, and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information have/has been withheld by the Directors or management of the Company or are/is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses, affairs or future prospects of the Company and the SF Group. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Proposed Further Acquisition, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Further Acquisition S&P Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

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

Set out below are certain audited financial information of the Group for each of the two financial years ended 31 March 2015 and 31 March 2016 as extracted from the Annual Report 2016, respectively.

Financial highlights of the Group

	For the year ended 31 March	
	2016	**2015**
	(audited)	*(audited)*
	HK$'000	*HK$'000*
Revenue		
Digital trunking system	39,011	134,376
VSAT satellite system	1,195	20,845
Systems technologies	—	17,664
Synertone 1 satellite system	15,308	151,635
Building intelligence and smart home	32,896	—
Industrial control system	17,011	—
Other accessory parts and components	955	5,147
	106,376	329,667
(Loss)/profit for the year	(468,909)	33,739
(Loss)/profit for the year attributable to:		
Owners of the Company	(469,702)	33,739
Non-controlling interests	793	—

	As at 31 March	
	2016	**2015**
	(audited)	*(audited)*
	HK$'000	*HK$'000*
Non-current assets	791,071	725,228
Current assets	328,368	403,491
Current liabilities	303,144	196,870
Non-current liabilities	391,997	410,578
Net current assets	631,512	206,621
Net assets	424,298	521,271

For the year ended 31 March 2016

The Group recorded revenue of approximately HK$106.38 million for the year ended 31 March 2016, representing a decrease of approximately 67.73% as compared to the Group's revenue of approximately HK$329.67 million for the year ended 31 March 2015. With reference to the Annual Report 2016, such decrease in revenue was mainly attributable to the technology upgrade for Synertone 1 satellite system during the financial year leading to the suspension of some business due to the upgrade, and the adjustment of some business market and opportunities, resulting in lower revenue. For the year ended 31 March 2016, the Group's largest business segments were the digital trunking system and the segment of building intelligence and smart home through Sense Field, each constituted approximately 36.67% and approximately 30.92% of the total revenue of the Group, respectively. The segment of digital trunking system is designated for public safety and emergency communications while building intelligence and smart home business 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 interest in Sense Field through the First Round Acquisition which has been completed on 16 December 2015 and the financial result of Sense Field has been consolidated into the Annual Report 2016. For the year ended 31 March 2016, the Group recorded segment revenue from digital trunking system of approximately HK$39.01 million, representing a decrease by approximately 70.97% as compared to the segment revenue of approximately HK$134.38 million recorded for the year ended 31 March 2015. Such decrease in segment revenue was mainly due to the dampened demand from certain major customers as a result of economic fluctuations and economic reform in the PRC. The Group recorded segment revenue of approximately HK$32.90 million from building intelligence and smart home business for the year ended 31 March 2016.

For the year ended 31 March 2016, the Group recorded loss for the year attributable to owners of the Company of approximately HK$469.70 million, against the profit for the year attributable to owners of the Company of approximately HK$33.74 million for the year ended 31 March 2015. Based on the Annual Report 2016, we noted that the variance between the profit-loss attributable to owners of the Company were primarily due to (i) the decrease in revenue of the Group as discussed in the above paragraph; (ii) impairment loss of trade receivables in the amount of approximately HK$61.21 million; (iii) impairment loss of property, plant and equipment in the amount of approximately HK$45.45 million; (iv) impairment loss of intangible assets in the amount of approximately HK$204.02 million; and (v) impairment loss of goodwill in the amount of approximately HK$31.06 million. The aforesaid impairment losses were absence for the year ended 31 March 2015 and were not arising from the underlying business operations of the Group.

As at 31 March 2016, the Group's net current assets amounted to approximately HK$631.51 million while the net assets of the Group amounted to approximately HK$424.30 million.

2. Background information of the SF Group

As disclosed in the Letter from the Board, Sense Field is a company incorporated in the British Virgin Islands and is the investment holding company of MOX Group Limited, the foreign investor of both Wankesi Automation (incorporated in 2011) and Xiyate Building Automation (incorporated in 2001). The SF Group is based in the Zhejiang province of the PRC and is primarily engaged in the research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC. Most of the customers of the SF Group are either property or building systems' developers. These customers include, inter alia, Greentown China Holdings Limited (綠城中國控股有限公司), Longfor Properties Company Limited (龍湖地產有限公司), China Resources Land Limited (華潤置地有限公司) and Top Spring International Holdings Limited (萊蒙國際集團有限公司). Over the years, the SF Group has established a sales network in not less than 23 first and second tier cities across the country.

Set out below are certain audited financial information of the SF Group for each of the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016, as extracted from Appendix II of this Circular.

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	—	—	69,491	—	39,623
Profit/(loss) before tax	—	—	90,572	81,748	(10,854)
Profit/(loss) and total comprehensive income (expense) for the year/period	—	—	91,275	81,748	(10,151)

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets	1	1	91,612	81,461

Notes:

(i) Members of the SF Group include Sense Field (being an investment holding company and the sole shareholder of MOX Group Limited), MOX Group Limited (being a subsidiary of Sense Field and the sole shareholder of Wankesi Automation and Xiyate Building Automation, respectively), Wankesi Automation and Xiyate Building Automation. Since MOX Group Limited was only acquired by Sense Field on 25 June 2015, no audited operation results of the SF Group for the years ended 31 December 2013 and 31 December 2014 were shown above.

(ii) MOX Group Limited was acquired by Sense Field on 25 June 2015 at a nominal consideration of US$50,000. Prior to 25 June 2015, the whole of the equity interest of MOX Group Limited was held by a nominee (Zhu Ying (朱鷹)) on trust for Tse Suet Mei (who was the then sole shareholder of Sense Field immediately before the acquisition). The aforesaid acquisition of MOX Group Limited by Sense Field was made for the purpose of restructuring to facilitate the beneficial owner to prepare for a sale of the interests in MOX Group Limited and its subsidiaries.

Set out below are certain financial information of the MOX Group for the year ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016, as extracted from Appendix III of this Circular.

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	124,175	99,955	111,743	42,252	39,623
Profit/(loss) before tax	4,041	(493)	6,461	(5,175)	(8,042)
Profit/(loss) and total comprehensive income (expense) for the year/period	3,515	(503)	6,461	(5,175)	(8,042)

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets	65,905	65,402	71,895	63,853

The revenue of the SF Group were mainly generated from the sale of intelligent building systems in the PRC. The SF Group recorded revenue of approximately RMB69.49 million for the year ended 31 December 2015 and approximately RMB39.62 million for the six months ended 30 June 2016. The SF Group recorded profit before tax of approximately RMB90.57 million for the year ended 31 December 2015 and a loss before tax of approximately RMB10.85 million for the six months ended 30 June 2016.

The net assets of the SF Group as at 30 June 2016 amounted to approximately RMB81.46 million. As at 30 June 2016, the assets of the SF Group mainly comprised trade and other receivables of approximately RMB80.43 million and property, plant and equipment of approximately RMB39.55 million, while the liabilities of the SF Group mainly comprised bank borrowings of approximately RMB76.90 million. Upon Completion, the SF Group will be owned as to 85% by the Company and the financial results of the SF Group will continue to be consolidated into the financial statements of the Group.

Sense Field is the investment holding company of MOX Group. Since MOX Group was only acquired by Sense Field on 25 June 2015, MOX Group is considered as the predecessor of Sense Field for the purpose of presenting the financial overview of SF Group for the three years ended 31 December 2013, 2014 and 2015.

For the year ended 31 December 2014, the revenue of MOX Group was approximately RMB99.96 million, representing a decrease of approximately 19.50% as compared to the previous year. We understand from management of the Company that such decrease was mainly due to the overall decline in sales of real estate market in the PRC which has led to reduction in customer demand for products provided by MOX Group. Loss for the year ended 31 December 2014 was approximately RMB0.5 million which was mainly due to the decrease in government grants and increase in administrative expenses during the year.

For the year ended 31 December 2015, the revenue of MOX Group was approximately RMB111.74 million, representing an increase of approximately 11.79% as compared to the previous year. We understand that such increase in revenue was consistent with the overall improving condition of the real estate market in the PRC coupled with relaxation measures implemented by the PRC government. The SF Group recorded profit for the year ended 31 December 2015 of approximately RMB6.46 million against the loss recorded in the previous year, which was primarily contributed by the sales growth during the year.

For the six months ended 30 June 2016, the revenue of MOX Group was approximately RMB39.62 million, representing a decrease of approximately 6.22% as compared to the previous corresponding period. We noted that such slight decrease in revenue was attributable to the rising market competition leading to adjustment in selling prices for value-added products and adjustment in product mix by MOX Group to cater customer needs. The MOX Group recorded loss for the six months ended 30 June 2016 of approximately RMB8.04 million which was primarily attributable to the increase in research and development expenditure to continuously enhance product innovation.

3. Reasons for and benefit of the Proposed Further Acquisition

Following the acquisition of the "Synertone-1" (IPSTAR) satellite bandwidth in October 2013, the Group has started the business of satellite communication operation. In addition to the above, the Group also provides specialised communication network design and implementation solutions according to clients' specific needs, engages in research and development of systems technologies for the operation of the specialised communication system and the sales of accessory parts and components to some of its customers for further integration or other related uses. The Group's products and services on digital trunking and specialised communication network are mainly used by government departments as well as corporations in the PRC for public safety and emergency communication purposes. As disclosed in the Clarification Announcement, notwithstanding that the financial information of the SF Group has already been consolidated into the Group's accounts, the Group will not obtain actual control over the SF Group until completion of the Proposed Further Acquisition, It is expected that the Proposed Further Acquisition would enable the Group to consolidate and secure actual 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. The Group also plans to leverage on its existing satellite communication capabilities to provide services to the existing and potential customers of the SF Group. It is expected that the Group, upon Completion, would share a larger portion of the earnings from the SF Group, bringing positive impact to its earnings.

Sense Field is primarily engaged in building intelligence and security alarm industry solutions, smart home system solutions, industrial control system solutions, and internet-based intelligent management solutions in the PRC. We have therefore performed researches in order to assess the prospect and recent development of building intelligence and smart home solutions in the PRC. According to the report available from YuBo Business Intelligence, a leading consulting and advisory firm established in the PRC specialized in industry research and market studies, approximately 88% of households have employed smart home systems in 2015 as compared to 25% as recorded in 2011, and the usage of smart home systems by domestic households were showing an increasing trend from 2011 to 2015, demonstrating a rising popularity of smart home technology over the recent years. According to the Guidance on Promotion of "Internet+" Intelligent Energy Development (關於推進"互聯網+"智慧能源發展的指導意見) officially issued in March this year by the National Development and Reform Commission of the PRC, it is the focus of the PRC government to encourage the construction of intelligence technology in various aspects including the application of smart home systems and internet-based intelligent management solution, including but not limited to provision of funding to qualified intelligence corporation and the establishment of technological standard for the intelligence industry. With supportive governmental policies in place, it is expected that the consumer demand for building intelligence and smart home solutions in the PRC will continue to enjoy a stable growth, which could potentially benefit the business performance of the SF Group.

Despite the decrease in revenue and the loss-making position of the SF Group for the six months ended 30 June 2016 as discussed in the above section headed "**2. Background information of the SF Group**", in view of (i) the SF Group has reacted by adjusting its product mix as well as its pricing strategy against the rising market competition; (ii) the SF Group has increased its effort in product innovative research and development for securing future potential returns; (iii) the established sales network of the SF Group in the PRC, particularly within the property development sector which is expected to contribute and diversify the existing customer base of the Group; (iv) the positive prospect of the principal business of the SF Group, being the sales of building intelligence and smart home solutions in the PRC; (v) the further synergistic effects to be brought by the Proposed Further Acquisition with the Group's existing businesses which enables the Group to expand its Synertone 1 satellite service business by utilizing the customer base of SF Group and its research and production base located in the Yangtze River Delta; and (vi) the Group's sharing of a larger portion of the earnings from the SF Group, we consider that the Proposed Further Acquisition would enhance the future earnings of the Group and the entering into of the Further Acquisition S&P Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Further Acquisition S&P Agreement

Pursuant to the Further Acquisition S&P Agreement, Ms. Xiong Sylvia Wei, Ms. Hua Shu and Ms. Tse Suet Mei have respectively agreed to transfer 6, 20 and 10 ordinary shares of Sense Field to the Purchaser, which amounts to 36 ordinary shares of Sense Field in total (representing 6%, 20% and 10% of the issued share capital of Sense Field respectively).

Consideration and payment terms

The consideration for the Proposed Further Acquisition is HK$130 million. The consideration for the Proposed Further Acquisition was determined by the Group and the Vendors following arm's length negotiation and with reference to:

(a) The business valuation (as contained in Appendix VI to this Circular) report dated 27 November 2015 prepared by Roma Appraisals Limited, a valuer independent to the Group and the Vendors, which had placed a valuation of RMB354 million (approximately HK$435 million) to the SF Group as at 31 October 2015 (the "**Valuation**");

(b) The audited accounts of the SF Group as at 31 December 2015; and

(c) The unaudited management accounts of the SF Group as at 31 March 2016.

Pursuant to the terms of the Further Acquisition S&P Agreement, the Purchaser has already paid HK$35 million in cash to the Vendors after execution of the Further Acquisition S&P Agreement as deposit (the "**Deposit**"). The balance of HK$95 million (the "**Balance**") shall be made in cash in the following manner:

(a) The Purchaser shall pay HK$82 million to the Vendors on the Completion Date (which sum when aggregated with the Deposit shall constitute 90% of the consideration for the Proposed Further Acquisition); and

(b) Subject to the adjustment provisions set out below, the remaining HK$13 million (the "**Retention Funds**") shall be paid by the Purchaser to the Vendors within 14 Business Days after the consolidated audited accounts of the SF Group made up to 31 December 2016 (the "**2016 Accounts**") shall become available.

The Deposit was, and the Balance is expected to be, funded by the proceeds from the Rights Issue.

While it is noted that the consideration for the Proposed Further Acquisition was determined by making reference to, among others, the Valuation, since (i) the Subscription Right, being the background of entering into the Proposed Further Acquisition as it allows the Company to further subscribe for the equity interest of Sense Field to more than 50%, was granted to the Company at the time of the First Round Acquisition; (ii) the terms of the First Round Acquisition including the consideration have been approved by the then existing Shareholders; and (iii) the Valuation has been relied on in the first place in determining the consideration for the First Round Acquisition, we will therefore assess the consideration for the Proposed Further Acquisition by making reference to the consideration for the First Round Acquisition which has taken into account the Valuation. The consideration for the First Round Acquisition is HK$195 million, including the Subscription Right granted to the Company for further subscription in Sense Field to more than 50%.

Based on the First Round Acquisition in the amount of HK$195 million for the acquisition of 49% equity interest in SF Group, the implied value will be approximately HK$397.96 million for the entire equity interest of the SF Group or approximately HK$143.27 million for the 36% equity interest of the SF Group. The consideration for the Proposed Further Acquisition for the acquisition of 36% of the SF Group is HK$130 million, which represents a discount of HK$13.27 million to the aforesaid implied value of HK$143.27 million based on the consideration for the First Round Acquisition.

We understand that the discounted cash flow method under the income based approach has been adopted in arriving at the Valuation. Among the major assumptions and parameters used in the Valuation, we have reviewed:

(i) the financial forecast made by the management of the SF Group;

(ii) the terminal growth rate and the discount rate adopted in the Valuation;

(iii) the assumption that there will be sufficient supply of technical staff in the industries in which the SF Group operates or intends to operate, and the SF Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

(iv) the assumption that there will be no major change in the current taxation laws in the localities in which the SF Group operates or intends to operate and that all applicable laws and regulations will be complied with; and

(v) the assumption that there will be no major change in the political, legal, economic or financial conditions in the localities in which the SF Group operates or intends to operate, which would adversely affect the revenue attributable to and profitability of the SF Group.

We have reviewed the cash flow projections and assessed the parameters such as the growth rates in revenue and costs adopted in the projections. While the growth rate in revenue of the SF Group for the first half of 2016 is underperformed, recording a net loss with a decreased gross margin, we noted that the actual average monthly revenue recognised during the two months ended 31 December 2015 is higher than the average monthly revenue recognised during the ten months between January and October 2015, concluding that such sales pattern of the SF Group for the first half of 2016 is probably due to seasonal fluctuation as happened in 2015. In addition, we noted that the actual revenue recognised for the two months ended 31 December 2015 outperformed than that in the projections, and the financial performance of the SF Group for the whole year of 2015 was comparable with the financial forecast made by the management of the SF Group. Taking into account the optimistic prospect of the building intelligence and smart home products market in the PRC resulting from the rising popularity of smart home technology and the favourable government policies as elaborated by our researches above, we concur with the Directors' view that the growth rates in revenue adopted in the projections are fair and reasonable.

It is noted that a terminal growth rate of 3% which has been adopted in the Valuation, being the assumed constant growth rate of the SF Group after the forecast period, was based on the long term projected inflation rate of the PRC. With reference to the statistics available from the National Bureau of Statistics of the PRC, the monthly consumer price index for the first half of 2016 stays at around 2%. As such, we consider the terminal growth rate used in the Valuation is fair and reasonable.

In respect of the discount rate, we noted that weighted average cost of capital was used as the discount rate in the Valuation, which is mainly determined based on key parameters including (i) the cost of equity; (ii) the cost of debt; and (iii) the rate of income tax. The cost of equity of 19.54% was calculated based on the capital asset pricing model, which is a widely accepted modern portfolio theory used in the pricing of risky securities. According to the capital asset pricing model, cost of equity is equivalent to the risk-free rate plus a linear function of a measure of systematic risk times the equity market premium for the PRC. We have reviewed the underlying assumptions and consider that the parameters used for the calculation of the cost of equity in the projections are in line with the prevailing market rate. The cost of debt of 4.90% is based on the expected lending rate of the SF Group, which is equivalent to the China lending rate of term more than 5 years. The income tax rate of 25% is based on the tax rate applicable to the enterprise appraised, which is equivalent to the current China profits tax rate. As such, we are of the view that the aforesaid key parameters contributing to the discount rate did not materially differ from those as at the date of the Valuation.

We were advised by the management of the Company that, since the date of the Valuation and up to the date of the Further Acquisition S&P Agreement, there is no material change to the senior management team of the SF Group who are the key personnel to support the ongoing operations and developments of the SF Group. In respect of the taxation laws, political, legal, economic or financial conditions in the PRC, we are not aware of any major change that would adversely affect the financial performance of the SF Group. In addition, given that the time of initial negotiation for the Proposed Further Acquisition is only around six months after the entering into of the First Round Acquisition, we consider it is reasonable for the Company to make reference to the Valuation, among other factors, in the course of setting the Consideration.

