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

GLOBAL OFFERING

Sole Sponsor

英皇融資有限公司
Emperor Capital Limited

Sole Global Coordinator, Joint Bookrunner and Sole Lead Manager

英皇證券(香港)有限公司
Emperor Securities Limited

Joint Bookrunner and Co-Lead Manager

第一上海
First Shanghai Group
First Shanghai Securities Limited
第一上海證券有限公司

IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

SYNERTONE COMMUNICATION CORPORATION
協同通信集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	**300,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**30,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**270,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	:	**Not more than HK$0.60 per Offer Share and expected to be not less than HK$0.30 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**1613**

Sole Sponsor

英皇融資有限公司
Emperor Capital Limited

Sole Global Coordinator, Joint Bookrunner and Sole Lead Manager

英皇證券(香港)有限公司
Emperor Securities Limited

Joint Bookrunner and Co-Lead Manager

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI SECURITIES LIMITED
第一上海證券有限公司

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 12 April 2012 and, in any event, not later than Friday, 13 April 2012. The Offer Price will be not more than HK$0.60 per Offer Share and is currently expected to be not less than HK$0.30 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$0.60 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK$0.60.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range stated in this prospectus (which is HK$0.30 to HK$0.60 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and Hong Kong Daily News (in Chinese) and on the Company's website at *www.synertone.net* and the Stock Exchange's website at *www.hkexnews.hk* not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares and/or the Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further information is set forth in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares". If, for any reason, the Offer Price is not agreed among the Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" of this prospectus. It is important that you refer to that section for further details.

30 March 2012

	Date
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website at *www.hkeipo.hk*[3]	11:30 a.m. on Wednesday, 11 April 2012
Application lists open[2]	11:45 a.m. on Wednesday, 11 April 2012
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 11 April 2012
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfers or PPS payment transfers	12:00 noon on Wednesday, 11 April 2012
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 11 April 2012
Application lists close[2]	12:00 noon on Wednesday, 11 April 2012
Expected Price Determination Date[5]	Thursday, 12 April 2012
Announcement of (i) the Offer Price; (ii) the indication of the level of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; (iv) the basis of allotment of Hong Kong Offer Shares under the Hong Kong Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published in The Standard (in English) and Hong Kong Daily News (in Chinese) and on the Stock Exchange's website at *www.hkexnews.hk* and the Company's website at *www.synertone.net* on or before	Tuesday, 17 April 2012
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification documents numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — VIII. Publication of results and despatch/collection of share certificates, refund cheques and e-Auto Refund Payment Instructions" in this prospectus on	Tuesday, 17 April 2012

Results of allocations in Hong Kong Public Offer will be available at *www.tricor.com.hk/ipo/result* with a "Search by ID" function	Tuesday, 17 April 2012
Despatch of share certificates and refund cheques in respect of wholly or partially successful applications and despatch of refund cheques and **HK eIPO White Form** e-Auto Refund Payment Instructions in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before [6] [7] [8] [9]	Tuesday, 17 April 2012
Despatch of share certificates or deposit of share certificates into CCASS and refund cheques in respect of wholly or partially successful applications on or before [6] [7] [8] [9]	Tuesday, 17 April 2012
Dealings in Offer Shares on the Stock Exchange to commence at 9:00 a.m. on	Wednesday, 18 April 2012

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight (8) or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 11 April 2012, the application lists will not open or close on that day. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(3) Applicants will not be permitted to submit their application through the designated website *www.hkeipo.hk* after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted their application and obtained an application reference number from the designated website prior to 11:30 a.m., applicants will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. Applicants who apply for Hong Kong Offer Shares by completing **HK eIPO White Form** should refer to the section headed "How to Apply for the Hong Kong Offer Shares — II. Applying by using an Application Form — (c) Apply through the designated **HK eIPO White Form** service" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — IV. Applying by giving electronic application instructions to HKSCC" in this prospectus.

(5) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, 12 April 2012 and, in any event, not later than Friday, 13 April 2012. If, for any reason, the Offer Price is not agreed among the Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum offer price of HK$0.60 per Share, applicants must pay the maximum offer price of HK$0.60 per Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

(6) Share certificates for the Offer Shares are expected to be issued on Tuesday, 17 April 2012 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 18 April 2012 provided that (i) the Hong Kong Public Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, the Group will make an announcement as soon as possible.

(7) Refund cheques and e-Auto Refund Payment Instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the applicant is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Bank may require verification of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

(8) Applicants who have applied on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their application forms that they wish to collect any refund cheques and share certificates in person from the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, may do so between 9:00 a.m. to 1:00 p.m. on Tuesday, 17 April 2012. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant's stock account or CCASS Investor Participant's stock account, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

(9) Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares — VIII. Publication of results and despatch/collection of share certificates, refund cheques and e-Auto Refund Payment Instructions" in this prospectus.

You should read carefully the sections headed "Underwriting", "How to Apply for the Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for the Hong Kong Offer Shares, the expected timetable, the effects of bad weather and the dispatch of share certificates and the refund of application monies.

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares.

This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other parties involved in the Global Offering.

TABLE OF CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is only a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

The Group is a provider of core components of specialised communication system. The Group has designed and developed its products relating to digital trunking and satellite communication systems through research and development and acquisition of relevant intellectual property rights and technology know-how from third parties. The Group also provides specialised communication network design and implementation that can be customarily devised according to the specific needs of client. The Group also sells, licenses or is commissioned to research and develop systems technologies for the operation of the specialised communication system; and sells and/or sources other accessory parts and components. During the Track Record Period, the products of the Group are mainly utilized by end-users for public safety and emergency communication purposes. For example, users are able to remotely monitor and co-ordinate emergency rescue exercises or remotely monitor the operation of and location of vehicles through the use of the Group's products.

Products of the Group are mostly sold under the brand name of "SYNERTONE". The Group sells its products through three channels, namely (i) sale to system integrators; (ii) sales to distributors; and (iii) sale to its direct customers, who are mainly end-users. Majority of the Group's products were sold to system integrators and distributors with whom the Group has maintained approximately one to nine years and five years of business relationship, respectively.

The customers or end-users of the Group's products and solutions are mainly governmental bodies and business enterprises. During the Track Record Period, products of the Group were sold and used in different areas of the PRC covering 13 provinces, three municipalities and one autonomous region. Apart from providing core components, the Group can also provide network design, network construction, installation and testing, maintenance and technical support to the customers. The products of the Group can be utilized and set up to form the following three systems:

1. Digital trunking system: it involves composition of core components to form a communication network over a designated area. CITONE and WITONE digital trunking mobile communication systems were the major systems formed by the Group's products. It was mainly demanded by governmental bodies and business enterprises for emergency communication needs, and for distance surveillance communication. The Group procures raw materials for manufacture of such core components from suppliers in the PRC.

2. VSAT satellite system: it mainly comprises of terrestrial satellite antenna, receiver and transmitter. It was mainly demanded by governmental bodies and business enterprises for traffic management, surveillance on location and operation of vehicles and ships and communication for public safety. The Group procures certain core components from international suppliers including the Block Up-converter Supplier, the US Satellite Antenna Supplier and the Israel Satellite Antenna Provider.

3. Operation integrated system: it mainly consists of refitted vehicle installed with digital trunking system and VSAT satellite system which enables communication in remote areas and emergency situation. It was mainly demanded by governmental bodies for communication for public security and emergency communication during natural disasters and large scale national events. The Group sub-contracts the vehicle refitting to external sub-contractors.

Below are tables setting out the segment turnover, turnover by sales channels and business segment gross profit margin and overall gross profit margin, relating to the products of the Group, including core components of digital trunking system and VSAT satellite system, operation integrated system, systems technologies and other accessory parts and components.