Taking into consideration that (i) it is reasonable for the Company to make reference to the Valuation, which we consider it was in substance the referencing to the consideration for the First Round Acquisition such that it is appropriate for us to make reference to the consideration for the First Round Acquisition, which has taken into account the Valuation; (ii) the consideration for the Proposed Further Acquisition represents a discount to the value derived from the consideration of the First Round Acquisition; (iii) the Board has reviewed the principal assumptions of the Valuation and consider they are still valid at the time of entering into the Proposed Further Acquisition and we have reviewed certain assumptions and consider the Valuation is relevant to be used as a reference for setting the

Consideration; and (iv) the positive industry prospect which the SF Group is facing as further discussed in the section headed "**3. Reasons for and benefit of the Proposed Further Acquisition**", we consider that the consideration for the Proposed Further Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

To further assess the fairness and reasonableness of the consideration for the Proposed Further Acquisition as contemplated under the Further Acquisition S&P Agreement, we have considered to apply the price-to-earning ("**P/E**") ratio analysis which is a commonly used valuation approach with comparable companies. We have attempted to identify comparable companies based on the following criteria: (i) companies listed on the Stock Exchange; (ii) companies with principal business involving intelligence and/or smart security system which are similar to that of the SF Group; and (iii) companies with revenue principally derived from the PRC. We have identified, on best effort basis, an exhaustive list of 1 comparable company. In view of our sample size, we consider our sample is not fair and representative and as such, we consider the aforesaid comparable analysis is not applicable in this occasion.

Profit guarantee, adjustments and indemnification

We further noticed from the Further Acquisition S&P Agreement, the Vendors have jointly and severally warranted and undertaken to the Purchaser that:

(a) The EBITDA of the SF Group for the year ended 31 December 2016 (the "**2016 EBITDA**") shall not be less than HK$40 million (the "**First-year Target**"); and

(b) The EBITDA of the SF Group for the year ended 31 December 2017 (the "**2017 EBITDA**"), when aggregated with the 2016 EBITDA, shall not be less than HK$95 million (the "**Two-year Target**").

The First-year Target and Two-year Target were determined with reference to the profit forecast prepared by management of the SF Group for each of the financial year ending 31 December 2016 and 2017, respectively.

In the event that the First-year Target can be achieved, the Purchaser shall, as provided above, pay the Retention Funds in full to the Vendors within 14 Business Days after the 2016 Accounts shall become available. However, if later on the 2016 EBITDA, when aggregated with the 2017 EBITDA, cannot meet the Two-year Target, the Vendors shall, within 60 days after the consolidated audited accounts of the SF Group made up to 31 December 2017 (the "**2017 Accounts**") shall become available, indemnify the Purchaser of the shortfall (the "**Shortfall**") which shall be calculated as follows:

Shortfall = the Two-year Target – (the 2016 EBITDA + the 2017 EBITDA)

In the event that the First-year Target cannot be achieved, the date for the Purchaser to pay the Retention Funds shall automatically be extended to any time that is within 14 Business Days after the 2017 Accounts shall become available.

Even if the First-year Target cannot be achieved, if later on the Two-year Target can be met when the 2016 EBITDA is aggregated with the 2017 EBITDA, then the Purchaser shall pay the Retention Funds in full to the Vendors within 14 Business Days after the 2017 Accounts shall become available.

If the First-year Target cannot be achieved and the Two-year Target cannot be met either, the Purchaser shall then be entitled to deduct from the Retention Funds the Shortfall and shall pay to the Vendors the amount equivalent to the difference between the Retention Funds and the Shortfall within 14 Business Days after the 2017 Accounts shall become available, and in such case the Purchaser shall be deemed to have fulfilled its obligation under the Further Acquisition S&P Agreement to pay the Retention Funds to the Vendors.

In the event that the Retention Funds shall not be sufficient to cover the Shortfall, then:

(a) The Purchaser shall not be required to pay to the Vendors all or any part of the Retention Funds, and in such case the Purchaser shall be deemed to have fulfilled its obligation under the Further Acquisition S&P Agreement to pay the Retention Funds to the Vendors; and

(b) The Vendors shall, within 60 days after the 2017 Accounts shall become available, indemnify the Purchaser of the amount equivalent to the difference between the Retention Funds and the Shortfall.

In the event that the Vendors shall be required to indemnify the Purchaser in accordance with the above mechanism, the Purchaser is entitled to request Ms. Hua Shu to transfer all or part of the shares of Sense Field held by her for the time being to satisfy the Vendors' indemnification obligations mentioned hereinabove.

We have reviewed the latest consolidated management accounts of the SF Group for the six months ended 30 June 2016 and noted that the SF Group recorded a net loss for such period. Upon discussion with management of the Company, we were given to understand that the sales of the SF Group have been influenced by seasonal fluctuation. In this connection, we have reviewed the consolidated management accounts of the SF Group for the six months ended 30 June 2015 and for the year ended 31 December 2015 and we noticed that the SF Group recorded a net loss for the six months ended 30 June 2015 while the SF Group recorded a net profit for the year ended 31 December 2015. With reference to the seasonal trend exhibited by the SF Group throughout the year of 2015, we consider the First-year Target is likely to be met for the year ending 31 December 2016 and that the inclusion of profit guarantee in the Proposed Further Acquisition is fair and reasonable.

As advised by management of the Company, certain directors of the SF Group have been appointed by the Company which enables the Group to gain access to and be involved in the daily business operations and management of the SF Group such that the Group has been, at a certain level, responsible for the operational results and earnings of the SF Group since completion of the First Round Acquisition on 16 December 2015. Considering that (i) the Vendors warranted in favour of the Purchaser that the SF Group will achieve positive earning targets for the two financial years ending 31 December 2016 and 31 December 2017 despite the loss making performance of the SF Group for the six months ended 30 June 2016, being a provision of profit guarantee to the Company in addition to the payment terms under the Further Acquisition S&P Agreement for securing the interest of the Company; (ii) the Group would be able to secure considerable compensations (if any) in a timely manner such that the Retention Funds shall be paid by the Purchaser within 14 Business Days after the 2016 Accounts shall become available only when the First-year Target can be achieved, and any indemnification shall be made by the Vendors within 60 days after the 2017 Accounts shall become available; and (iii) the profit guarantee undertaken by the Vendors is a show of confidence by the Vendors in the future earning ability of the SF Group to meet the respective First-year Target and Two-year Target, we are of the opinion that the profit guarantee and adjustment mechanism is fair and reasonable and could safeguard the interests of the Company and the Shareholders as a whole.

5. Possible financial effects of the Proposed Further Acquisition

The financial results of the SF Group has been consolidated into the Group's financial statements since completion of the First Round Acquisition, as shown in the Annual Report 2016 (background and details of which are set out in the Clarification Announcement and in the Letter from the Board).

As per the Auditors' Consolidation Advice, the Purchaser's control over Sense Field can be exercised through the Subscription Right. Therefore, subject to the paragraph below, even if the Proposed Further Acquisition is not completed (which the Purchaser will continue to hold 49% equity interest in Sense Field), Sense Field will still be regarded as a non-wholly owned subsidiary of the Company and the revenue, profits, assets and liabilities of the SF Group will continue to be consolidated into the Group's accounts.

However, the Subscription Right will lapse and expire after 15 December 2017 if not exercised. As such. if the Subscription Right is not exercised on or before 15 December 2017 and the Proposed Further Acquisition is not completed, the Purchaser will no longer be able to exercise its "control" over Sense Field and in such case, the revenue, profits, assets and liabilities of the SF Group will then have to be de-consolidated from the Group's accounts. In such circumstances, any difference between the Group's carrying value in its 49% equity interest in Sense Field and the net assets of the SF Group being de-recognized as a result of the de-consolidation will be reflected in the Group's profit and loss. Given that there is a possibility that the SF Group may be de-consolidated from the Group's accounts upon the expiration of the Subscription Right if not exercised, which may potentially affect the financial results of the Group, we consider that it is fair and reasonable for the Company to exercise the Subscription Right through the Proposed Further Acquisition.

Set out below are the possible financial effects upon Completion.

Earnings

Upon Completion, the Group will hold 85% equity interest in Sense Field and the financial results of Sense Field will continue to be consolidated into the financial accounts of the Group. Notwithstanding the loss-making position of the Group for the six months ended 30 September 2016, taking into account the profit making financial performance of the SF Group for its latest full financial year ended 31 December 2015 and the positive prospect of the SF Group as elaborated in the section headed "**3. Reasons for and benefit of the Proposed Further Acquisition**", it is expected that the Proposed Further Acquisition would potentially enhance the earnings of the Group.

Net assets value

According to the interim result announcement of the Company dated 30 November 2016, the Group's unaudited net asset value (excluding non-controlling interests) as at 30 September 2016 was approximately HK$480.69 million. Based on the unaudited pro forma financial information on the Group as set out in Appendix IV of this Circular, assuming the Proposed Further Acquisition had been completed on 30 September 2016, the net asset value (excluding non-controlling interests) of the Group as at 30 September 2016 would decrease to approximately HK$325.60 million.

Working capital

Based on the Annual Report 2016, the working capital and cash and cash equivalents of the Group as at 31 March 2016 were approximately HK$25.22 million and approximately HK$12.42 million, respectively. As mentioned in the Letter from the Board, the Deposit was, and the Balance is expected to be, funded by the proceeds from the Rights Issue which has been completed on 28 April 2016. An amount of approximately HK$160 million from such proceeds will be used to settle the consideration for the Proposed Further Acquisition. As such, we consider the settlement of consideration for the Proposed Further Acquisition will not have any material adverse impact on the working capital of the Group following Completion, after taking into account the effect of the Rights Issue.

Despite the net assets value of the Group would decrease as a result of the Completion, having considered that the Proposed Further Acquisition is expected to bring positive impact to the earnings of the Group as well as other benefits as mentioned in the section headed "**3. Reasons for and benefit of the Proposed Further Acquisition**" above, we consider the abovementioned financial effects of the Proposed Further Acquisition is acceptable.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon Completion.

RECOMMENDATIONS

Based on the abovementioned principal factors and reasons for the entering into of the Further Acquisition S&P Agreement, we are of the view that the Proposed Further Acquisition is in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Further Acquisition S&P Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

Note: *Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance profession.*

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2016 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (details of the website addresses are set out below):

(a) annual report of the Company for the year ended 31 March 2014 published on 23 July 2014 (pages 30–91) (http://www.synertone.net/synertone/data/upload/ueditor/20160417/57128007166df.pdf);

(b) annual report of the Company for the year ended 31 March 2015 published on 30 July 2015 (pages 32–103) (http://www.synertone.net/synertone/data/upload/ueditor/20160417/57127f4bbf657.pdf);

(c) annual report of the Company for the year ended 31 March 2016 published on 30 August 2016 (pages 35–121) (http://www.synertone.net/synertone/data/upload/ueditor/20160830/57c590e333877.pdf); and

(d) interim report of the Company for the six months ended 30 September 2016 published on 14 December 2016 (pages 4–39) (http://www.synertone.net/synertone/data/upload/ueditor/20161214/58510ad9a8c6a.pdf).

2. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 March 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

3. INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$108,341,000. These borrowings comprised (i) secured bank borrowings of approximately HK$88,163,000 which is secured by prepaid lease payments and property, plant and equipment; and (ii) unsecured bank borrowings of approximately HK$20,178,000. The Group had outstanding finance lease payables of approximately HK$414,551,000. The aforesaid finance lease payables of approximately HK$4,024,000 are secured by the lessor's charge over the leased assets and the personal guarantees provided by a director of the Company.

Contingent liabilities

As at the close of business on 31 October 2016, the Group did not have any contingent liabilities.

Disclaimer

Save as disclosed above, the Group did not have outstanding indebtedness as at the close of business on 31 October 2016 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the present financial resources and the net proceeds from the Rights Issue, the Company has sufficient working capital for at least twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has commenced the upgrade for Synertone 1 satellite's gateway system since November 2015. The upgrade does not only meet the market requirements, but can also increase the total bandwidth of the Synertone 1 satellite system from 12Gbps to around 20Gbps. Besides, with the network management system (NMS) to be upgraded also, the Group is capable of developing a new NMS and operations support system (OSS), evolving the business mode, and expanding the market of the Synertone 1 satellite system from B2B business to B2C business.

The upgrade of gateway system will be implemented in phases. In April 2016, the Group has set up a demonstration system to do market promotions. The first phase is expected to be finished in the fourth quarter of 2016, and by then one third of the total bandwidth will be upgraded. With the upgraded bandwidth, the Group can enter market fields which they could not enter before, such as 4G backhaul, connectivity for high speed rail and etc. In phase 2 and 3, the Group will upgrade the rest of the bandwidth, build a comprehensive satellite communication network and evolve the business model from B2B to B2C business. The Company expects that, after the upgrade has been completed, the revenue generated from the Synertone 1 satellite system will resume to the previous level and may further increase.

In the short term, the Company expects that revenue generated from the Synertone 1 satellite system will decrease for a period of time until the abovementioned upgrade shall have been completed, and expects that there will be difficulties in yielding considerable revenue during the year. The Company is striving for comprehensive market opportunities for its business development through identifying more channels and markets in various ways, and is planning to launch new satellite system products in line with the high-speed resources and information services under the fully upgraded Synertone 1 satellite system in the coming year.

On 24 November 2016, the Company entered into a non-exclusive manufacturing agreement (the "**Manufacturing Agreement**") with a cooperating partner, pursuant to which the cooperating partner grants a non-exclusive license to the Company to manufacture certain of its products including "Capricorn" and "Gemini" VSAT's (the "**Products**"), and the right to manufacture and sell the Products to the Company's customers using the services of the "Synertone 1" satellite within the territory of the PRC including Hong Kong, Macau and Taiwan. The Company considers that the entering into of the Manufacturing Agreement represents a good opportunity for the Group to fully utilize its manufacturing facility, enhance its product capability and services enabling the Group to further expand its business and revenue base.

The Company is confident of its business planning and development. It is expected that the Company's continuous innovation and efforts will present it a brand new image in the coming year.

On 28 April 2016, the Company completed the Rights Issue whereby 1,674,400,000 Rights Shares were issued at the subscription price of HK$0.125 per Rights Share. The net proceeds from the Rights Issue after deducting all necessary expenses were approximately HK$207 million, which are intended to be used (i) as to approximately HK$130 million for the Proposed Further Acquisition; and (ii) as to the remaining balance of approximately HK$77 million for general working capital of the Group. If the Proposed Further Acquisition does not proceed, the amount of approximately HK$130 million will be used for other similar investment project(s) which would create synergy by leverage of the existing satellite communication systems of the Group. Up to the Latest Practicable Date, the Board has not identified any investment project other than the Proposed Further Acquisition, and no negotiation of any other investment project has taken place.

28 December 2016

The Board of Directors
Synertone Communication Corporation

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

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Sense Field Group Limited ("**Sense Field**") and its subsidiaries (collectively referred to as the "**Sense Field Group**") which comprises the consolidated statements of financial position as at 31 December 2013, 2014, 2015 and 30 June 2016, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the sole director of Sense Field for inclusion in Appendix II to the circular dated 28 December 2016 (the "**Circular**") issued by Synertone Communication Corporation (the "**Company**") in connection with its proposed further acquisition of 36% equity interest of Sense Field (the "**Transaction**").

Sense Field was incorporated in British Virgin Islands (the "**BVI**") with limited liability on 5 July 2006. The addresses of the registered office and principal place of business of Sense Field are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI and Level 18, Changhang Mansion, No.800 Zhangyang Road, Shanghai, People's Republic of China, respectively. Sense Field is principally engaged in investment holding.

As at the date of this report, no statutory financial statements have been prepared for Sense Field, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, Sense Field had direct and indirect interests in the subsidiaries as set out in Note 1 to the Financial Information. All companies now comprising the Sense Field Group have adopted 31 December as their financial year end dates. The statutory financial statements of the companies now comprising the Sense Field Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in Note 1 to the Financial Information.

For the purpose of this report, the sole director of Sense Field has prepared the consolidated financial statements of the Sense Field Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (collectively the "**Underlying Financial Statements**").

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. Certain adjustments have been made by us to the Underlying Financial Statements in preparation of this report for inclusion in the Circular. The preparation of the Underlying Financial Statements is the responsibility of the sole director of Sense Field. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Sense Field Group as at 31 December 2013, 2014, 2015 and 30 June 2016 and its financial performance and cash flow for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

The unaudited comparative consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Sense Field Group for the six months ended 30 June 2015 together with the notes thereon have been extracted from the unaudited financial information of the Sense Field Group for the same period (the "**30 June 2015 Financial Information**") which was prepared by the sole director of Sense Field solely for the purpose of this report. We have reviewed the 30 June 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION OF THE SENSE FIELD GROUP LIMITED AND ITS SUBSIDIARIES

The following is the financial information of Sense Field Group Limited ("**Sense Field**") and its subsidiaries (collectively referred to as the "**Sense Field Group**") prepared by the sole director of Sense Field as at 31 December 2013, 2014, 2015 and 30 June 2016 and for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the "**Relevant Periods**") (collectively known as the "**Financial Information**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2013	**2014**	**2015**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*7*	—	—	69,491	—	39,623
Cost of sales		—	—	(38,790)	—	(26,823)
Gross profit		—	—	30,701	—	12,800
Other income	*9*	—	—	4,719	—	2,580
Selling and distribution expenses		—	—	(5,334)	—	(4,375)
Administrative expenses		—	—	(17,690)	—	(18,783)
Share of profit (loss) of an associate		—	—	389	—	(138)
Impairment loss recognised in respect of trade receivables	*20*	—	—	(1,718)	—	(824)
Gain on bargain purchase	*30*	—	—	81,748	81,748	—
Profit (loss) from operations		—	—	92,815	81,748	(8,740)
Finance costs	*10*	—	—	(2,243)	—	(2,114)
Profit (loss) before tax		—	—	90,572	81,748	(10,854)
Income tax credit	*11*	—	—	703	—	703
Profit (loss) and total comprehensive income (expense) for the year/period	*12*	—	—	91,275	81,748	(10,151)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
		2013	2014	2015	2016
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	—	—	40,838	39,553
Prepaid lease payments — non-current portion	*16*	—	—	8,291	8,197
Intangible assets	*17*	—	—	28,968	26,071
Interest in an associate	*18*	—	—	985	847
Deferred tax assets	*25*	—	—	826	803
		—	—	79,908	75,471
CURRENT ASSETS					
Inventories	*19*	—	—	31,156	27,047
Trade and other receivables	*20*	—	—	72,054	80,430
Amount due from an associate	*21*	—	—	10,681	10,092
Prepaid lease payments	*16*	—	—	186	186
Pledged bank deposits	*22*	—	—	603	576
Bank balances and cash	*22*	1	1	6,197	5,800
		1	1	120,877	124,131
CURRENT LIABILITIES					
Trade and other payables	*23*	—	—	20,874	31,568
Bank borrowings	*24*	—	—	77,900	76,900
		—	—	98,774	108,468
NET CURRENT ASSETS		1	1	22,103	15,663
TOTAL ASSETS LESS CURRENT LIABILITIES		1	1	102,011	91,134
NON-CURRENT LIABILITIES					
Bank borrowings — non-current portion	*24*	—	—	3,000	3,000
Deferred tax liabilities	*25*	—	—	7,399	6,673
		—	—	10,399	9,673
NET ASSETS		1	1	91,612	81,461
CAPITAL AND RESERVES					
Share capital	*26*	1	1	1	1
Reserves		—	—	91,611	81,460
TOTAL EQUITY		1	1	91,612	81,461

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note a)*	*RMB'000*	*RMB'000*
At 1 January 2013	1	—	—	—	1
Profit and total comprehensive income for the year	—	—	—	—	—
At 31 December 2013	1	—	—	—	1
Profit and total comprehensive income for the year	—	—	—	—	—
At 31 December 2014	1	—	—	—	1
Profit and total comprehensive income for the year	—	—	—	91,275	91,275
Statutory surplus reserve appropriation	—	—	877	(877)	—
Capital contribution	—	304	—	—	304
Share of capital reserve of an associate	—	32	—	—	32
At 31 December 2015	1	336	877	90,398	91,612
Loss and total comprehensive expense for the period	—	—	—	(10,151)	(10,151)
At 30 June 2016	1	336	877	80,247	81,461
For the six months ended 30 June 2015 (Unaudited)					
At 1 January 2015	1	—	—	—	1
Profit and total comprehensive income for the period	—	—	—	81,748	81,748
At 30 June 2015	1	—	—	81,748	81,749

Note:

(a) Statutory surplus reserve

According to the relevant rules and regulations in the People's Republic of China (the "**PRC**"), the company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these PRC subsidiaries. Statutory surplus reserve can be used to set-off previous years' loss, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit (loss) before tax	—	—	90,572	81,748	(10,854)
Adjustments for:					
Interest income	—	—	(24)	—	(7)
Interest expenses	—	—	2,243	—	2,114
Amortisation of prepaid lease payment	—	—	93	—	94
Amortisation of intangible assets	—	—	2,897	—	2,897
Gain on bargain purchase	—	—	(81,748)	(81,748)	—
Depreciation of property, plant and equipment	—	—	1,914	—	1,686
Loss on disposal of property, plant and equipment	—	—	—	—	142
Written-off of property, plant and equipment	—	—	—	—	128
Share of (profit) loss of an associate	—	—	(389)	—	138
Impairment loss recognised in respect of trade receivables	—	—	1,718	—	824
Operating cash flows before movements in working capital	—	—	17,276	—	(2,838)
(Increase)/decrease in inventories	—	—	(6,429)	—	4,109
Decrease/(increase) in trade and other receivables	—	—	359	—	(9,200)
(Increase) decrease in amount due from an associate	—	—	(6,719)	—	589
(Decrease)/increase in trade and other payables	—	—	(4,406)	—	10,694
Cash generated from operations	—	—	81	—	3,354
Income tax paid	—	—	—	—	—
NET CASH FROM OPERATING ACTIVITIES	—	—	81	—	3,354

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
INVESTING ACTIVITIES					
Decrease in pledged bank deposits	—	—	—	—	27
Purchase of property, plant and equipment	—	—	(1,263)	—	(679)
Proceeds from disposal of property, plant and equipment	—	—	—	—	8
Acquisition of subsidiaries	—	—	4,213	—	—
Interest received	—	—	24	—	7
NET CASH FROM (USED IN) INVESTING ACTIVITIES	—	—	2,974	—	(637)
FINANCING ACTIVITIES					
Borrowings raised	—	—	53,900	—	42,500
Repayment of bank borrowings	—	—	(48,820)	—	(43,500)
Capital contribution	—	—	304	—	—
Interest paid	—	—	(2,243)	—	(2,114)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	—	—	3,141	—	(3,114)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	—	6,196	—	(397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	1	1	1	1	6,197
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	1	1	6,197	1	5,800

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Sense Field Group Limited ("**Sense Field**") was incorporated in British Virgin Islands (the "**BVI**") with limited liability on 5 July 2006. During the years ended 31 December 2013 and 2014, its sole shareholder is Zuo Ling ("**Ms. Zuo**"), who is also the sole director of Sense Field. During the year ended 31 December 2015, Sense Field issued 99 new shares to other shareholders and Ms. Zuo ceased to be the shareholder and director of Sense Field. Ms. Tse Suet Mei was appointed as the sole director of Sense Field with effect from 24 June 2015. Pursuant to the share transfer agreement dated 27 November 2015, Vastsuccess Holdings Limited acquired 49% equity interest in Sense Field and became the substantial shareholder. The ultimate controlling party is Mr. Wong Chit On.

Sense Field acts as an investing holding company. Sense Field and it subsidiaries (collectively referred to as the "**Sense Field Group**") are principally engaged in research and development, manufacturing and sales of intelligent building systems.

At the date of this report, Sense Field had direct and indirect interests in its subsidiaries, all of which are private limited liability company, the particulars of which are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment and place of business	Nominal value of registered share capital	Percentage of equity interest attributed to Sense Field Directly	Indirectly	Principal activities
MOX Group Limited ("**MOX**") *(Note a)*	BVI 29 December 2004	United State dollars ("**US$**") 50,000	100%	—	Investment holding
萬科思自控信息(中國)有限公司 (transliterated as Wankesi Automation Information (China) Co., Limited*) ("**Wankesi Automation**") *(Note b)*	The People's Republic of China ("**PRC**") 11 February 2011	US$12,000,000	—	100%	Research and development, manufacturing and sales of intelligent building systems
悉雅特樓宇自控(杭州)有限公司 (transliterated as Xiyate Building Automation (Hangzhou) Co., Limited*) ("**Xiyate Building Automation**") *(Note b)*	PRC 13 July 2001	US$300,000	—	100%	Sales of intelligent building systems

Notes:

(a) No audited financial statements have been prepared for MOX for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 as there is no statutory requirement.

(b) The statutory financial statements of Wankesi Automation and Xiyate Building Automation for the years ended 31 December 2013, 2014 and 2015 have been prepared in accordance with "Accounting Standards for Business Enterprises" issued by the Ministry of Finance of the PRC (the "**MOF**") and other relevant requirements (collectively known as the "**PRC GAAP**") and were audited by Jiaxing Baisuo Certified Public Accountants, certified public accountants registered in the PRC. No audited financial statements of Wankesi Automation and Xiyate Building Automation for the six months ended 30 June 2016 have been prepared as there is no statutory requirements.

* *For identification purposes only*

The addresses of the registered office and principal place of business of Sense Field are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI and Level 18, Changhang Mansion, No.800 Zhangyang Road, Shanghai, People's Republic of China, respectively.

The functional currency of Sense Field and its subsidiaries are US$ and Renminbi ("**RMB**") respectively. The Financial Information are presented in RMB. The sole director of Sense Field considers that presenting the Financial Information in RMB is preferable as the Sense Field Group's principal place of business is in PRC.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Sense Field Group has adopted all the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Sense Field Group's financial period beginning on 1 January 2016 consistently throughout the Relevant Periods.

The Sense Field Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective during the Relevant Periods.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to Hong Kong Accounting Standard ("**HKAS**") 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 *Revenue from Contracts with Customers*[2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective date to be determined and early application is permitted.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain simple debts instruments.

Key requirements of HKFRS 9:

— All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless that recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

— In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

— The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The sole director of Sense Field (the "**Sole Director**") anticipates that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Sense Field Group's financial assets and financial liabilities. Regarding the Sense Field Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Sole Director anticipates that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Sense Field Group's Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Sense Field Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Sole Director anticipates that the application of HKFRS 16 in the future may have a certain impact on the amounts reported and disclosures made in the Sense Field Group's Financial Information. However, it is not practicable to provide a reasonable estimate of effect of HKFRS 16 until the Sense Field Group performs a detailed review.

Other than the above, the Sole Director does not anticipates that the application of the other new and amendment to HKFRSs will have any significant impact on the Sense Field Group's financial results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Financial Information presents the financial track record of the Sense Field Group for the three years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016 and is prepared for the purposes of inclusion in a circular of the Company to its shareholders for the further acquisition of 36% equity interest of Sense Field, using the principal accounting policies which are materially consistent with those of the Company as applied in the Company's consolidated financial statements for the year ended 31 March 2016.

The Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Sense Field Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Sense Field, entities controlled by Sense Field and its subsidiaries. Control is achieved when Sense Field:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Sense Field Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Sense Field Group obtains control over the subsidiary and ceases when the Sense Field Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Sense Field Group gains control until the date when the Sense Field Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Sense Field Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Sense Field Group are eliminated in full on consolidation.

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

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

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

Investment in an associate

An associate is an entity over which the Sense Field Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies are those of the Sense Field Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Sense Field Group's share of the profit or loss and other comprehensive income of the associate. When the Sense Field Group's share of losses of an associate exceeds the Sense Field Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Sense Field Group's net investment in the associate), the Sense Field Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Sense Field Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Sense Field Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Sense Field Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect of the Sense Field Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Sense Field Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Sense Field Group retains an interest in the former associate and the retained interest is a financial asset, the Sense Field Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Sense Field Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Sense Field Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Sense Field Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Sense Field Group reduces its ownership interest in an associate but the Sense Field Group continues to use the equity method, the Sense Field Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Sense Field Group, profits and losses resulting from the transactions with the associate are recognised in the Financial Information only to the extent of interests in the associate that are not related to the Sense Field Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

— the Sense Field Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the Sense Field Group retains neither continuing managerial involvement to the degree usually associate with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the Sense Field Group; and

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Sense Field Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

All leases are classified as operating leases.

The Sense Field Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Sense Field Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Sense Field Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below), are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress are carried at cost, less any recognised accumulated impairment loss. Costs comprises the direct costs of construction during the period of construction. Construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each of the reporting periods, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Sense Field Group's foreign operations are translated into the presentation currency of the Sense Field Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Sense Field Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Sense Field Group recognises as expenses the related cots for which the grants are intended to compensate. Specifically, government grants whose primary conditions is that the Sense Field Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

The employees of the Sense Field Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC Government. The Sense Field Group is required to contribute certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Sense Field Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit (loss) before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Sense Field Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Sense Field Group expects, at the end of each of the Relevant Periods, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Impairment on tangible and intangible assets

At the end of each of the Relevant Periods, the Sense Field Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Sense Field Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when the Sense Field Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment loss (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

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

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Sense Field Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Sense Field Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Sense Field are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Sense Field Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Sense Field Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Sense Field Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Sense Field Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Sense Field Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Sense Field Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Sense Field Group derecognises financial liabilities when, and only when, the Sense Field Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Sense Field Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Sense Field Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each of the reporting periods, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Sense Field Group's accounting policies, which are described in Note 3 to the Financial Information, the Sole Director is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The Sole Director has not come across any significant areas where critical judgements are involved in applying the Sense Field Group's accounting policies.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment are reviewed and adjusted for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Sense Field Group determines the recoverable amount of these assets based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the future cash flows are less than expected, a material impairment loss may arise. No impairment loss of property, plant and equipment has been provided during the Relevant Periods.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Sense Field Group assesses annually the residual value and the useful life of the property, plant and equipment. If the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Impairment of trade and other receivables

When there is objective evidence of impairment loss, the Sense Field Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment loss in respect of trade and other receivables has been recognised during the Relevant Periods.

Estimated deferred tax

At 31 December 2015 and 30 June 2016, the Sense Field Group has unused tax losses of approximately RMB7,893,000 and RMB15,933,000 respectively available for offset against future profits. The recognition of the deferred tax asset depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such estimate is changed.

Amortisation of intangible assets

The Sense Field Group amortised the intangible assets on a straight-line basis over the estimated useful lives, starting from the date on which the assets are acquired upon business combination. The estimated useful lives reflect the Directors' best estimate of the periods that the Sense Field Group intends to derive future economic benefits from the use of the Sense Field Group's intangible assets, further details of which are set out in Note 17 to the Financial Information.

5. CAPITAL RISK MANAGEMENT

The Sense Field Group manages its capital to ensure that the entities in the Sense Field Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Sense Field Group consists of net debt, which includes the bank borrowings, net of cash and cash equivalents and equity attributable to equity holders of Sense Field, comprising share capital and reserves.

The Sole Director reviews the capital structure on a regular basis. As part of this review, the Sole Director considers the cost of capital and risk associates with each class of capital. The Sense Field Group will balance its overall capital structure through new share issues as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables				
— Trade and other receivables	—	—	69,942	77,080
— Amount due from an associate	—	—	10,681	10,092
— Pledged bank deposits	—	—	603	576
— Bank balances and cash	—	—	6,197	5,800
	—	—	87,423	93,548
Financial liabilities				
Liabilities measured at amortised cost				
— Trade and other payables	—	—	19,060	29,064
— Bank borrowings	—	—	80,900	79,900
	—	—	99,960	108,964

b. Financial risk management objectives and policies

The Sense Field Group's major financial instruments include trade and other receivables, amount due from an associate, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain bank balances, trade receivables are denominated in foreign currencies, which expose the Sense Field Group to foreign currency risk.

The Sense Field Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Sense Field Group's foreign currency denominated monetary assets at the end of each of the reporting periods are as follows:

	Assets			
	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	—	—	1,850	1,850

Sensitivity analysis

The Sense Field Group is mainly exposed to the foreign currency risk of US$.

The following table details the Sense Field Group's sensitivity to a 5% increase and decrease in RMB against US$. A 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translations at the end of each of the reporting periods or a 5% change in foreign currency rates.

A positive number below indicates an increase in post-tax profit for the year ended 31 December 2015 and decrease in post-tax loss for the six months ended 30 June 2015 and 2016 where RMB strengthens 5% against the US$. For a 5% weakening of RMB against the US$, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Effect on post-tax profit/loss				
— US$ Impact	—	—	69	92

(ii) Interest rate risk

The Sense Field Group's income and operating cash flows would be affected by the changes of market interest rates. The Sense Field's exposure to market risk for changes in interest rates mainly arises from bank borrowings. At 31 December 2015 and 30 June 2016, approximately 17% and 19%, respectively, of the borrowings bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at year end are disclosed in Note 22 to the financial information.

The Sense Field Group has exposure at cash flow interest rate risk through the impact of the rate changes on bank balances and bank borrowings which are carried at variable interest rate.

Bank borrowings at fixed rates expose the Sense Field Group to fair value interest rate risk. The Sense Field Group has not formulated a policy to manage the interest rate risk. The Sense Field Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the Sense Field Group's post-tax profit for the year ended 31 December 2015 would decrease/increase by approximately RMB344,000 and post-tax loss for the six months ended 30 June 2015 and 2016 would increase/decrease by approximately RMB593,000 and RMB266,000, respectively. The assumed changes have no impact on the Sense Field Group's other components of equity. This is mainly attributable to the Sense Field Group's exposure with respect to interest rate on its variable-interest rate bank balances and bank borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

Credit risk

The Sense Field Group's maximum exposure to credit risk which will cause a finance loss to the Sense Field Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the Financial Information.

The Sense Field Group's credit risk is primarily attributable to its trade and other receivables.

In order to minimise the credit risk, the management of the Sense Field Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Sense Field Group reviews the recoverable amount of each individual debt at the end of each of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Sole Director considers that the Sense Field Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Sense Field Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Sense Field Group's operation and mitigate the effects of fluctuations in cash flows.

The following table details Sense Field Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Sense Field Group can be required to pay. The maturity date of the non-derivative financial liabilities are based on the agree repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate as at the end of each of the reporting periods. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or within one year	More than one year but not more than two years	Total undiscounted cash flows	Carrying Amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015					
Trade and other payables	N/A	19,060	—	19,060	19,060
Bank borrowings	3.4%	80,461	3,192	83,653	80,900
		99,521	3,192	102,713	99,960
At 30 June 2016					
Trade and other payables	N/A	29,064	—	29,064	29,064
Bank borrowings	2.82%	79,041	3,113	82,154	79,900
		108,105	3,113	111,218	108,964

c. Fair value measurements of the financial instruments

There is no financial instrument measured at fair value on a recurring basis. The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The Sole Director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their respective fair values at the end of each of the reporting periods.

7. REVENUE

An analysis of the Sense Field Group's revenue during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sale of intelligent building systems	—	—	69,382	—	38,353
Installation service income	—	—	109	—	1,270
	—	—	69,491	—	39,623

8. SEGMENT INFORMATION

Information reported to the Sole Director, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Sense Field Group is organised and managed. No operating segments identified by the Sole Director have been aggregated in arriving at the reportable segments of the Sense Field Group.

Specifically, the Sense Field Group's reportable and operating segment under HKFRS 8 is as follows:

— Building intelligence and smart home

Since this is the only operating and reportable segment of the Sense Field Group, no further analysis thereof is presented. All the revenue of the Sense Field Group is generated from building intelligence and smart home during the Relevant Periods.

Geographical information

The Sense Field Group's operations are located in the PRC.

Information about the Sense Field Group's revenue from external customers is presented based on the geographical location of customers.

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from external customers					
The PRC	—	—	69,250	—	39,128
Overseas	—	—	241	—	495
	—	—	69,491	—	39,623

All the non-current assets of the Sense Field Group are located in the PRC.

Information about major customers

Revenues from customers of the corresponding period contributing over 10% of the total revenue of the Sense Field Group is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer A	—	—	12,079	—	N/A[1]
Customer B	—	—	7,224	—	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Sense Field Group in respective year/period.

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	—	—	24	—	7
Government grants	—	—	507	—	91
Value-added tax ("VAT") refund	—	—	4,057	—	2,457
Exchange gains, net	—	—	131	—	25
	—	—	4,719	—	2,580

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank borrowings	—	—	2,243	—	2,114

11. INCOME TAX CREDIT

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Deferred tax	—	—	(703)	—	(703)

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the PRC subsidiaries of the Sense Field Group, Wankesi Automation, 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. The first profit-making year was the year 2014.