Segment turnover of the Group

	For the year ended 31 March						For the seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*
							(unaudited)			
Digital trunking system	94,907	58.7	104,654	48.8	174,503	79.7	92,236	79.4	87,575	85.5
VSAT satellite system	48,008	29.7	100,139	46.7	38,329	17.5	18,174	15.6	13,796	13.5
Operation integrated system	9,977	6.2	1,933	0.9	—	—	—	—	—	—
Systems technologies	8,646	5.4	7,346	3.4	5,818	2.7	5,750	4.9	—	—
Other accessory parts and components	20	—	375	0.2	174	0.1	37	0.1	1,000	1.0
	161,558	100.0	214,447	100.0	218,824	100.0	116,197	100.0	102,371	100.0

Turnover by sales channels

	For the year ended 31 March						For the seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*
							(unaudited)			
Sales to system integrators	118,861	73.6	175,194	81.7	141,720	64.8	79,030	68.0	63,066	61.6
Sales to distributors	20,230	12.5	19,339	9.0	16,000	7.3	1,250	1.1	6,432	6.3
Direct sales	22,467	13.9	19,914	9.3	61,104	27.9	35,917	30.9	32,873	32.1
Total	161,558	100.0	214,447	100.0	218,824	100.0	116,197	100.0	102,371	100.0

Business segment gross profit margin and overall gross profit margin

	For the year ended 31 March			For the seven months ended 31 October	
	2009	2010	2011	2010	2011
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
				(Unaudited)	
Digital trunking system	68.7	67.0	71.8	75.8	64.0
VSAT satellite system	49.9	50.4	33.4	31.4	24.1
Operation integrated system	42.7	35.0	—	—	—
Systems technologies(1)	N/A	N/A	N/A	N/A	N/A
Other accessory parts and components(2)	N/A	N/A	N/A	N/A	N/A
Overall	62.0	59.2	65.4	69.3	58.9

Notes:

(1) Cost of sales for the systems technologies mainly represented the research and development costs incurred and recognised during the Track Record Period, and mainly allocated to the research and development costs, thus no gross profit margin was determined.

(2) Turnover generated from other accessory parts and components represented less than 1% of the total turnover of the Group and trading of these products contributed immaterial gross profit to the Group. Thus, gross profit margin was considered immaterial.

The gross profit margin for the digital trunking system has slightly decreased from approximately 68.7% for the year ended 31 March 2009 to 67.0% for the year ended 31 March 2010 due to the slight increase in costs for raw materials and labour; and increased to approximately 71.8% for the year ended 31 March 2011 mainly due to the (i) increase in selling price of core components for the digital trunking system, (ii) commencement of the sales of core components for the DITONE digital trunking mobile communication system which has a higher profit margin and (iii) the economies of scale enjoyed by the Group for the sales of core components for the digital trunking system in 2011. The gross profit margin for the digital trunking system decreased from approximately 75.8% for the seven months ended 31 October 2010 to 64.0% for the seven months ended 31 October 2011 as no sales of core components for the DITONE digital trunking mobile communication system was recorded in the seven months ended 31 October 2011.

The gross profit margin for the VSAT satellite system remained constant at approximately 49.9% for the year ended 31 March 2009 and approximately 50.4% for the year ended 31 March 2010 and decreased to approximately 33.4% for the year ended 31 March 2011 due to no sales in 2011 for the core components for the VSAT low speed satellite transmission system which has a higher gross profit margin and all of the sales was from core components for the VSAT high speed dynamic digital satellite system which had a lower profit margin. The gross profit margin for the VSAT satellite system further decreased to approximately 24.1% for the seven months ended 31 October 2011 mainly due to lowering of selling price as a result of competition in the satellite market.

The Group commenced the sales of the operation integrated system in 2009. The gross profit margin of the operation integrated system has decreased from approximately 42.7% for the year ended 31 March 2009 to 35.0% for the year ended 31 March 2010 mainly due to the increase in vehicle installation costs involved. There was no sales of operation integrated system for the year ended 31 March 2011 and the seven months ended 31 October 2011.

The overall gross profit margin decreased from approximately 62.0% for the year ended 31 March 2009 to approximately 59.2% for the year ended 31 March 2010 mainly due to increase in sales of core components for the VSAT satellite system which has a lower gross profit margin. The increase of the overall gross profit margin to approximately 65.4% for the year ended 31 March 2011 is mainly due to the increase in gross profit margin of core components for the digital trunking system, and also the decrease in sales of core components for the VSAT satellite system which has a lower profit margin than digital trunking system. The overall gross profit margin decreased from approximately 69.3% for the seven months ended 31 October 2010 to approximately 58.9% for the seven months ended 31 October 2011, mainly attributable to the decrease in the gross profit margin of both core components for the digital trunking system and the VSAT satellite system as explained above.

Credit policy and trade receivables

The Group has laid down, in principle, the maximum contractual credit period to be offered to each type of customers (comprising system integrators, distributors and direct customers). Each sales representative, when negotiating payment terms with each type of customers, is required to ensure that the credit period to be agreed shall not exceed the maximum contractual credit period applicable to such type of customers and is encouraged to negotiate and agree on a shorter credit period than the applicable maximum contractual credit period, so as to minimize the credit risk exposed to the Group.

The following table sets forth the maximum contractual credit period applicable to each type of customers and the basis of determination:-

Type of Customers	Applicable Maximum Contractual Credit Period	Basis
System integrators	180 days	• Long term business relationship • Proven credit history • Reputable background
	90 days	• Not frequently transacts with the Group
Distributors	180 days	• Reputable background • Sizeable enterprises
	120 days	• Any other distributors
Direct customers	90 days	• Governmental bodies or enterprises with government related background
	60 days[1]	• Large scale enterprises with reputable background

Note:

(1) The Group may allow a credit period of longer than 60 days for direct customers who have reputable background and the transactional amounts are relatively large.

During the contract negotiation process, in addition to meeting the requirements that the credit period to be agreed shall not exceed the applicable maximum contractual credit period, each sales representative is required to determine the actual contractual credit period, on a case by case basis, with reference to, among other things, each customer's business nature, reputation, financial background, credit history, on-going relationship, product type and corporate background. During the Track Record Period, except for the retention money which will only be payable upon expiry of warranty period, actual contractual credit periods ranging from five days to 180 days were agreed with system integrators, distributors and direct customers. Generally, longer contractual credit periods were agreed with customers that required the setting-up and testing for integration of the core components of the specialised communication system while shorter contractual credit periods were agreed with new customers or with customers who were willing to accept short credit periods to minimize credit risk exposed to the Group.

An extension beyond the contractual credit period would be granted by the Group to certain customers upon consideration of factors such as the maximum contractual credit period already granted, their length of business relationship with the Group, frequency of transactions with the Group, potential to develop stable business relationship, whether their technical expertise is valuable to the Group's development, or whether they are governmental bodies or has government-related background. Trade receivables past due (i.e. outstanding beyond the contractual credit period) but not impaired accounted for approximately 9.1%, 42.3%, 12.1% and 7.0% of the total trade receivables outstanding as at the end of each reporting period. Extension of credit period was required by the Group's customers during the Track Record Period due to reasons including: (i) such customers experienced delay in receiving final payment of project fee from their respective end customers as (a) the setting-up projects of their respective end customers had not been completed; or (b) the end customers had not completed the final testing; or (ii) such customers or the end customers were subject to strictly regulated governmental annual budgeting process and payment approval procedures, which prolonged the settlement time of such customers.

The following table sets forth the maximum extension of credit period granted by the Group to each type of customers in relation to sales contracts entered into during the Track Record Period:

Type of Customers	Maximum Extension of Credit Period
System integrators	24 months
Distributors	7 months
Direct customers	27 months

With respect to the overdue trade receivables, the Group had implemented the following measures to facilitate the collection of payment from the customers during the Track Record Period:

- designated staff of the marketing and sales department to follow up with and collect overdue trade receivables and enhanced communications with customers with overdue trade receivables by regular phone calls to expedite payment;
- issued overdue payment warnings to customers with overdue trade receivables;
- if the delay in payment was due to delayed completion of system set up or testing, engaged in discussion with such customers to verify project progress;
- discussed with customers for revised payment schedule and entered into repayment plans with customers with overdue trade receivables. As advised by the PRC Legal Advisers, the repayment plans are legally binding under the PRC laws and regulations; and
- monitored repayment progress of customers who entered into repayment plans to expedite repayment.

As at 31 October 2011, no special allowances for doubtful debts for the three years ended 31 March 2011 and the seven months ended 31 October 2011 were recognized. The Group does not hold any collateral over these balances.