No provision for PRC EIT has been made as the Sense Field Group had no assessable profits arising in the PRC during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit (loss) before tax	—	—	90,572	81,748	(10,854)
Tax at the domestic income tax rate of 25% *(Note)*	—	—	22,643	20,437	(2,713)
Tax effect of income not taxable for tax purpose	—	—	(20,437)	(20,437)	—
Effect of tax exemptions granted to PRC subsidiary	—	—	(3,081)	—	—
Tax effect of tax losses not recognised	—	—	—	—	2,010
Utilisation of tax losses not recognised	—	—	172	—	—
Income tax credit	—	—	(703)	—	(703)

Note: The domestic tax rate (which is the PRC EIT rate) represents the tax rate used in the jurisdiction where the operation of the Sense Field Group is substantially based.

12. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit (loss) for the year/period has been arrived at after charging:					
Director's and chief executive's emoluments	—	—	—	—	—
Other staff costs					
— salary and other allowances	—	—	11,751	—	14,119
— retirement benefits scheme contributions	—	—	1,498	—	1,840
Total staff costs	—	—	13,249	—	15,959
Auditor's remuneration					
— Audit service	—	—	20	—	17
Depreciation of property, plant and equipment					
— recognised as cost of sales	—	—	919	—	849
— recognised as administrative expenses	—	—	995	—	837
Amortisation of prepaid land lease	—	—	93	—	94
Amortisation of intangible assets	—	—	2,897	—	2,897
Costs of inventories recognised as an expense	—	—	33,569	—	22,216
Loss on disposal of property, plant and equipment	—	—	—	—	142
Written-off of property, plant and equipment	—	—	—	—	128
Minimum leases payments under operating lease in respect of office premises	—	—	811	—	704

Note: All expenses of Sense Field are borne by the shareholder(s) during the years ended 31 December 2013 and 2014.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Sense Field Group for the Relevant Periods who are neither a director nor chief executive are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other allowances	—	—	510	—	628
Retirement benefits scheme contributions	—	—	27	—	24
	—	—	537	—	652

14. DIVIDEND

No dividend was paid or proposed to the ordinary shareholders of Sense Field during the Relevant Periods, nor has any dividend been proposed since the end of the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2013, 31 December 2013 and 2014	—	—	—	—	—	—	—
Acquired on acquisition of subsidiaries *(Note 30)*	35,890	57	2,215	538	2,009	780	41,489
Additions	—	61	—	—	61	1,141	1,263
Transfer	—	1,921	—	—	—	(1,921)	—
At 31 December 2015	35,890	2,039	2,215	538	2,070	—	42,752
Additions	—	260	—	—	106	313	679
Disposal	—	—	—	(44)	(111)	—	(155)
Written-off	—	—	(128)	—	—	—	(128)
At 30 June 2016	35,890	2,299	2,087	494	2,065	313	43,148
ACCUMULATED DEPRECIATION							
At 1 January 2013, 31 December 2013 and 2014	—	—	—	—	—	—	—
Provided for the year	887	413	294	80	240	—	1,914
At 31 December 2015	887	413	294	80	240	—	1,914
Provided for the period	887	321	163	70	245	—	1,686
Eliminated on disposal	—	—	—	—	(5)	—	(5)
At 30 June 2016	1,774	734	457	150	480	—	3,595
CARRYING VALUES							
At 31 December 2013 and 2014	—	—	—	—	—	—	—
At 31 December 2015	35,003	1,626	1,921	458	1,830	—	40,838
At 30 June 2016	34,116	1,565	1,630	344	1,585	313	39,553

The above item of property, plant and equipment is depreciated on a straight-line basis at the following rates per annum:

Buildings	5%
Leasehold improvement	33%
Plant and machinery	10%
Motor vehicles	20%
Furniture, fixtures and equipment	20%

At 31 December 2015 and 30 June 2016, buildings with a net book value of approximately RMB35,003,000 and RMB34,116,000, respectively, was pledged as collateral against the bank borrowings of approximately RMB31,000,000 and RMB30,000,000, respectively. Details of the bank borrowings are disclosed in Note 24 to the Financial Information.

16. PREPAID LEASE PAYMENTS

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed for reporting purposes as:				
Current assets	—	—	186	186
Non-current assets	—	—	8,291	8,197
	—	—	8,477	8,383

Note: The Sense Field Group acquired the land use right through acquisition of subsidiaries (Note 30) during the year ended 31 December 2015. At 31 December 2015 and 30 June 2016, the carrying amount of prepaid lease payments of approximately RMB8,477,000 and RMB8,383,000, respectively, was pledged as collateral against the bank borrowings of approximately RMB31,000,000 and RMB30,000,000, respectively. Details of the bank borrowings are disclosed in Note 24 to the Financial Information.

17. INTANGIBLE ASSETS

	Trademark	**Patent and software**	**Customer relationship**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2013, 31 December 2013 and 31 December 2014	—	—	—	—
Acquired on acquisition of subsidiaries	3,356	20,364	8,145	31,865
At 31 December 2015 and 30 June 2016	3,356	20,364	8,145	31,865
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2013, 31 December 2013 and 31 December 2014	—	—	—	—
Provided for the year	305	1,851	741	2,897
At 31 December 2015	305	1,851	741	2,897
Provided for the period	305	1,851	741	2,897
At 30 June 2016	610	3,702	1,482	5,794
CARRYING VALUES				
At 31 December 2015	3,051	18,513	7,404	28,968
At 30 June 2016	2,746	16,662	6,663	26,071

Intangible assets represented (i) patents and software and trademarks related to automation control systems, and (ii) customer relationship under building intelligence and smart home business during the year ended 31 December 2015. The above intangible assets with finite useful lives and are amortised on a straight-line basis as follows.

Trademark	5.5 years
Patent & Software	5.5 years
Customer relationships	5.5 years

18. INTEREST IN AN ASSOCIATE

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in an unlisted associate in the PRC	—	—	2,450	2,450
Share of post-acquisition loss	—	—	(1,497)	(1,635)
Share of capital reserve of an associate	—	—	32	32
	—	—	985	847

Details of the Sense Field Group's associate at the end of each of the Relevant Periods are as follow:

Name of entity	Place of incorporation	Principal place of operations	Proportion of ownership interest held by the Sense Field Group At 31 December 2013	2014	2015	At 30 June 2016	Proportion of voting rights held by the Sense Field Group At 31 December 2013	2014	2015	At 30 June 2016	Principal activity
杭州奧邁智能科技有限公司 (transliterated as Hangzhou Aomai Intelligent Technology Co., Limited*) ("**Hangzhou Aomai Intelligent Technology**")	PRC	PRC	—	—	49%	49%	—	—	49%	49%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC

Notes: During the year ended 31 December 2015, Wankesi Automation acquired 49% equity interests of Hangzhou Aomai Intelligent Technology through the acquisition of subsidiaries. The Sense Field Group is able to exercise significant influence over Hangzhou Aomai Intelligent Technology because it has the power to appoint one out of the three directors of Hangzhou Aomai Intelligent Technology under the shareholder's agreement of Hangzhou Aomai Intelligent Technology.

Summarised financial information of the associate

Summarised financial information for the Relevant Periods in respect of the Sense Field Group's associate is set out below.

The summarised financial information for the Relevant Periods represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the Financial Information.

* *For identification purposes only*

Hangzhou Aomai Intelligent Technology

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	—	—	1,003	942
Current assets	—	—	24,351	21,220
Current liabilities	—	—	(23,342)	(20,432)

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	—	—	29,486	—	2,756
Loss for the year/period	—	—	(891)	—	(282)
Total comprehensive expense for the year/period	—	—	(826)	—	(282)
Dividend received from Hangzhou Aomai Intelligent Technology during the year/period	—	—	—	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the Financial Information for the Relevant Periods:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets of Hangzhou Aomai Intelligent Technology	—	—	2,012	1,730
Proportion of the Sense Field Group's ownership interest in Hangzhou Aomai Intelligent Technology	—	—	49%	49%
Goodwill	—	—	—	—
Carrying amount of the Sense Field Group's interest in Hangzhou Aomai Intelligent Technology	—	—	985	847

19. INVENTORIES

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	—	—	3,347	4,214
Work in progress	—	—	8,295	10,023
Finished goods	—	—	19,514	12,810
	—	—	31,156	27,047

20. TRADE AND OTHER RECEIVABLES

	At 31 December 2013	At 31 December 2014	2015	At 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note a)*	—	—	39,767	40,078
Less: accumulated impairment loss recognised *(Note a)*	—	—	(8,710)	(9,534)
	—	—	31,057	30,544
Other receivables *(Note b)*	—	—	38,560	45,455
VAT receivables	—	—	325	1,081
Prepayments	—	—	2,112	3,350
Total trade and other receivables	—	—	72,054	80,430

(a) Trade receivables at the end of each of the Relevant Periods comprise amounts receivable from the sales of goods.

As at 31 December 2015 and 30 June 2016, included in trade receivables, approximately RMB6,750,000 and RMB8,684,000, respectively, represented the amount due from Xiyate Wankesi Automation (Hangzhou) Company Ltd. ("**Hangzhou Wankesi**") and Wankesi Automation (Shanghai) Company Ltd. ("**Shanghai Wankesi**"). At 16 December 2015, Sense Field was acquired by Vastsuccess Holdings Limited ("**Vastsuccess**") ("**Acquisition of MOX**"), a wholly-owned subsidiary of Synertone Communication Corporation ("**Synertone**"). Hangzhou Wankesi and Shanghai Wankesi, which are the wholly-owned subsidiaries of Synertone, became the fellow subsidiaries of the Sense Field Group.

The amounts due from Hangzhou Wankesi and Shanghai Wankesi are unsecured, non-interest bearing and repayable according to the credit terms.

The Sense Field Group generally allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables, net of allowances for doubtful debts presented based on the delivery dates which approximated the respective dates on which revenue was recognised at the end of each of the Relevant Periods is as follows:

	At 31 December 2013	At 31 December 2014	2015	At 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	—	—	9,445	4,139
31–60 days	—	—	7,030	3,376
61–90 days	—	—	1,810	1,997
Over 90 days	—	—	12,772	21,032
	—	—	31,057	30,544

Before accepting any new customer, the Sense Field Group assesses the potential customer's credit quality and defines credit limites by customer. Limits and credit quality attributed to customers are reviewed annually.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Sense Field Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality. The Sense Field Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired are as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	—	—	7,030	3,376
31–60 days	—	—	1,810	1,997
61–90 days	—	—	3,131	1,727
Over 90 days	—	—	9,641	19,305
	—	—	21,612	26,405

The movement of accumulated impairment loss of the trade receivables during the Relevant Periods is as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	—	—	—	8,710
Acquired on acquisition of subsidiaries	—	—	6,992	—
Impairment loss recognised	—	—	1,718	824
At the end of the year/period	—	—	8,710	9,534

Included in trade receivables, are the following amounts denominated in a currency other than the functional currency of the Sense Field Group:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	—	—	1,850	1,850

(b) As at 31 December 2015 and 30 June 2016, included in other receivables is an advance to Hangzhou Wankesi amounted to approximately RMB29,089,000 and RMB33,820,000, respectively. The amount due from Hangzhou Wankesi is unsecured, non-interest bearing and repayable on demand.

As at 31 December 2015 and 30 June 2016, included in other receivables, approximately RMB8,000,000 and RMB8,000,000, respectively, represented amount due from an independent third party which is unsecured, non-interest bearing and repayable on demand. The amount has been fully received after 30 June 2016.

21. AMOUNT DUE FROM AN ASSOCIATE

Particulars of amount due from an associate is disclosed as follows:

Name of associate	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hangzhou Aomai Intelligent Technology	—	—	10,681	10,092

At 31 December 2015 and 30 June 2016, approximately RMB10,644,000 and RMB10,092,000, respectively, is trade-in nature. The amount is unsecured, interest-free and repayable on demand.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represents the non-interest bearing deposits pledged to banks to secure sales agreements entered between the Sense Field Group and its customers.

The bank balances carry interest at interest rates as follows:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Range of interest rates per annum	N/A	N/A	0.05%–0.35%	0.05%–0.35%

23. TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note a)*	—	—	13,652	13,590
Bill payables *(Note a)*	—	—	4,141	5,760
	—	—	17,793	19,350
Other payables *(Note b)*	—	—	1,267	9,714
Receipt in advance	—	—	1,814	2,504
Total trade and other payables	—	—	20,874	31,568

Notes:

(a) Trade and bill payables

The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of each of the Relevant Periods:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	—	—	7,150	5,611
31–60 days	—	—	1,455	1,268
61–90 days	—	—	3,599	6,461
Over 90 days	—	—	5,589	6,010
	—	—	17,793	19,350

During the Relevant Periods, the average credit period on purchase of goods are 30 days. The Sense Field Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

(b) Other payables

As at 30 June 2016, included in other payables are amounts due to a management of the MOX Group (as defined in Note 30) and an independent third party amounted to approximately RMB5,510,000 and RMB2,000,000, respectively, which is non-interest bearing, unsecured and repayable on demand.

24. BANK BORROWINGS

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	—	—	80,900	79,900
Carrying amount repayable:				
Within one year	—	—	77,900	76,900
More than one year but not exceeding two years	—	—	3,000	3,000
	—	—	80,900	79,900
Less: Amounts due within one-year shown under current liabilities	—	—	(77,900)	(76,900)
Amounts shown under non-current liability	—	—	3,000	3,000

The Sense Field Group's borrowings are all denominated in RMB. As at 31 December 2015 and 30 June 2016, secured bank borrowings amounting to approximately RMB31,000,000 and RMB30,000,000, respectively, were secured by the Sense Field Group's prepaid lease payment and buildings with total carrying amount of approximately RMB43,480,000 and RMB42,499,000, respectively. Details are disclosed in Notes 15 and 16 to the Financial Information.

As at 31 December 2015 and 30 June 2016, the secured bank borrowings amounted to approximately RMB49,900,000 and RMB49,900,000, respectively, were secured by corporate guarantees executed by an independent third party.

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

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Fixed-rate bank borrowings	N/A	N/A	4.35% to 6%	4.35% to 6.5%
Variable-rate bank borrowings	N/A	N/A	The People's Bank of China Benchmark Rate +0% to 38%	The People's Bank of China Benchmark Rate +0% to 38%

25. DEFERRED TAX ASSETS (LIABILITIES)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	—	—	826	803
Deferred tax liabilities	—	—	(7,399)	(6,673)
	—	—	(6,573)	(5,870)

The followings are the deferred tax liabilities (assets) recognised and movements thereon during the Relevant Periods:

	Property, plant and equipment	Prepaid lease payments	Intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013, 31 December 2013 and 31 December 2014	—	—	—	—
Acquired on acquisition of subsidiaries	(849)	159	7,966	7,276
Charge (credit) for the year	23	(2)	(724)	(703)
At 31 December 2015	(826)	157	7,242	6,573
Charge (credit) for the period	23	(2)	(724)	(703)
At 30 June 2016	(803)	155	6,518	5,870

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounted to approximately RMB12,502,000, RMB1,022,000 and RMB7,046,000 for the year ended 31 December 2015 and six months ended 30 June 2015 and 2016, respectively, as the Sense Field Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2015 and 30 June 2016, the Sense Field Group has unused tax losses of approximately RMB7,893,000 and RMB15,933,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Tax losses may be carried forward for five years to offset against future foreseeable profits in accordance with EIT Law.

26. SHARE CAPITAL

	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 30 June 2016
	US$	*US$*	*US$*	*US$*
Authorised:				
50,000 ordinary shares of US$1.00 each	50,000	50,000	50,000	50,000

	Number of ordinary share	Amount
		US$
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 31 December 2014	1	1
Issuance of new shares *(Note)*	99	99
At 31 December 2015 and 30 June 2016	100	100
		RMB'000
Shown in the Financial Information as		1

Note:

On 12 October 2015, Sense Field issued and allotted 99 ordinary shares of US$1 each in Sense Field at par for additional working capital. The new shares rank pari passu in all respects with the existing issued share of Sense Field. The proceeds from the allotment would be used to finance the general working capital of Sense Field.

27. PLEDGE OF ASSETS

As at 31 December 2015 and 30 June 2016, the buildings and prepaid lease payments of the Sense Field Group had been pledged to the banks to secure the bank borrowing of approximately RMB31,000,000 and RMB30,000,000, respectively, as detailed in Notes 15, 16 and 24 respectively to the Financial Information.

28. OPERATING LEASE COMMITMENTS

The Sense Field Group as lessee

At the end of each of the Relevant Periods, the Sense Field Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	1,116	1,156
In the second to fifth year inclusive	—	—	1,087	568
	—	—	2,203	1,724

Operating lease payments represent rentals payable by the Sense Field Group for its office premises. Leases are negotiated for an average of two years, and no arrangements have been entered into contingent rental payments.

29. RELATED PARTY TRANSACTIONS

(a) Balances

Details of balances with fellow subsidiaries, the associate and a management of the MOX Group (as defined in Note 30) are set out in Notes 20, 21 and 23 to the Financial Information.

(b) Compensation of key management personnel

No remuneration was paid to the Sole Director and other key management personnel of the Sense Field Group during the Relevant Periods.

(c) In addition to the transactions disclosed elsewhere in these Financial Information, the Sense Field Group has the following material transactions with related parties during the Relevant periods:

Transaction	Company	Relationship	Year ended 31 December 2013	2014	2015	Six months ended 30 June 2015	2016
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of intelligent building systems	Hangzhou Aomai Intelligent Technology	Associate	—	—	12,079	—	1,430
	Hangzhou Wankesi	Fellow subsidiary	—	—	7,224	—	2,705
	Shanghai Wankesi	Fellow subsidiary	—	—	—	—	1,463

In the opinion of the Sole Director, the above transactions were entered into a price mutually agreed by the parties concerned on an arm's length basis.

30. ACQUISITION OF SUBSIDIARIES

On 25 June 2015, Zhu Ying (Mr. Zhu) and Sense Field entered into a sale and purchase agreement, pursuant to which Mr. Zhu had conditionally agreed to sell and Sense Field had conditionally agreed to acquire the entire equity interest of MOX from Mr. Zhu at a consideration of US$50,000 (equivalent to approximately RMB304,000) (the "**Acquisition**"). The consideration of the Acquisition was satisfied by cash. The Acquisition was completed on 25 June 2015.