The following table sets forth the turnover days of the Group's trade receivables for the Track Record Period:

	For the year ended 31 March			For the seven months ended 31 October
	2009	2010	2011	2011
Trade receivables turnover days	174	274	294	255

The increase in trade receivables turnover days from 174 days to 294 days from the year ended 31 March 2009 to the year ended 31 March 2011 was mainly due to the increase in turnover and that the majority of the balances of trade receivables were due from system integrators. The end customers of the system integrators were subject to strictly regulated governmental annual budgeting process and payment approval procedures. This slowed down the settlement by the system integrators of the amounts due to the Group. The decrease in trade receivables turnover days from 294 days to 255 days from the year ended 31 March 2011 to the seven months ended 31 October 2011 was mainly due to the improved credit control of the Group. Since there have been no disputes over the balances due from the system integrators whose customers are, to the best knowledge of the Directors, government organizations, the Directors considered such balances fully recoverable.

The table below sets forth the number of customers who placed purchase orders with the Group for the respective reporting periods, the number of customers having their credit periods extended as at the end of each reporting period and the turnover of the Group contributed by such customers during the Track Record Period:

	For the year ended 31 March			For the seven months ended 31 October
	2009	**2010**	**2011**	**2011**
No. of customers	19	25	32	20

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
No. of customers whose credit periods were extended[(1)]	2	4	8	8

	For the year ended 31 March						For seven months ended 31 October	
	2009		**2010**		**2011**		**2011**	
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*
Total turnover contributed by customers with extended credit period as at the end of each reporting period	104,990	65.0	116,534	58.4	96,511	44.1	44,348	43.3

Note:

(1) Number of customers whose credit periods were extended were counted based on the number of customers who had overdue trade receivables as at the end of each reporting period.

As at 31 March 2009, 2010 and 2011 and 31 October 2011, two, four, eight and eight customers had credit periods extended, ranging from five months to 27 months.

No trade receivables of the Group as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively were individually determined to be impaired. The following table sets forth the settlement of the trade receivables that are neither individually nor collectively considered to be impaired:

	As at 31 March 2009	**Settlement as at the Latest Practicable Date**	**As at 31 March 2010**	**Settlement as at the Latest Practicable Date**	**As at 31 March 2011**	**Settlement as at the Latest Practicable Date**	**As at 31 October 2011**	**Settlement as at the Latest Practicable Date**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Trade receivables neither past due nor impaired	91,283	100	128,006	100	114,772	99.5	106,944	28.7
Trade receivables past due but not impaired	9,107	100	93,724	100	15,728	94.9	8,081	82.4
Total trade receivables	**100,390**	**100**	**221,730**	**100**	**130,500**	**99.0**	**115,025**	**32.5**

Based on the payment history of the customers during the Track Record Period and the subsequent settlement of the overdue trade receivables as at 31 October 2011, the Sole Sponsor considers that the abovementioned measures adopted are effective to facilitate the collection of overdue payments from the customers of the Group.

To enhance the Group's credit policy and the collection of trade receivables, the Group has revised and updated its credit policy measures and established internal control procedures in trade receivables collection, details of which are set out in the paragraphs headed "Credit Policy" in the section headed "Business" in this prospectus.

Research and development

The Group places a strong emphasis on research and development. As at the Latest Practicable Date, the Group's research and development department had 171 staff, of whom 159 received tertiary education. The research centres of the Group are located in Shenzhen and Nanjing, the PRC. The Group has developed its own standard of specialised communication system including the CITONE and WITONE digital trunking mobile communication systems. During the Track Record Period, the Group focused its research on systems technologies for the operations of the specialised communication system and technologies employed in the core components. In order to strengthen its research and development capability, the Group has collaborated with various reputable institutes in the PRC and overseas for the research and development of core components for specialised communication system. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, research and development expenses incurred by the Group were approximately HK$9.9 million, HK$10.7 million, HK$17.0 million and HK$9.3 million, respectively, representing approximately 6.2%, 5.0%, 7.9% and 9.1% of the Group's turnover during the relevant periods, respectively. No research and development costs had been capitalized during the Track Record Period as such expenditures incurred did not qualify for capitalisation as intangible assets mainly because (i) a portion of such cost was expensed off as it was incurred in the formulation and design for improvement on the existing products of the Group; and (ii) another portion of such cost was expenditures for developing products which were in the development stage, and required further research and development activities to be carried out before they can become recognized products for market establishment.

The Group has developed its own satellite antenna for the VSAT satellite system with reference to the technologies of the Co-developed Satellite Antenna. The Israel Satellite Antenna Provider agreed that the Group is entitled to reproduce, modify and enhance, without restrictions, any software, know-how and technologies of the Co-developed Satellite Antenna and to sell or utilize such reproduced, modified and/or enhanced software and technologies of the Co-developed Satellite Antenna with any antenna manufactured by the Group. The self-developed satellite antenna is expected to be of better performance and of lower unit cost than the satellite antenna sourced from suppliers. With lower production cost, it is expected that the average selling price of the VSAT satellite system will be able to be reduced. Based on the above, the Directors believe that if the Group is able to produce its self-developed satellite antenna for VSAT satellite system, it will lower the production costs and thus increase the profit margin of the VSAT satellite system. With a view to launch the self-developed satellite antenna to the market, the Group plans to invest part of the net proceeds from the Global Offering of approximately HK$23.6 million for the development of the self-developed satellite antenna. The testing of the self-developed satellite antenna was completed and the Group had commenced trial sales to its customer. It is anticipated that the self-developed satellite antenna will be officially marketed to the customers of the Group in the first half of 2012. As at the Latest Practicable Date, the Group had not applied for registration of intellectual property rights for the technologies of the self-developed satellite antenna as the Group does not wish to make the specifications of such self-developed antenna available on public records and searches.

Recent Market Developments

The sales of core components for the digital trunking system contributed a major part of the turnover of the Group during the Track Record Period. The Directors expect the sales of such components will maintain a steady growth and continue to be a significant contribution to the Group's turnover. As at the Latest Practicable Date, sales contracts of approximately HK$96.1 million for core components for the digital trunking system were confirmed to be completed by 31 March 2012. Due to increased competition in the sales of satellite system, the pricing of core components for the VSAT satellite system and operation integrated system are lowered, and with the sales of VSAT satellite system decreasing, and the Group thus decided to focus on the development of its self-developed satellite antenna to reduce reliance on procurement of satellite antenna from suppliers. As at the Latest Practicable Date, sales contracts for VSAT satellite system of approximately HK$11.2 million were confirmed to be completed by 31 March 2012. It is expected that the launch of the self-developed satellite antenna will increase the Group's sales and form another increasing contribution to the turnover. The Directors expect the gross profit to increase as a result of the sales of the self-developed satellite antenna.

The Group has no sales derived from the operation integrated system since April 2010 and systems technologies since April 2011 attributable to a number of factors including (1) adjustment of sales strategy taking into account of the decreasing profit margin of operation integrated system; and (2) nature of the sales of systems technologies which depend largely on irregular demand of research requests from customers where such demand did not arise during the respective period. The Directors expect the sales of the operation integrated system and systems technologies will continue to be affected by such factors.

The sales of core components for the VSAT satellite system continued to decrease after the Track Record Period and no sales have been recorded for the operation integrated system and systems technologies after the Track Record Period. Due to the delay in the PRC governmental authority granting the Value-added Tax refund approval, only approximately HK$834,000 of Value-added Tax refund has been recognized as other revenue after the Track Record Period and up to the Latest Practicable Date. Listing expenses of approximately HK$7.3 million will be allocated and charged to the profit and loss account of the Group during the year ending 31 March 2012. Taking into account of the above reasons, the Directors consider that the profit for the year ending 31 March 2012 may be affected.

The Directors confirm that, save as disclosed, there has been no material adverse change in the financial or trading position since 31 October 2011 and up to the date of this prospectus.

COMPETITIVE STRENGTHS

The Directors consider that the Group is an integrated service provider of core components of specialised communication system. It provides customerised network design and implementation by combining the technologies of the digital trunking system, VSAT satellite system and operation integrated system. The Group provides customers with the convenience of obtaining at the same time core components comprising specialised communication system as well as a range of services including specialised communication network design and implementation, installation and testing, maintenance and technical support.