The Acquisition has been accounted for using the acquisition method. The Sole Director considered that MOX became one of its direct wholly-owned subsidiaries of the Sense Field Group and the financial performance of MOX and its subsidiaries (the "**MOX Group**") would be consolidated into the consolidated financial statements of the Sense Field Group after the completion of the Acquisition.

Sense Field acquired the entire equity interest of MOX. MOX holds the entire issued share capital of Wankesi Automation and Xiyate Building Automation. The MOX Group is engaged in research and development, manufacturing and sales of intelligent building systems. The MOX Group was acquired so as to expand the business in research and development, manufacturing and sales of intelligent building systems.

Consideration transferred

	RMB'000
Cash consideration paid	304

Acquisition-related costs amounting to RMB1,000 have been excluded from the consideration transferred and are borne by the shareholders of Sense Field.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	41,489
Prepaid lease payments	8,570
Intangible assets	31,865
Investment in an associate	564
Inventories	24,727
Trade and other receivables	74,131
Amount due from an associate	3,962
Pledged bank deposits	603
Bank balances and cash	4,517
Deferred tax assets	849
Trade and other payables	(25,280)
Bank borrowings	(75,820)
Deferred tax liabilities	(8,125)
Net assets	82,052

Bargain purchase arising on acquisition:

	RMB'000
Consideration transferred	304
Less: net assets acquired	(82,052)
Gain on bargain purchase arising on the Acquisition	(81,748)

Analysis of net cash outflow arising on the Acquisition

	RMB'000
Cash consideration paid	304
Less: bank balances and cash acquired	(4,517)
Net cash inflow	(4,213)

Included in the profit for the year ended 31 December 2015 is profit of approximately RMB11,668,000 attributable to the additional business generated by the MOX Group. Revenue for the year ended 31 December 2015 was generated from the MOX Group.

Had the acquisition been completed on 1 January 2015, the total amount of revenue of the Sense Field Group for the year would have been approximately RMB111,743,000, and the amount of profit for the year would have been approximately RMB6,493,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Sense Field Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Sense Field Group had the MOX Group been acquired at 1 January 2015, the Sole Director had calculated depreciation of property, plant and equipment and amortisation of prepaid lease payments and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition consolidated financial statements of the Sense Field Group.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Sense Field Group have been prepared in respect of any period subsequent to 30 June 2016 and up to the date of this report.

Yours faithfully,

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Suites 313–316, 3/F., Shui On Centre
6–8 Harbour Road
Wan Chai
Hong Kong

28 December 2016

The Board of Directors
Synertone Communication Corporation

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

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of MOX Group Limited ("**MOX**") and its subsidiaries (collectively referred to as the "**MOX Group**") which comprises the consolidated statements of financial position as at 31 December 2013, 2014, 2015 and 30 June 2016, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the sole director of MOX for inclusion in Appendix III to the circular dated 28 December 2016 (the "**Circular**") issued by Synertone Communication Corporation (the "**Company**") in connection with its proposed further acquisition of 36% equity interest of Sense Field Group Limited (the "**Transaction**").

MOX was incorporated in British Virgin Islands (the "**BVI**") with limited liability on 29 December 2004. The addresses of the registered office and principal place of business of MOX are Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, BVI and Level 18, Changhang Mansion, No.800 Zhangyang Road, Shanghai, People's Republic of China, respectively. MOX is principally engaged in investment holding.

As at the date of this report, no statutory financial statements have been prepared for MOX, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, MOX had direct interests in the subsidiaries as set out in Note 1 to the Financial Information. All companies now comprising the MOX Group have adopted 31 December as their financial year end dates. The statutory financial statements of the companies now comprising the MOX Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in Note 1 to the Financial Information.

For the purpose of this report, the sole director of MOX has prepared the consolidated financial statements of the MOX Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (collectively the "**Underlying Financial Statements**").

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. Certain adjustments have been made by us to the Underlying Financial Statements in preparation of this report for inclusion in the Circular. The preparation of the Underlying Financial Statements is the responsibility of the sole director of MOX. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the MOX Group as at 31 December 2013, 2014, 2015 and 30 June 2016 and of its financial performance and cash flows for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

The unaudited comparative consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the MOX Group for the six months ended 30 June 2015 together with the notes thereon have been extracted from the unaudited financial information of the MOX Group for the same period (the "**30 June 2015 Financial Information**") which was prepared by the sole director of MOX solely for the purpose of this report. We have reviewed the 30 June 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION OF MOX GROUP LIMITED AND ITS SUBSIDIARIES

The following is the financial information of MOX Group Limited ("**MOX**") and its subsidiaries (collectively referred to as the "**MOX Group**") prepared by the sole director of MOX as at 31 December 2013, 2014, 2015 and 30 June 2016 and for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the "**Relevant Periods**") (collectively known as the "**Financial Information**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2013	**2014**	**2015**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*7*	124,175	99,955	111,743	42,252	39,623
Cost of sales		(84,921)	(61,504)	(64,696)	(25,906)	(26,823)
Gross profit		39,254	38,451	47,047	16,346	12,800
Other income	*9*	7,697	5,844	6,961	2,242	2,580
Selling and distribution expenses		(8,781)	(8,020)	(9,841)	(4,507)	(4,375)
Administrative expenses		(27,053)	(28,059)	(29,237)	(14,359)	(15,971)
Share of loss of an associate		—	(1,060)	(437)	(826)	(138)
Impairment loss recognised in respect of trade receivables	*19*	(2,992)	(2,513)	(3,205)	(1,487)	(824)
Profit (loss) from operations		8,125	4,643	11,288	(2,591)	(5,928)
Finance costs	*10*	(4,084)	(5,136)	(4,827)	(2,584)	(2,114)
Profit (loss) before tax		4,041	(493)	6,461	(5,175)	(8,042)
Income tax expense	*11*	(526)	(10)	—	—	—
Profit (loss) and total comprehensive income (expense) for the year/period	*12*	3,515	(503)	6,461	(5,175)	(8,042)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
		2013	2014	2015	2016
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	42,004	45,555	44,143	42,766
Prepaid lease payments — non-current portion	*16*	8,023	7,850	7,678	7,591
Interest in an associate	*17*	—	1,390	985	847
		50,027	54,795	52,806	51,204
CURRENT ASSETS					
Inventories	*18*	27,641	21,012	31,156	27,047
Trade and other receivables	*19*	78,295	76,010	72,054	80,430
Amount due from an associate	*20*	—	7,224	10,681	10,092
Prepaid lease payments	*16*	173	173	173	173
Pledged bank deposits	*21*	—	299	603	576
Bank balances and cash	*21*	8,255	6,415	6,196	5,799
		114,364	111,133	120,863	124,117
CURRENT LIABILITIES					
Trade and other payables	*22*	25,960	21,206	20,874	31,568
Bank borrowings	*23*	44,000	70,820	77,900	76,900
Tax liabilities		526	—	—	—
		70,486	92,026	98,774	108,468
NET CURRENT ASSETS		43,878	19,107	22,089	15,649
TOTAL ASSETS LESS CURRENT LIABILITIES		93,905	73,902	74,895	66,853
NON-CURRENT LIABILITY					
Bank borrowings — non-current portion	*23*	28,000	8,500	3,000	3,000
NET ASSETS		65,905	65,402	71,895	63,853
CAPITAL AND RESERVES					
Share capital	*24*	304	304	304	304
Reserves		65,601	65,098	71,591	63,549
TOTAL EQUITY		65,905	65,402	71,895	63,853

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(Note a)*	Retained earnings (accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2013	304	46,836	—	(3,432)	43,708
Profit and total comprehensive income for the year	—	—	—	3,515	3,515
Statutory surplus reserve appropriation	—	—	510	(510)	—
Capital contribution	—	18,682	—	—	18,682
At 31 December 2013	304	65,518	510	(427)	65,905
Loss and total comprehensive income for the year	—	—	—	(503)	(503)
Statutory surplus reserve appropriation	—	—	70	(70)	—
At 31 December 2014	304	65,518	580	(1,000)	65,402
Profit and total comprehensive income for the year	—	—	—	6,461	6,461
Statutory surplus reserve appropriation	—	—	877	(877)	—
Share of capital reserve of an associate	—	32	—	—	32
At 31 December 2015	304	65,550	1,457	4,584	71,895
Loss and total comprehensive expense for the period	—	—	—	(8,042)	(8,042)
At 30 June 2016	304	65,550	1,457	(3,458)	63,853
For the six months ended 30 June 2015 (Unaudited)					
At 1 January 2015	304	65,518	510	(930)	65,402
Loss and total comprehensive expense for the period	—	—	—	(5,175)	(5,175)
At 30 June 2015	304	65,518	510	(6,105)	60,227

Note:

(a) Statutory surplus reserve

According to the relevant rules and regulations in the People's Republic of China (the "PRC"), the company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these PRC subsidiaries. Statutory surplus reserve can be used to set-off previous years' loss, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit (loss) before tax	4,041	(493)	6,461	(5,175)	(8,042)
Adjustments for:					
Interest income	(62)	(137)	(32)	(8)	(7)
Interest expenses	4,084	5,136	4,827	2,584	2,114
Amortisation of prepaid lease payment	173	173	172	86	87
Depreciation of property, plant and equipment	2,486	2,991	3,605	1,599	1,778
Loss on disposal of property, plant and equipment	—	—	—	—	142
Written-off of property, plant and equipment	—	—	—	—	128
Share of loss of an associate	—	1,060	437	826	138
Impairment loss recognised in respect of trade receivables	2,992	2,513	3,205	1,487	824
Operating cash flows before movements in working capital	13,714	11,243	18,675	1,399	(2,838)
(Increase) decrease in inventories	(886)	6,629	(10,144)	(3,715)	4,109
(Increase) decrease in trade and other receivables	(13,350)	(228)	751	392	(9,200)
(Increase) decrease in amount due from an associate	—	(7,224)	(3,457)	3,262	589
(Decrease) increase in trade and other payables	(28,117)	(4,754)	(332)	4,074	10,694
Cash (used in) generated from operations	(28,639)	5,666	5,493	5,412	3,354
Income tax paid	(1,054)	(536)	—	—	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(29,693)	5,130	5,493	5,412	3,354

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
INVESTING ACTIVITIES					
(Increase) decrease in pledged bank deposits	—	(299)	(304)	(304)	27
Purchase of property, plant and equipment	(10,405)	(6,542)	(2,193)	(930)	(679)
Proceeds from disposal of property, plant and equipment	—	—	—	—	8
Investment in an associate	—	(2,450)	—	—	—
Interest received	62	137	32	8	7
NET CASH USED IN INVESTING ACTIVITIES	(10,343)	(9,154)	(2,465)	(1,226)	(637)
FINANCING ACTIVITIES					
New bank borrowings raised	73,250	103,000	83,220	29,320	42,500
Repayment of bank borrowings	(43,550)	(95,680)	(81,640)	(32,820)	(43,500)
Capital contribution	18,682	—	—	—	—
Interest paid	(4,084)	(5,136)	(4,827)	(2,584)	(2,114)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	44,298	2,184	(3,247)	(6,084)	(3,114)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,262	(1,840)	(219)	(1,898)	(397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	3,993	8,255	6,415	6,415	6,196
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	8,255	6,415	6,196	4,517	5,799

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

MOX Group Limited ("**MOX**") was incorporated in British Virgin Islands (the "**BVI**") with limited liability on 29 December 2004. Its immediate holding company is Sense Field Group Limited ("**Sense Field**"), which was incorporated in BVI with limited liability on 5 July 2006. The ultimate controlling party is Mr. Wong Chit On.

MOX acts as an investing holding company. MOX and it subsidiaries (collectively referred to as the "**MOX Group**") are principally engaged in research and development, manufacturing and sales of intelligent building systems.

At the date of this report, MOX had direct interests in its subsidiaries, all of which are private limited liability company, the particulars of which are set out below:

Name of subsidiaries	Place and date of establishment and place of business	Nominal value of registered capital	Percentage of equity interest directly attributed to MOX	Principal activities
萬科思自控信息(中國)有限公司 (transliterated as Wankesi Automation Information (China) Co., Limited*) ("Wankesi Automation") *(Note)*	The People's Republic of China ("**PRC**") 11 February 2011	United State Dollars ("**US$**") 12,000,000	100%	Research and development, manufacturing and sales of intelligent building systems
悉雅特樓宇自控(杭州)有限公司 (transliterated as Xiyate Building Automation (Hangzhou) Co., Limited*) ("Xiyate Building Automation") *(Note)*	PRC 13 July 2001	US$300,000	100%	Sales of intelligent building systems

Note: The statutory financial statements of Wankesi Automation and Xiyate Building Automation for the years ended 31 December 2013, 2014 and 2015 have been prepared in accordance with "Accounting Standards for Business Enterprises" issued by the Ministry of Finance of the PRC (the "**MOF**") and other relevant requirements (collectively known as the "**PRC GAAP**") and were audited by Jiaxing Baisuo Certified Public Accountants, certified public accountants registered in the PRC. No audited financial statements of Wankesi Automation and Xiyate Building Automation for the six months ended 30 June 2016 has been prepared as there is no statutory requirement.

The addresses of the registered office and principal place of business of MOX are Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, BVI and Level 18, Changhang Mansion, No.800 Zhangyang Road, Shanghai, PRC, respectively.

The functional currency of MOX and its subsidiaries are US$ and Renminbi ("**RMB**"), respectively. The Financial Information are presented in RMB. The sole director of MOX considers that presenting the Financial Information in RMB is preferable as the MOX Group's principal place of business is in the PRC.

* *For identification purposes only*

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the MOX Group has adopted all the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the MOX Group's financial period beginning on 1 January 2016 consistently throughout the Relevant Periods.

The MOX Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective during the Relevant Periods.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to Hong Kong Accounting Standard ("**HKAS**") 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 *Revenue from Contracts with Customers*[2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective date to be determined and early application is permitted.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain simple debts instruments.

Key requirements of HKFRS 9:

— All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless that recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

— In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

— The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The sole director of MOX (the "**Sole Director**") anticipates that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the MOX Group's financial assets and financial liabilities. Regarding the MOX Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Sole Director anticipates that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the MOX Group's Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the MOX Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Sole Director anticipates that the application of HKFRS 16 in the future may have a certain impact on the amounts reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of effect of HKFRS 16 until the MOX Group performs a detailed review.

Other than the above, the Sole Director does not anticipates that the application of the other new and amendment to HKFRSs will have any significant impact on the MOX Group's financial results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Financial Information presents the financial track record of the MOX Group for the three years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016 and is prepared for the purposes of inclusion in a circular of the Company to its shareholders for the further acquisition of 36% equity interest of Sense Field, using the principal accounting policies which are materially consistent with those of the Company as applied in the Company's consolidated financial statements for the year ended 31 March 2016.

The Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the MOX Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of MOX, entities controlled by MOX and its subsidiaries. Control is achieved when MOX:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The MOX Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the MOX Group obtains control over the subsidiary and ceases when the MOX Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the MOX Group gains control until the date when the MOX Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the MOX Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the MOX Group are eliminated in full on consolidation.

Investment in an associate

An associate is an entity over which the MOX Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies are those of the MOX Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the MOX Group's share of the profit or loss and other comprehensive income of the associate. When the MOX Group's share of losses of an associate exceeds the MOX Group's interest in that associate (which includes any long-term interests that, in substance, form part of the MOX Group's net investment in the associate), the MOX Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the MOX Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the MOX Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the MOX Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect of the MOX Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The MOX Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the MOX Group retains an interest in the former associate and the retained interest is a financial asset, the MOX Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the MOX Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the MOX Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The MOX Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the MOX Group reduces its ownership interest in an associate but the MOX Group continues to use the equity method, the MOX Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the MOX Group, profits and losses resulting from the transactions with the associate are recognised in the Financial Information only to the extent of interests in the associate that are not related to the MOX Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

— the MOX Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the MOX Group retains neither continuing managerial involvement to the degree usually associate with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the MOX Group; and

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the MOX Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

All leases are classified as operating leases.

The MOX Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the MOX Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the MOX Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below), are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress are carried at cost, less any recognised accumulated impairment loss. Costs comprises the direct costs of construction during the period of construction. Construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each of the reporting periods, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the MOX Group's foreign operations are translated into the presentation currency of the MOX Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the MOX Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the MOX Group recognises as expenses the related cots for which the grants are intended to compensate. Specifically, government grants whose primary conditions is that the MOX Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

The employees of the MOX Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC Government. The MOX Group is required to contribute certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the MOX Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit (loss) before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The MOX Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each of the reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the MOX Group expects, at the end of each of the reporting periods, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Impairment on tangible assets

At the end of each of reporting periods, the MOX Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the MOX Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when the MOX Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment loss (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

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

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the MOX Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the MOX Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by MOX are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The MOX Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the MOX Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the MOX Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the MOX Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the MOX Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the MOX Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The MOX Group derecognises financial liabilities when, and only when, the MOX Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the MOX Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the MOX Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each of the reporting periods, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the MOX Group's accounting policies, which are described in Note 3 to the Financial Information, the Sole Director is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The Sole Director has not come across any significant areas where critical judgements are involved in applying the MOX Group's accounting policies.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment are reviewed and adjusted for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The MOX Group determines the recoverable amount of these assets based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the future cash flows are less than expected, a material impairment loss may arise. No impairment loss of property, plant and equipment has been provided during the Relevant Periods.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The MOX Group assesses annually the residual value and the useful life of the property, plant and equipment. If the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Impairment of trade and other receivables

When there is objective evidence of impairment loss, the MOX Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment loss in respect of trade and other receivables has been recognised during the Relevant Periods.

Estimated deferred tax

At 31 December 2013, 2014, 2015 and 30 June 2016, no deferred tax asset has been recognised on the tax losses of approximately RMB4,069,000, RMB5,609,000, RMB7,893,000 and RMB15,933,000 due to the unpredictability of future profit streams. The recognition of the deferred tax asset depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such estimate is changed.

5. CAPITAL RISK MANAGEMENT

The MOX Group manages its capital to ensure that the entities in the MOX Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the MOX Group consists of net debt, which includes the bank borrowings, net of cash and cash equivalents and equity attributable to equity holders of MOX, comprising share capital and reserves.

The Sole Director reviews the capital structure on a regular basis. As part of this review, the Sole Director considers the cost of capital and risk associates with each class of capital. The MOX Group will balance its overall capital structure through new share issues as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables				
— Trade and other receivables	75,776	73,967	69,942	77,080
— Amount due from an associate	—	7,224	10,681	10,092
— Pledged bank deposits	—	299	603	576
— Bank balances and cash	8,255	6,415	6,196	5,799
	84,031	87,905	87,422	93,547
Financial liabilities				
Liabilities measured at amortised cost				
— Trade and other payables	24,164	19,604	19,060	29,064
— Bank borrowings	72,000	79,320	80,900	79,900
	96,164	98,924	99,960	108,964

b. Financial risk management objectives and policies

The MOX Group's major financial instruments include trade and other receivables, amount due from an associate, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain bank balances, trade receivables and trade payables are denominated in foreign currencies, which expose the MOX Group to foreign currency risk.

The MOX Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the MOX Group's foreign currency denominated monetary assets and monetary liabilities at the end of each of the reporting periods are as follows:

	Assets			
	At 31 December			**At 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	1,276	1,607	1,850	1,850

	Liabilities			
	At 31 December			**At 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	247	—	—	—

Sensitivity analysis

The MOX Group is mainly exposed to the foreign currency risk of US$.

The following table details the MOX Group's sensitivity to a 5% increase and decrease in RMB against US$. A 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translations at the end of each of the reporting periods or a 5% change in foreign currency rates.

A positive number below indicates an increase in post-tax profit for the years ended 31 December 2013 and 2015 and decrease in post-tax loss for the year ended 31 December 2014 and for the six months ended 30 June 2015 and 2016 where RMB strengthens 5% against the US$. For a 5% weakening of RMB against the US$, there would be an equal and opposite impact on the post-tax profit/loss and the balances below would be negative.

	At 31 December			**At 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Effect on post-tax profit/loss				
— US$ Impact	39	80	69	92

(ii) Interest rate risk

The MOX Group's income and operating cash flows would be affected by the changes of market interest rates. The MOX's exposure to market risk for changes in interest rates mainly arises from bank borrowings. At 31 December 2013, 2014, 2015 and 30 June 2016, approximately 56%, 43%, 17% and 19%, respectively, of the borrowings bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at year end are disclosed in Note 23 to the Financial Information.

The MOX Group has exposure at cash flow interest rate risk through the impact of the rate changes on bank balances and bank borrowings which are carried at variable interest rate.

Bank borrowings at fixed rates expose the MOX Group to fair value interest rate risk. The MOX Group has not formulated a policy to manage the interest rate risk. The MOX Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the MOX Group's post-tax profit for the years ended 31 December 2013 and 2015 would decrease/increase by approximately RMB463,000 and RMB344,000, respectively, and post-tax loss for the year ended 31 December 2014 and for the six months ended 30 June 2015 and 2016 would increase/decrease by approximately RMB634,000, RMB593,000 and RMB266,000, respectively. The assumed changes have no impact on the MOX Group's other components of equity. This is mainly attributable to the MOX Group's exposure with respect to interest rate on its variable-interest rate bank balances and bank borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

Credit risk

The MOX Group's maximum exposure to credit risk which will cause a finance loss to the MOX Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the Financial Information.

The MOX Group's credit risk is primarily attributable to its trade and other receivables.

In order to minimise the credit risk, the management of the MOX Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the MOX Group reviews the recoverable amount of each individual debt at the end of each of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Sole Director considers that the MOX Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the MOX Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the MOX Group's operation and mitigate the effects of fluctuations in cash flows.

The following table details MOX Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the MOX Group can be required to pay. The maturity date of the non-derivative financial liabilities are based on the agree repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate as at the end of each of the reporting periods. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or within one year	More than one year but not more than two years	Total undiscounted cash flows	Carrying Amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013					
Trade and other payables	N/A	24,164	—	24,164	24,164
Bank borrowings	7.13%	47,903	29,233	77,136	72,000
		72,067	29,233	101,300	96,164
At 31 December 2014					
Trade and other payables	N/A	19,604	—	19,604	19,604
Bank borrowings	4.61%	73,965	9,012	82,977	79,320
		93,569	9,012	102,581	98,924
At 31 December 2015					
Trade and other payables	N/A	19,060	—	19,060	19,060
Bank borrowings	3.4%	80,461	3,192	83,653	80,900
		99,521	3,192	102,713	99,960
At 30 June 2016					
Trade and other payables	N/A	29,064	—	29,064	29,064
Bank borrowings	2.82%	79,041	3,113	82,154	79,900
		108,105	3,113	111,218	108,964

c. Fair value measurements of the financial instruments

There is no financial instrument measured at fair value on a recurring basis. The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The Sole Director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their respective fair values at the end of each of the reporting periods.

7. REVENUE

An analysis of the MOX Group's revenue during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sale of intelligent building systems	124,151	99,613	111,530	42,148	38,353
Installation service income	24	342	213	104	1,270
	124,175	99,955	111,743	42,252	39,623

8. SEGMENT INFORMATION

Information reported to the Sole Director, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the MOX Group is organised and managed. No operating segments identified by the Sole Director have been aggregated in arriving at the reportable segments of the MOX Group.

Specifically, the MOX Group's reportable and operating segment under HKFRS 8 is as follows:

— Building intelligence and smart home

Since this is the only operating and reportable segment of the MOX Group, no further analysis thereof is presented. All the revenue of the MOX Group is generated from building intelligence and smart home during the Relevant Periods.

Geographical information

The MOX Group's operations are located in the PRC.

Information about the MOX Group's revenue from external customers is presented based on the geographical location of customers.

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from external customers					
The PRC	121,199	97,904	110,544	41,294	39,128
Overseas	2,976	2,051	1,199	958	495
	124,175	99,955	111,743	42,252	39,623

All the non-current assets of the MOX Group are located in the PRC.

Information about major customers

Revenues from customers of the corresponding period contributing over 10% of the total revenue of the MOX Group is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer A	N/A[1]	N/A[1]	16,491	4,412	N/A[1]
Customer B	21,748	N/A[1]	N/A[1]	N/A[1]	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the MOX Group in respective year/period.

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	62	137	32	8	7
Government grants	1,726	394	631	124	91
Value-added tax ("VAT") refund	5,784	5,295	6,167	2,110	2,457
Exchange gains, net	125	18	131	—	25
	7,697	5,844	6,961	2,242	2,580

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank borrowings	4,084	5,136	4,827	2,584	2,114

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax:					
PRC Enterprise Income Tax ("**EIT**")	427	—	—	—	—
Under-provision on EIT	99	10	—	—	—
	526	10	—	—	—

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the PRC subsidiaries of the MOX Group, Wankesi Automation, 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. The first profit-making year was the year 2014.

No provision for PRC EIT has been made as the MOX Group had no assessable profits arising in the PRC during the year ended 31 December 2015 and the six months ended 30 June 2015 and 2016.

The income tax expense for the Relevant Periods can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit (loss) before tax	4,041	(493)	6,461	(5,175)	(8,042)
Tax at the domestic income tax rate of 25% *(Note)*	1,010	(123)	1,615	(1,294)	(2,010)
Tax effect of expenses not deductible for tax purpose	42	41	23	—	—
Effect of tax exemptions granted to PRC subsidiary	(905)	(303)	(2,209)	—	—
Tax effect of tax losses not recognised	396	385	571	1,294	2,010
Utilisation of tax losses previously not recognised	(116)	—	—	—	—
Under-provision in prior year	99	10	—	—	—
Income tax expenses	526	10	—	—	—

Note: The domestic tax rate (which is the PRC EIT rate) represents the tax rate used in the jurisdiction where the operation of the MOX Group is substantially based.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounted to approximately RMB4,141,000, RMB4,604,000, RMB12,502,000, RMB1,022,000 and RMB7,046,000 for the years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2015 and 2016, respectively, as the MOX Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2013, 2014, 2015 and 30 June 2016, the MOX Group has unused tax losses of RMB4,069,000, RMB5,609,000, RMB7,893,000 and RMB15,933,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Tax losses may be carried forward for five years to offset against future foreseeable profits in accordance with EIT Law.

No deferred tax liabilities has been made during the Relevant Periods as there were no material temporary differences at the reporting date.

12. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Six month ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit (loss) for the year/period has been arrived at after charging:					
Director's and chief executive's emoluments	—	—	—	—	—
Other staff costs					
— salary and other allowances	21,647	24,723	25,685	13,934	14,119
— retirement benefits scheme contributions	2,547	2,383	3,299	1,801	1,840
Total staff costs	24,194	27,106	28,984	15,735	15,959
Auditor's remuneration					
— Audit service	7	108	36	16	17
Depreciation of property, plant and equipment					
— recognised as cost of sales	1,650	1,858	1,834	915	849
— recognised as administrative expenses	836	1,133	1,771	684	929
Amortisation of prepaid land lease	173	173	172	86	87
Costs of inventories recognised as an expense	72,849	49,163	55,028	21,459	22,216
Loss on disposal of property, plant and equipment	—	—	—	—	142
Written-off of property, plant and equipment	—	—	—	—	128
Minimum leases payments under operating lease in respect of office premises	2,354	2,111	1,549	738	704

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the MOX Group for the Relevant Periods who are neither a director nor chief executive are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other allowances	969	1,026	1,099	589	628
Retirement benefits scheme contributions	56	57	53	26	24
	1,025	1,083	1,152	615	652

14. DIVIDEND

No dividend was paid or proposed to the ordinary shareholders of MOX during the Relevant Periods, nor has any dividend been proposed since the end of the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvement *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
At 1 January 2013	—	—	6,432	1,382	2,563	28,884	39,261
Additions	—	—	195	419	794	8,997	10,405
Transfer	37,274	—	—	—	591	(37,865)	—
At 31 December 2013	37,274	—	6,627	1,801	3,948	16	49,666
Additions	4,562	3	10	—	369	1,598	6,542
Transfer	1,440	—	—	—	—	(1,440)	—
At 31 December 2014	43,276	3	6,637	1,801	4,317	174	56,208
Additions	—	133	109	—	204	1,747	2,193
Transfer	—	1,921	—	—	—	(1,921)	—
At 31 December 2015	43,276	2,057	6,746	1,801	4,521	—	58,401
Additions	—	260	—	—	106	313	679
Disposals	—	—	—	(434)	(1,071)	—	(1,505)
Written-off	—	—	(564)	—	—	—	(564)
At 30 June 2016	43,276	2,317	6,182	1,367	3,556	313	57,011
ACCUMULATED DEPRECIATION							
At 1 January 2013	—	—	2,802	887	1,487	—	5,176
Provided for the year	1,258	—	784	137	307	—	2,486
At 31 December 2013	1,258	—	3,586	1,024	1,794	—	7,662
Provided for the year	1,752	—	653	159	427	—	2,991
At 31 December 2014	3,010	—	4,239	1,183	2,221	—	10,653
Provided for the year	1,958	431	586	160	470	—	3,605
At 31 December 2015	4,968	431	4,825	1,343	2,691	—	14,258
Provided for the period	979	321	163	70	245	—	1,778
Eliminated on disposal	—	—	—	(390)	(965)	—	(1,355)
Eliminated on written-off	—	—	(436)	—	—	—	(436)
At 30 June 2016	5,947	752	4,552	1,023	1,971	—	14,245
CARRYING VALUES							
At 31 December 2013	36,016	—	3,041	777	2,154	16	42,004
At 31 December 2014	40,266	3	2,398	618	2,096	174	45,555
At 31 December 2015	38,308	1,626	1,921	458	1,830	—	44,143
At 30 June 2016	37,329	1,565	1,630	344	1,585	313	42,766

The above item of property, plant and equipment is depreciated on a straight-line basis at the following rates per annum:

Buildings	5%
Leasehold improvement	33%
Plant and machinery	10%
Motor vehicles	20%
Furniture, fixtures and equipment	20%

At 31 December 2013, 2014, 2015 and 30 June 2016, buildings with a net book value of approximately RMB36,016,000, RMB40,266,000, RMB38,308,000 and RMB37,329,000, respectively, was pledged as collateral against the bank borrowings of approximately RMB20,000,000, RMB28,000,000, RMB31,000,000 and RMB30,000,000, respectively. Details of the bank borrowings are disclosed in Note 23 to the Financial Information.

16. PREPAID LEASE PAYMENTS

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed for reporting purposes as:				
Current assets	173	173	173	173
Non-current assets	8,023	7,850	7,678	7,591
	8,196	8,023	7,851	7,764

Note: At 31 December 2013, 2014, 2015 and 30 June 2016, the carrying amount of prepaid lease payments of approximately RMB8,196,000, RMB8,023,000, RMB7,851,000 and RMB7,764,000, respectively, was pledged as collateral against the bank borrowings of approximately RMB20,000,000, RMB28,000,000, RMB31,000,000 and RMB30,000,000, respectively. Details of the bank borrowings are disclosed in Note 23 to the Financial Information.

17. INTEREST IN AN ASSOCIATE

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in an unlisted associate in the PRC	—	2,450	2,450	2,450
Share of post-acquisition loss	—	(1,060)	(1,497)	(1,635)
Share of capital reserve of an associate	—	—	32	32
	—	1,390	985	847

Details of the MOX Group's associate at the end of each of the Relevants Periods are as follow:

Name of entity	Place of incorporation	Principal place of operations	Proportion of ownership interest held by the MOX Group At 31 December 2013	2014	2015	At 30 June 2016	Proportion of voting rights held by the MOX Group At 31 December 2013	2014	2015	At 30 June 2016	Principal activity
杭州奥邁智能科技有限公司 (transliterated as Hangzhou Aomai Intelligent Technology Co., Limited*) ("**Hangzhou Aomai Intelligent Technology**")	PRC	PRC	—	49%	49%	49%	—	49%	49%	49%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC

Note: During the year ended 31 December 2014, Wankesi Automation acquired 49% equity interests of Hangzhou Aomai Intelligent Technology at a consideration of RMB2,450,000. The MOX Group is able to exercise significant influence over Hangzhou Aomai Intelligent Technology because it has the power to appoint one out of the three directors of Hangzhou Aomai Intelligent Technology under the shareholders' agreement of Hangzhou Aomai Intelligent Technology.

Summarised financial information of the associate

Summarised financial information for the Relevant Periods in respect of the MOX Group's associate is set out below.

The summarised financial information for the Relevant Periods represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the Financial Information.

Hangzhou Aomai Intelligent Technology

	At 31 December 2013	2014	2015	At 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	—	1,607	1,003	942
Current assets	—	14,661	24,351	21,220
Current liabilities	—	(13,430)	(23,342)	(20,432)

* *For identification purposes only*

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	—	17,353	29,486	7,769	2,756
Loss for the year/period	—	(2,162)	(891)	(1,686)	(282)
Total comprehensive expense for the year/period	—	(2,162)	(826)	(1,686)	(282)
Dividend received from Hangzhou Aomai Intelligent Technology during the year/period	—	—	—	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the Financial Information for the Relevant Periods:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets of Hangzhou Aomai Intelligent Technology	—	2,838	2,012	1,730
Proportion of the MOX Group's ownership interest in Hangzhou Aomai Intelligent Technology	—	49%	49%	49%
Goodwill	—	—	—	—
Carrying amount of the MOX Group's interest in Hangzhou Aomai Intelligent Technology	—	1,390	985	847

18. INVENTORIES

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	4,242	3,585	3,347	4,214
Work in progress	12,559	8,953	8,295	10,023
Finished goods	10,840	8,474	19,514	12,810
	27,641	21,012	31,156	27,047

19. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note a)*	43,191	36,987	39,767	40,078
Bill receivables *(Note a)*	352	127	—	—
Less: accumulated impairment loss recognised	(2,992)	(5,505)	(8,710)	(9,534)
	40,551	31,609	31,057	30,544
Other receivables *(Note b)*	35,225	42,358	38,560	45,455
VAT receivables	—	—	325	1,081
Prepayments	2,519	2,043	2,112	3,350
Total trade and other receivables	78,295	76,010	72,054	80,430

Notes:

(a) Trade and bill receivables at the end of each of the Relevant Periods comprise amounts receivable from the sales of goods.

As at 31 December 2013, 2014, 2015 and 30 June 2016, included in trade receivables, approximately Nil, Nil, RMB6,750,000 and RMB8,684,000, respectively, represented the amount due from Xiyate Wankesi Automation (Hangzhou) Company Ltd. ("**Hangzhou Wankesi**") and Wankesi Automation (Shanghai) Company Ltd. ("**Shanghai Wankesi**"). At 16 December 2015, Sense Field was acquired by Vastsuccess Holdings Limited ("**Vastsuccess**") ("**Acquisition of MOX**"), a wholly-owned subsidiary of Synertone Communication Corporation ("**Synertone**"). Hangzhou Wankesi and Shanghai Wankesi, which are the wholly-owned subsidiaries of Synertone, became the fellow subsidiaries of the MOX Group.

The amounts due from Hangzhou Wankesi and Shanghai Wankesi are unsecured, non-interest bearing and repayable according to the credit terms.

The MOX Group generally allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade and bill receivables, net of allowances for doubtful debts, presented based on the delivery dates which approximated the respective dates on which revenue was recognised at the end of each of the Relevant Periods is as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	11,040	5,232	9,445	4,139
31–60 days	10,440	1,753	7,030	3,376
61–90 days	2,678	3,347	1,810	1,997
Over 90 days	16,393	21,277	12,772	21,032
	40,551	31,609	31,057	30,544

Before accepting any new customer, the MOX Group assesses the potential customer's credit quality and defines credit limites by customer. Limits and credit quality attributed to customers are reviewed annually.

Trade and bill receivables that were past due but not impaired relate to customers that have a good track record with the MOX Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality. The MOX Group does not hold any collateral over these balances.

Aging of trade and bill receivables which are past due but not impaired are as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	10,440	1,753	7,030	3,376
31–60 days	2,678	3,347	1,810	1,997
61–90 days	8,839	10,717	3,131	1,727
Over 90 days	7,554	10,560	9,641	19,305
	29,511	26,377	21,612	26,405

The movement of accumulated impairment loss of the trade and bill receivables during the Relevant Periods is as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	—	2,992	5,505	8,710
Impairment loss recognised	2,992	2,513	3,205	824
At the end of the year/period	2,992	5,505	8,710	9,534

Included in trade and bill receivables, are the following amounts denominated in a currency other than the functional currency of the MOX Group:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	876	1,607	1,850	1,850

(b) As at 31 December 2013, 2014, 2015 and 30 June 2016, included in other receivables is an advance to Hangzhou Wankesi amounted to approximately RMB31,425,000, RMB34,804,000, RMB29,089,000 and RMB33,820,000, respectively. The amount due from Hangzhou Wanksei is unsecured, non-interest bearing and repayable on demand.

As at 31 December 2013, 2014, 2015 and 30 June 2016, included in other receivables, approximately Nil, RMB5,000,000, RMB8,000,000 and RMB8,000,000, respectively, represented amount due from an independent third party which is unsecured, non-interest bearing and repayable on demand. The amount has been fully received after 30 June 2016.

20. AMOUNT DUE FROM AN ASSOCIATE

Particulars of amount due from an associate is disclosed as follows:

Name of associate	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hangzhou Aomai Intelligent Technology	—	7,224	10,681	10,092

At 31 December 2013, 2014, 2015 and 30 June 2016, approximately Nil, RMB7,224,000 RMB10,644,000 and RMB10,092,000, respectively, is trade-in nature. The amount is unsecured, interest-free and repayable on demand.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represents the non-interest bearing deposits pledged to banks to secure sales agreements entered between the MOX Group and its customers.

The bank balances carry interest at interest rates as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
Range of interest rates per annum	0.05%–0.35%	0.05%–0.35%	0.05%–0.35%	0.05%–0.35%

22. TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note a)*	17,845	12,515	13,652	13,590
Bill payables *(Note a)*	4,190	3,959	4,141	5,760
	22,035	16,474	17,793	19,350
Other payables *(Note b)*	1,678	1,854	1,267	9,714
VAT payables	451	1,276	—	—
Receipt in advance	1,796	1,602	1,814	2,504
Total trade and other payables	25,960	21,206	20,874	31,568

Notes:

(a) Trade and bill payables

The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of each of the Relevant Periods:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	9,085	5,588	7,150	5,611
91–180 days	1,519	1,199	1,455	1,268
181–365 days	5,450	3,757	3,599	6,461
Over 1 year	5,981	5,930	5,589	6,010
	22,035	16,474	17,793	19,350

During the Relevant Periods, the average credit period on purchase of goods are 30 days. The MOX Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

(b) As at 30 June 2016, included in other payables are amounts due to a management of the MOX Group and an independent third party amounted to approximately RMB5,510,000 and RMB2,000,000, respectively, which is non-interest bearing, unsecured and repayable on demand.

23. BANK BORROWINGS

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	72,000	79,320	80,900	79,900
Carrying amount repayable:				
Within one year	44,000	70,820	77,900	76,900
More than one year but not exceeding two years	28,000	8,500	3,000	3,000
	72,000	79,320	80,900	79,900
Less: Amounts due within one-year shown under current liabilities	(44,000)	(70,820)	(77,900)	(76,900)
Amounts shown under non-current liability	28,000	8,500	3,000	3,000

The MOX Group's borrowings are all denominated in RMB. As at 31 December 2013, 2014, 2015 and 30 June 2016, secured bank borrowings amounting to approximately RMB20,000,000, RMB28,000,000, RMB31,000,000 and RMB30,000,000, respectively, were secured by the MOX Group's prepaid lease payment and buildings with total carrying amount of approximately RMB44,212,000, RMB48,289,000, RMB46,159,000 and RMB45,093,000, respectively. Details are disclosed in Notes 15 and 16 to the Financial Information.

As at 31 December 2013, 2014, 2015 and 30 June 2016, the secured bank borrowings amounted to approximately RMB52,000,000, RMB51,320,000, RMB49,900,000 and RMB49,900,000, respectively, were secured by corporate guarantees executed by an independent third party.

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

	At 31 December			At 30 June
	2013	2014	2015	2016
Fixed-rate bank borrowings	6.55%	6% to 7.8%	4.35% to 6%	4.35% to 6.5%
Variable-rate bank borrowings	The People's Bank of China Benchmark Rate +0% to 25%	The People's Bank of China Benchmark Rate +0% to 31%	The People's Bank of China Benchmark Rate +0% to 38%	The People's Bank of China Benchmark Rate +0% to 38%

24. SHARE CAPITAL

	At 31 December 2013	2014	2015	At 30 June 2016
	US$	*US$*	*US$*	*US$*
Authorised:				
50,000 ordinary shares of US$1.00 each	50,000	50,000	50,000	50,000

	Number of ordinary share	Amount
		US$
Issued and fully paid:		
At 31 December 2013, 2014, 2015 and 30 June 2016	50,000	50,000

	RMB'000
Shown in the Financial Information as	304

25. PLEDGE OF ASSETS

As at 31 December 2013, 2014, 2015 and 30 June 2016, the buildings and prepaid lease payments of the MOX Group had been pledged to the banks to secure the bank borrowing of approximately RMB20,000,000, RMB28,000,000, RMB31,000,000 and RMB30,000,000, respectively, as detailed in Notes 15, 16 and 23 to the Financial Information.

26. OPERATING LEASE COMMITMENTS

The MOX Group as lessee

At the end of each of the Relevant Periods, the MOX Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December 2013	2014	2015	At 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	547	923	1,116	1,156
In the second to fifth year inclusive	46	1,817	1,087	568
	593	2,740	2,203	1,724

Operating lease payments represent rentals payable by the MOX Group for its office premises. Leases are negotiated for an average of two years, and no arrangements have been entered into contingent rental payments.

27. RELATED PARTY TRANSACTIONS

(a) Balances

Details of balances with fellow subsidiaries, the associate and a management of the MOX Group are set out in Notes 19, 20 and 22 to the Financial Information.

(b) Compensation of key management personnel

No remuneration was paid to the Sole Director and other key management personnel of the MOX Group during the Relevant Periods.

(c) In addition to the transactions disclosed elsewhere in these Financial Information, the MOX Group has the following material transactions with related parties during the Relevant periods:

			Year ended 31 December			Six months ended 30 June	
Transaction	**Company**	**Relationship**	**2013**	**2014**	**2015**	**2015**	**2016**
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of intelligent building systems	Hangzhou Aomai Intelligent Technology	Associate	—	8,503	16,491	4,412	1,430
	Hangzhou Wankesi	Fellow subsidiary	—	—	7,224	—	2,705
	Shanghai Wankesi	Fellow subsidiary	—	—	—	—	1,463
Purchase of raw materials	Hanzhou Aomai Intelligent Technology	Associate	—	—	6,427	6,427	—

In the opinion of the Sole Director, the above transactions were entered into a price mutually agreed by the parties concerned on an arm's length basis.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the MOX Group have been prepared in respect of any period subsequent to 30 June 2016 and up to the date of this report.

Yours faithfully,

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Suites 313–316, 3/F., Shui On Centre
6–8 Harbour Road
Wan Chai
Hong Kong

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

28 December 2016

The Board of Directors
Synertone Communication Corporation
Room 1012, 10/F
Tsim Sha Tsui Centre
66 Mody Road
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Synertone Communication Corporation (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 September 2016 (the "**Unaudited Pro Forma Financial Information**") as set out on page IV-5 to IV-6 of Appendix IV to the circular dated 28 December 2016 (the "**Circular**") issued by the Company in connection with the proposed further acquisition of 36% equity interest of Sense Field Group Limited ("**Sense Field**") (the "**Transaction**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-4 to IV-7 of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 September 2016 as if the Transaction had taken place at 30 September 2016. As part of this process, information about the Group's unaudited condensed consolidated statement of financial position as at 30 September 2016 has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2016, on which an interim report dated 30 November 2016 has been published.

DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Transaction on unadjusted financial information of the Group as if the Transaction had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Suites 313–316
3/F., Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1 Introduction to the Unaudited Pro Forma Financial Information of the Group

The following is the unaudited pro forma financial information of the Company and its subsidiaries (collectively, the "**Group**") (the "**Unaudited Pro Forma Financial Information**"), as if the proposed further acquisition of 36% equity interest of Sense Field Group Limited ("**Sense Field**") (the "**Transaction**") had taken place at 30 September 2016. Details of the Transaction are set out in the section headed "Letter from the Board" contained in this Circular.

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), for the purpose of illustrating the effect of the Transaction pursuant to the terms of a sales and purchase agreement dated 29 June 2016 entered into between the Group and Xiong Sylvia Wei, Hua Shu and Tse Suet Mei (collectively referred to as the "**Vendors**"), which owned 6%, 35% and 10% of Sense Field respectively, to conditionally acquire 36% equity interest of Sense Field (the "**Sense Field Acquisition Agreement**"). Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Transaction been completed as of the specified dates or any future date.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016, which has been extracted from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016, on which an interim report dated 30 November 2016 has been published, and adjusted on a pro forma basis to reflect the effect of the Transaction. A narrative description on these pro forma adjustments that are (i) directly attributable to the Transaction and not relating to future events and decisions; and (ii) factually supportable based on the terms of the Sense Field Acquisition Agreement.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. The Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group that would have been attained had the Transaction been completed on 30 September 2016. The Unaudited Pro Forma Financial Information does not purport to predict the future financial position of the Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in (1) the published unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016; and (2) other financial information included elsewhere in this Circular.

2 Unaudited Pro Forma Consolidated Statement of Financial Position of the Group

	The Group At 30 September 2016 HK$'000 (Unaudited) Note 3(a)	Pro forma adjustments HK$'000 Notes 3(b) and (c)	The Group At 30 September 2016 HK$'000 (Unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	106,495	—	106,495
Prepaid lease payments	8,767	—	8,767
Intangible assets	344,359	—	344,359
Goodwill	207,295	—	207,295
Interests in an associate	2,991	—	2,991
Available-for-sale investments	3,900	—	3,900
Derivative financial instruments	60,538	(60,538)	—
Deposits and prepayments	40,578	(35,000)	5,578
	774,923	(95,538)	679,385
CURRENT ASSETS			
Inventories	42,252	—	42,252
Trade and other receivables	319,216	—	319,216
Prepaid lease payments	201	—	201
Cash and cash equivalents	39,461	(39,461)	—
	401,130	(39,461)	361,669
CURRENT LIABILITIES			
Trade and other payables	86,296	55,539	141,835
Bank and other borrowings	109,064	—	109,064
Finance lease payables	146,949	—	146,949
Amount due to a director	1	—	1
Current taxation	9,429	—	9,429
	351,739	55,539	407,278
NET CURRENT ASSETS (LIABILITIES)	49,391	(95,000)	(45,609)
TOTAL ASSETS LESS CURRENT LIABILITIES	824,314	(190,538)	633,776

	The Group At 30 September 2016 *HK$'000* (Unaudited) *Note 3(a)*	Pro forma adjustments *HK$'000* *Notes 3(b) and (c)*	The Group At 30 September 2016 *HK$'000* (Unaudited)
NON-CURRENT LIABILITIES			
Bank and other borrowings	3,484	—	3,484
Finance lease payables	266,179	—	266,179
Deferred tax liabilities	23,678	—	23,678
	293,341	—	293,341
NET ASSETS (LIABILITIES)	530,973	(190,538)	340,435
CAPITAL AND RESERVES			
Share capital	167,440	—	167,440
Reserves	313,247	(155,090)	158,157
Equity attributable to owners of the Company	480,687	(155,090)	325,597
Non-controlling interests	50,286	(35,448)	14,838
TOTAL EQUITY	530,973	(190,538)	340,435

3 Notes to the Unaudited Pro Forma Consolidated Statement of Financial Position of the Group

(a) For the purpose of the preparation of Unaudited Pro Forma Financial Information, the amounts are extracted from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016.

(b) The adjustment represents the proposed further acquisition of 36% equity interest of Sense Field. Pursuant to the Sense Field Acquisition Agreements, the Group has conditionally agreed to further acquire 36% equity interest of Sense Field for an aggregate consideration of HK$130,000,000 (the "**Sense Field Consideration**") in cash, subject to the deduction by the shortfall amount in respect to the profit guarantee ("**contingent consideration receivables**") as defined in the Sense Field Acquisition Agreement, on completion. The contingent consideration receivables should be measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Based on the Directors' best estimation, the probability of meeting the profit guarantee by Sense Field is highly probable and therefore it is assume that the fair value on 30 September 2016 is Nil.

During the six months ended 30 September 2016, a deposit of HK$35,000,000 has been paid pursuant to Sense Field Acquisition Agreements. As at 30 September 2016, the Group did not have sufficient cash and cash equivalents to settle the balance of HK$95,000,000 of the Sense Field Consideration in full.

(c) Pursuant to the shareholders' agreement signed between the Vendors and Vastsuccess Holdings Limited, a wholly-owned subsidiary of the Company, the Group would have a right to subscribe further equity interests in Sense Field. The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group over 51% voting power over Sense Field. Based on the Director's assessment, the currently exercisable purchased call option provided the Group with the potential voting rights over Sense Field which in turn provided the Group with the ability to control Sense Field.

The Transaction results in exercise of the call option and accordingly, the derivative financial instruments in relation to the call option has been directly transferred to equity.

The effect of changes in ownership interest of Sense Field on the equity attributable to owners of the Company is summarised as follows:

	At 30 September 2016 *HK$'000*
Carrying amount of non-controlling interest acquired	35,448
Derivative financial instruments — call option	(60,538)
Consideration paid to non-controlling interests	(130,000)
Excess of consideration paid recognised within equity	155,090

As the Transaction does not result in the change in control by the Group over Sense Field, the Group recognised a decrease in non-controlling interests of HK$35,448,000 and a decrease in equity attributable to owners of the Company of HK$155,090,000.

(d) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisors, reporting accountants, valuers, and other expenses) as the Directors determined that such costs are insignificant. The total acquisition-related costs are estimated to be approximately HK$1,610,000.

(e) No adjustments have been made to adjust any trading results or other transactions of the Group or Sense Field subsequent to 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE SF GROUP

Set out below is the management discussion and analysis on the SF Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

BUSINESS OVERVIEW

Sense Field is the investment holding company of MOX Group Limited, the foreign investor of both Wankesi Automation (incorporated in 2011) and Xiyate Building Automation (incorporated in 2001). The SF Group is primarily engaged in building intelligence and security alarm industry solutions, smart home system solutions, industrial control system solutions, and internet-based intelligent management solutions in the PRC. Usage of smart home systems by domestic households have become more popular in recent years. According to the Guidance on Promotion of "Internet+" Intelligent Energy Development (關於推進"互聯網+"智慧能源發展的指導意見) officially issued in March this year by the National Development and Reform Commission of the PRC, it is the focus of the PRC government to encourage the construction of intelligence technology in various aspects including the application of smart home systems and internet-based intelligent management solution, including but not limited to provision of funding to qualified intelligence corporation and the establishment of technological standard for the intelligence industry. With supportive governmental policies in place, it is expected that the consumer demand for building intelligence and smart home solutions in the PRC will continue to enjoy a stable growth, which could benefit the business performance of the SF Group.

On 25 June 2015, Sense Field acquired the entire issued share capital of MOX Group Limited. MOX Group Limited is considered as the predecessor of Sense Field for the purpose of presenting the financial overview for the years ended 31 December 2013, 2014 and 2015.

FINANCIAL OVERVIEW

For the year ended 31 December 2013

During the year ended 31 December 2013, the sales and net profit of the SF Group was RMB124.2 million and RMB3.5 million respectively. Gross profit margin for the period was 31.6%. Profit from operations (i.e. profit before finance costs and income tax expenses) was RMB8.1 million during the year ended 31 December 2013 after deductions of selling and distribution expenses and administrative expenses of RMB8.8 million and RMB27.1 million respectively.

For the year ended 31 December 2014

During the year ended 31 December 2014, the sales of the SF Group was RMB100.0 million, representing a decline of 19.5% year-on-year. The decrease in sales was mainly attributable to the decline of the overall real estate market in the PRC, where customer demand had been adversely affected. Gross profit margin for the period was 38.4%, representing an increase of 6.8% year-on-year due to tightened control of production cost. Net loss for the period amounted to RMB0.5 million. As compared with the year ended 31 December 2013, profit from operations decreased by 42.9% to RMB4.6 million, which was mainly due to the decrease in government grants and increase in administrative expenses during the year.

For the year ended 31 December 2015

During the year ended 31 December 2015, the sales of the SF Group was RMB111.7 million, representing an increase of 11.8% year-on-year. The increase in sales was consistent with the improving condition of the PRC real estate market along with relaxation measures implemented by the Central Government. Gross margin for the period was 42.1%, representing an increase of 3.7% year-on-year due to variations of product mix where more high-end products were sold to customers. Net profit for the period amounted to RMB6.5 million. As compared with the year ended 31 December 2014, profit from operations increased by 143.8% to RMB11.3 million which was mainly contributed by the sales growth for the year.

For the six months ended 30 June 2016

During the six months ended 30 June 2016, the sales of the SF Group was RMB39.6 million, representing a decline of 6.2% as compared to the corresponding period of the six months ended 30 June 2015. The slight decrease in sales was attributable to the intense market competition where the SF Group adjusted selling prices and its product mix to deliver more low value-added products to satisfy customer needs. As a result, the gross margin had slightly decreased to 32.3% as compared with 38.7% for the corresponding period in the preceding year. Net loss for the period amounted to RMB8.0 million. As compared with the six months ended 30 June 2015, loss from operations amounted to RMB5.9 million, representing an increase of 128.8%. The increase in loss from operations was partly due to increased research and development expenditure incurred by the SF Group for continuing product innovation.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, 2014, 2015 and 30 June 2016, the SF Group had cash (together with cash equivalents and pledged bank deposits) of approximately RMB8.3 million, RMB6.7 million, RMB6.8 million and RMB6.4 million respectively. The SF Group had total bank borrowings of RMB72.0 million, RMB 79.3 million, RMB80.9 million and RMB79.9 million respectively as at 31 December 2013, 2014, 2015 and 30 June 2016, of which RMB44.0 million, RMB70.8 million, RMB77.9 million and RMB76.9 million was the current portion and the remaining RMB28.0 million, RMB8.5 million, RMB3.0 million and RMB3.0 million was the non-current portion. The gearing ratio, being the ratio of the total bank borrowings minus cash and cash equivalents and pledged bank deposits divided by total equity, was 96.7%, 111.0%, 80.9% and 90.3%, respectively as at 31 December 2013, 2014, 2015 and 30 June 2016. The liquidity ratio of current assets over current liabilities, was 1.62, 1.21, 1.22 and 1.14 respectively as at 31 December 2013, 2014, 2015 and 30 June 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, 2014, 2015 and 30 June 2016, the SF Group Limited employed a total of 324, 342, 322, and 299 employees respectively for its operations. The SF Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their roles, their performance, market requirements and the performance of the SF Group. In addition to salaries, the SF Group provides staff benefits including social insurance and retirement benefits scheme.

The total staff costs of the SF Group for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2015 and 30 June 2016 amounted to approximately RMB24.2 million, RMB27.1 million, RMB29.0 million, and RMB15.7 million and RMB16.0 million respectively.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

Except for Sense Field's acquisition of the entire issued share capital of MOX Group Limited during the year ended 31 December 2015, there was no significant acquisitions and disposals during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016.

CHARGE ON ASSETS

As at 31 December 2013, 2014, 2015 and 30 June 2016, the SF Group had bank borrowings of approximately RMB20.0 million, RMB28.0 million, RMB31.0 million and RMB30.0 million respectively secured by land use rights and buildings of the SF Group. As at 31 December 2013, 2014, 2015 and 30 June 2016, the assets pledged to secure certain bank borrowings granted to the SF Group amounted to approximately RMB44.2 million, RMB48.3 million, RMB46.2 million and RMB45.1 million respectively.

FOREIGN EXCHANGE EXPOSURE

During the relevant periods, substantially all transactions of the SF Group are denominated in RMB, and most of the bank deposits and bank borrowings are denominated in RMB to minimise foreign exchange exposure. The SF Group had not implemented any formal hedging policies to deal with such exposures.

CONTINGENT LIABILITIES

As at 31 December 2013, 2014, 2015 and 30 June 2016, the SF Group had no material contingent liabilities.

CAPITAL COMMITMENTS

The SF Group had no material capital commitments.

ROMA
Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

27 November 2015

Synertone Communication Corporation
Room 1012, 10/F.,
Tsim Shai Tsui Centre,
66 Mody Road,
Kowloon, Hong Kong

Dear Sir/Madam,

Re: Valuation of 100% Equity Interest in Sense Field Group Limited and its Subsidiaries

We refer to recent instructions from Synertone Communication Corporation (hereinafter referred to as the "**Company**") to us to conduct a valuation of 100% equity interest in Sense Field Group Limited and its subsidiaries (hereinafter referred to as the "**SF Group**"), as at 31 October 2015 (hereinafter referred to as the "**Date of Valuation**"). We have adopted the discounted cash flow method under the income-based approach in arriving at the market value of the SF Group.

MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The valuation was performed based on a discounted cash flow method under the income-based approach with financial forecasts provided by the management of the SF Group, covering a period of approximately 6 years. Terminal growth rate of 3% was adopted based on the People's Republic of China's long term projected inflation as sourced from the International Monetary Fund;

- The valuation was mainly based on the projections of the future cash flows as provided by the management of the SF Group. It was assumed that the projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals and will be materialized;

- The Valuation was performed based on the unaudited management accounts of the SF Group as at 31 October 2015;

- Compared to similar interest in public companies, ownership interest is not readily marketable for private companies. Hence, a marketability discount of 16.11% was applied to the valuation result. The marketability discount was adopted by making reference to the study in the FMV Restricted Stock Study Companion Guide published by FMV Opinions, Inc. in 2015;

- A discount rate of 19.30% was adopted, which was the estimated weighted average cost of the capital of the SF Group with reference to comparable companies engaged in similar businesses;

- Working capital projection was based on the working capital turnover days estimated by the management of the SF Group;

- The businesses of the SF Group will be operated and developed as planned;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the SF Group operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industries in which the SF Group operates, and the SF Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the SF Group operates or intends to operate and that the rates of tax payable and corporate tax rate shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the SF Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the SF Group; and

- Interest rates and exchange rates in the localities for the operation of the SF Group will not differ materially from those presently prevailing.

LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the projections made by the Company, company background, and business nature of the SF Group provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the SF Group was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the SF Group.

We have not investigated the title to or any legal liabilities of the SF Group and have assumed no responsibility for the title to the SF Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report, If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

OPINION OF VALUE

Based on the investigation and assumptions stated above and on the valuation method employed, the market value of 100% equity interest of the SF Group, as at the Valuation Date, was reasonably stated as **RMB354,000,000 (RENMINBI THREE HUNDRED AND FIFTY FOUR MILLION ONLY).**

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

A. LETTER FROM REPORTING ACCOUNTANT IN RELATION TO THE VALUATION REPORT

The following is the text of a report received from Asian Alliance (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

28 December 2016

The Board of Directors
Synertone Communication Corporation
Room 1012, 10/F
Tsim Sha Tsui Centre
66 Mody Road
Hong Kong

Dear Sirs,

ACCOUNTANT'S REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE ISSUED SHARE CAPITAL OF SENSE FIELD GROUP LIMITED ("SENSE FIELD")

TO THE DIRECTORS OF SYNERTONE COMMUNICATION CORPORATION (THE "COMPANY")

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Roma Appraisals Limited dated 27 November 2015, in respect of the entire issued share capital of Sense Field, as at 31 October 2015 (the "**Valuation**") is based. Sense Field is a company incorporated in the British Virgin Islands with limited liability. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in the circular dated 28 December 2016 to be issued by the Company in connection with the proposed further acquisition of 36% of the issued share capital of Sense Field (the "**Circular**").

Directors' responsibilities for the discounted future estimated cash flows

The directors of the Company (the "**Directors**") are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectively, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regularly requirements.

Reporting accountant's responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report.

Our engagement was conducted in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" issued by HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled with the Assumptions. Our work does not constitute any valuation of Sense Field.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or concluded any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,
Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Hong Kong

B. LETTER FROM THE BOARD

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)

28 December 2016

To the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION RELATING TO THE PROPOSED FURTHER ACQUISITION OF 36% EQUITY INTEREST IN SENSE FIELD GROUP LIMITED

We refer to the valuation report dated 27 November 2015 prepared by Roma Appraisals Limited ("**Roma**") in relation to the valuation of the SF Group which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Terms defined in the announcement of the Company dated 29 June 2016 relating to the proposed further acquisition of 36% interest in Sense Field shall have the same meanings in this letter unless the context otherwise requires.

We have reviewed the bases and assumptions based upon which the valuation of the SF Group has been prepared by Roma for which Roma is responsible. We have also considered the report dated 28 December 2016 from Asian Alliance (HK) CPA Limited, the reporting accountant of the Company, regarding whether the discounted future estimated cash flows of the SF Group, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with their respective bases and assumptions.

We confirm that the profit forecast as mentioned above has been made by the Board after due and careful enquiry.

Yours faithfully,
By order of the Board
Synertone Communication Corporation
Wong Chit On
Chairman and Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are set out as follows:

		HK$
Authorised capital:		
8,000,000,000	Shares of HK$0.05 each	400,000,000
Issued and fully paid or credited as fully paid:		
3,348,800,000	Shares of HK$0.05 each	167,440,000

As at the Latest Practicable Date, the Company has (i) 60,182,015 outstanding Share Options which in aggregate entitle holders thereof to subscribe for 60,182,015 Shares and (ii) 196,666,667 Warrants which entitle the holders thereof to subscriber for 196,666,667 Shares. Save for the Share Options and the Warrants, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTEREST

(a) Director's and chief executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives and their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company or any of its associated corporations) and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position in the Shares or underlying Shares

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. Wong Chit On	Interest of controlled corporation *(Note 1)*	1,194,710,296 Shares	35.68%
	Beneficial owner *(Note 2)*	1,456,604 underlying Shares	0.04%
Mr. Han Weining	Beneficial owner *(Note 2)*	1,456,604 underlying Shares	0.04%
Mr. Lam Ying Hung Andy	Beneficial owner *(Note 2)*	1,456,604 underlying Shares	0.04%

Notes:

1. These interest in Shares are held by Excel Time Investments Limited ("**Excel Time**"), which is wholly and beneficially owned by Mr. Wong Chit On. By virtue of the SFO, Mr. Wong Chit On is deemed to be interested in these 1,194,710,296 Shares. Mr. Wong Chit On is the sole director of Excel Time.

2. These underlying Shares represent the Shares which are issuable upon the exercise of the subscription rights attached to the Share Options granted to these Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares, or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Name	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Excel Time	Beneficial owner	1,194,710,296 Shares	35.68%
Citic Capital Management Limited	Beneficial owner	196,666,667 Shares	5.87%

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2016 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Asian Alliance (HK) CPA Limited	Certified Public Accountants
Goldin Financial Limited	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Roma Appraisals Limited	Independent professional valuer

As at the Latest Practicable Date, each of the experts had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts had no direct or indirect interests in any assets which have been, since 31 March 2016, being the date to which the latest published audited consolidated financial statement of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it is included.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within two years immediately preceding the Latest Practicable Date and are or may be material:

(a) The non-exclusive manufacturing agreement entered into between the Company and a cooperating partner in relation to, inter alia, the grant of a non-exclusive licence by the cooperating partner to the Company to manufacture certain of its products;

(b) the Further Acquisition S&P Agreement;

(c) the underwriting agreement dated 5 February 2016 (as supplemented on 26 February 2016) entered into between the Company and Excel Time Investments Limited in relation to the Rights Issue;

(d) the conditional sale and purchase agreement dated 27 November 2015 entered into between the Purchaser (as purchaser) and Mr. Cheng Edward, Ms. Xiong Sylvia Wei and Ms. Hua Shu (as vendors) in relation to the First Round Acquisition;

(e) the memorandum of understanding dated 20 November 2015 entered into between the Company and Gilat Satellite Networks Ltd. ("**Gilat**") (a public company headquartered in Israel that develops and sells a wide range of satellite ground segment equipment and VSATs) in relation to the strategic cooperation between the parties in areas including the upgrade of Synertone 1 ground system, manufacturing of satellite communication products, and the research and development of the next generation of satellite communication products;

(f) the agreement entered into between the Purchaser and Gilat dated 20 November 2015 in relation to the purchase by the Purchaser from Gilat of 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$96.7 million); and

(g) the conditional sale and purchase agreement dated 30 June 2015 entered into between the Purchaser (as purchaser) and Mr. John Edward Hunt (as vendor) in relation to the acquisition of the entire issued share capital of Mox Products Pty Limited by the Purchaser at the consideration of HK$302 million.

10. DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address

Name	Correspondence address
Mr. Wong Chit On	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong
Mr. Han Weining	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong
Mr. Lam Ying Hung Andy	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong
Mr. Wang Chen	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong
Ms. Li Mingqi	Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong

(b) Qualification and position held

Executive Directors

Wong Chit On (王浙安) ("**Mr. Wong**"), (formerly known as Wang Gang Jun (王鋼軍)) aged 57, is the founder of the Group and was appointed as a Director in October 2006 and is currently an executive Director and the chairman of the Group. Mr. Wong is also a director of certain subsidiaries of the Company. He is primarily responsible for formulating the overall corporate strategy of the Group and the management of the Board. Mr. Wong founded the Group in 2001 and has over 15 years of experience in the specialised communication industry. He was an executive director and the chairman of Neolink Cyber Technology (Holding) Limited (優能數碼科技(控股)有限公司) (now known as China Fortune Investments (Holding) Limited (中國幸福投資(控股)有限公司)), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8116), from 1999 to 2001.

In 2004, Mr. Wong was appointed as an adjunct professor of Harbin Institute of Technology Shenzhen Graduate School (哈爾濱工業大學深圳研究生院). From 2005 to 2009, Mr. Wong served as a committee member of electronics and communications specialist working committee of Shenzhen City Specialist Working Association (深圳市專家工作聯合會). In 2009, Mr. Wong was recognized as one of the "2009 Outstanding and Innovation Entrepreneur in China" (2009中國優秀創新企業家). Mr. Wong was nominated as the standing supervisor of the China Users Association for Communications Broadcasting & Television in December 2010. Save as disclosed herein, Mr. Wong did not hold any directorship in any other listed companies in the past three years.

Han Weining (韓衛寧) ("**Mr. Han**"), aged 54, was appointed as an executive Director and chief executive officer of the Company in February 2011 and June 2015 respectively. From 1989 to 2006, Mr. Han worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the director of Asia pacific region. Since 2006, Mr. Han has been an executive director of MOX Group in Australia. He graduated from Zhejiang University (浙江大學) with major in wireless electronic technology and Master Degree in Engineering in 1983 and 1986, respectively. He was elected as a member of the Institution of Engineers in Australia in 1994. Save as disclosed herein, Mr. Han did not hold any directorship in any other listed companies in the past three years.

Independent non-executive Directors

Lam Ying Hung Andy (林英鴻) ("**Mr. Lam**"), aged 51, was appointed as an independent non-executive Director in February 2011. He is the chairman of the audit committee (the "**Audit Committee**") and a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company. Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry. Mr. Lam is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in Ecommerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. Mr. Lam is currently the managing consultant of Lontreprise Consulting Limited, and has been the finance director and administrative accountant in two logistics companies. Mr. Lam is currently an independent non-executive director of Xingfa Aluminum Holdings Limited (Stock Code: 0098) and Brilliant Circle Holdings International Limited (Stock Code: 1008), the shares of which are listed on the Stock Exchange. Mr. Lam was an independent non-executive director of Sino-Life Group Limited (Stock Code: 8296) and Gamma Logistic Corporation (now known as Dafeng Port Heshun Technology Company Limited) (Stock Code: 8310) for the period from 16 February 2009 to 3 October 2012, 22 August 2013 to 12 June 2014 respectively. Save as disclosed herein, Mr. Lam did not hold any directorship in any other listed companies in the past three years.

Wang Chen (王忱) ("**Mr. Wang**"), aged 51, was appointed as an independent non-executive Director in June 2015. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. He holds a Bachelor of Engineering degree in Microwave Communication Engineering from PLA Institute of Communication Engineering (中國人民解放軍通信工程學院) (now known as PLA University of Science and Technology) and a degree of Executive Master of Business Administration (EMBA) from the School of Business, Sun Yat-Sen University (中山大學). From 1986 to 2006, he worked in the Information Technology Department of the People's Liberation Army General Staff. Mr. Wang is the Chairman of Guangzhou SKYI

Information Technology Co., Ltd., a company established in 2006 and engages in development on software of quality assurance and general automated test system, since 2006. Mr. Wang did not hold any directorships in other listed public companies in the past three years.

Li Mingqi (李明綺) (**"Ms. Li**"), aged 49, was appointed as an independent non-executive Director in October 2016. She is the chairperson of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Ms. Li graduated from the Fudan University in Shanghai with a Bachelor's degree in Economics. She has also obtained a Master's degree in Economics from the Southern Methodist University and a Master's degree in Management and Administrative Sciences from the University of Texas. Ms. Li is a Certified Public Accountant in the State of New York, the United States of America. Ms. Li has extensive experience in financial management. She was a senior associate of JP Morgan Chase, associate/portfolio manager of BHF Capital, vice president of Transamerica Business Capital, vice president of Morgan Stanley and hedge fund controller of Mercury Capital Management. She was also an independent non-executive director of Sino Gas International Holdings, Inc., whose shares were previously listed on the Over-The-Counter Bulletin Board in the US, from March 2011 to November 2014. She served as a business consultant of Seekers Advisors H.K. Limited and is currently an independent non-executive director of Neo-Neon Holdings Limited, whose shares are listed on the main board of the Stock Exchange. Save as disclosed above, Ms. Li did not hold any directorships in any other listed public companies in the last three years.

11. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is situated at Room 1012, 10/F Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Tse Kam Fai. Mr. Tse is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. He is also a member of The Hong Kong Institute of Directors.

(e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 1012, 10/F Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekday, except public holidays for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 26 to 42 of this circular;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this circular;

(d) the written consents given by the Independent Financial Adviser, Roma Appraisals Limited and Asian Alliance (HK) CPA Limited as referred to in the paragraph 8 of this appendix;

(e) the valuation report prepared by Roma Appraisals Limited as set out in Appendix VI to this circular;

(f) the accountant's report on the SF Group as set out in Appendix II to this circular;

(g) the accountant's report on the MOX Group as set out in Appendix III to this circular;

(h) the assurance report prepared by Asian Alliance (HK) CPA Limited on the compilation of the unaudited pro forma financial information of the Group as set out in Appendix IV to this circular;

(i) the letter from Asian Alliance (HK) CPA Limited on calculations of discounted future estimated cash flows in connection with the valuation of Sense Field as set out in Appendix VII to this circular;

(j) the letter from the Board in relation to the valuation of the SF Group as set out in Appendix VII to this circular;

(k) the annual reports of the Company for the three years ended 31 March 2014, 2015 and 2016;

(l) the interim report of the Company for the six months ended 30 September 2016;

(m) the material contracts referred to in paragraph 9 of this appendix; and

(n) this circular.

协同通信集團有限公司
SYNERTONE COMMUNICATION CORPORATION
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1613)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Synertone Communication Corporation (the "**Company**") will be held at Suite 1801, 18th Floor, The Chinese Bank Building, 61–65 Des Voeux Road Central, Hong Kong on Monday, 16 January 2017 at 2:00 p.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the conditional sale and purchase agreement dated 29 June 2016, as amended and supplemented by two extension letters dated 23 September 2016 and 12 December 2016 respectively (together, the "**Further Acquisition S&P Agreement**") (a copy of which has been produced at the Meeting and marked "A" and initialed by the chairman of the Meeting for the purpose of identification) entered into between Vastsuccess Holdings Limited (a wholly-owned subsidiary of the Company) (as purchaser) and Ms. Xiong Sylvia Wei, Ms. Hua Shu and Ms. Tse Suet Mei (as vendors) in relation to, inter alia, the further acquisition of 36% equity interest in Sense Field Group Limited at a consideration of HK$130 million be and are hereby approved, confirmed and ratified, as the case may be; and

   (b) any one or more of the directors of the Company (the "**Directors**") be and is/are hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such documents and to take such steps as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Further Acquisition S&P Agreement and the transactions contemplated thereunder."

2. "**THAT** Ms. Li Mingqi be and is hereby re-elected as a Director of the Company and the board of Directors be authorised to fix her remuneration."

By order of the Board
Synertone Communication Corporation
Wong Chit On
Chairman and Executive Director

Hong Kong, 28 December 2016

Notes:

(1) A member entitled to attend and vote at the Meeting is entitled to appoint one or if he is a holder of more than one share of the Company, one or more proxies to attend and vote in his stead in accordance with the articles of association of the Company. A proxy need not be a member of the Company, but must be present to represent the member.

(2) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.

(3) Completion and delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) Where there are joint holders of shares of the Company, any one of such persons may vote at the Meeting (or any adjournment thereof), either personally or by proxy, in respect of such share as if he is solely entitled thereto; but if more than one of such joint holders present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share will alone be entitled to vote in respect thereof.

(5) The proposed resolutions set out above will be determined by way of poll.

(6) As at the date of this notice, the board of Directors consists of five Directors, namely Mr. Wong Chit On and Mr. Han Weining as executive Directors; and Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi as independent non-executive Directors.