The Directors believe that the Group has strong research and development capabilities. The two operating PRC subsidiaries of the Company have been accredited as "Advanced Technology Enterprise" in the PRC. As at the Latest Practicable Date, the Group registered four patents, and held 65 softwares registration certificates from Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC. The Group submitted another two patent applications in China. The Group has developed its own standard of specialised communication system including the CITONE and WITONE digital trunking mobile communication systems.

Please refer to the paragraphs headed "Competitive Strengths" in the section headed "Business" in this prospectus for other competitive strengths of the Group.

BUSINESS STRATEGIES

The Group intends to continue and expand its sales network and market share in the industry by deepening and capitalizing its business relationship with the existing system integrators and distributors. The Director believes such system integrators and distributors have strong customer network and experience in the industry. The Group also aims to explore and engage new system integrators and distributors to further expand its sales network.

In addition, the Group intends to continue to strengthen its research and development capabilities to keep abreast of the demands of customers on the functions of specialised communication system, to lower the production costs and to improve product designs and quality of its products. The Group will also explore the applicability of technology in relation to the existing patents of the Group.

Please refer to the paragraph headed "Business Strategies" in the section headed "Business" in this prospectus for other business strategies of the Group.

SELECTED ITEMS OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Turnover	161,558	214,447	218,824	116,197	102,371
Gross profit	100,206	126,997	143,081	80,577	60,327
Profit from operations	45,891	86,844	99,508	63,019	31,041
Profit before taxation	45,454	86,025	98,130	62,154	30,075
Profit for the year/period	32,509	68,143	72,853	48,737	19,472
Profit for the year/period attributable to:					
Owners of the Company	32,509	68,143	72,853	48,737	19,472
Non-controlling interests	—	—	—	—	—
Total comprehensive income for the year/period	33,747	69,286	78,530	51,022	25,020
Total comprehensive income attributable to:					
Owners of the Company	33,747	69,286	78,530	51,022	25,020
Non-controlling interests	—	—	—	—	—

DIVIDENDS

For each of the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the Group declared dividends of HK$52 million, HK$63 million, nil and nil to the Group's then Shareholders prior to the Listing, respectively. Subsequent to 31 October 2011, the Group declared a dividend of HK$27 million for the year ending 31 March 2012. As at the Latest Practicable Date, all the dividends payable to the Shareholders had been fully settled.

The Group currently does not have any specified dividend policy for its past and future distributable profits. Withholding tax at the rate of 10% will be applicable to any dividends paid to the Company by its PRC subsidiaries, unless they are entitled to reduction or elimination of such tax under tax treaties. The declaration, payment and the amount of any future dividends will be subject to the discretion of the Directors and depend on the results of the Group, cash flows and financial condition and position, operating and capital requirements and other factors as the Group may deem relevant at such time. Details are set out in the sub-section headed "Dividends" in the section headed "Financial Information" of this prospectus. Please also refer to the section headed "Risk Factors" of this prospectus for the risks associated with dividend.

FUTURE PLANS AND USE OF PROCEEDS

The Group estimates that the net proceeds from the Global Offering (after deducting the underwriting fees and estimated expenses payable by the Company in connection with the Global Offering, and assuming an Offer Price of HK$0.45 per Share (being the mid-point of the stated Offer Price range of HK$0.30 to HK$0.60 per Share), will be approximately HK$120.6 million, assuming the Over-allotment Option is not exercised.

Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details and the table below sets forth brief details of the intended use of net proceeds:

	%	*HK$ (million)*
Research and development of the trunking system application solution, specialised integrated circuits and satellite products	60	72.4
Marketing and promotion activities for corporate image, overseas market and sales network, participation in exhibition and development of sales network	10	12.1
Capacity expansion including relocation of production base, and purchase and installation of machinery and equipment manufacture	20	24.0
Sub-total	**90**	**108.5**
Working capital	10	12.1
Total	**100**	**120.6**

In the event the Offer Price is set at the low end of the proposed Offer Price range, being HK$0.30 per Offer Share, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will decrease to approximately HK$76.7 million. In the event the Offer Price is set at the high end of the proposed Offer Price range, being HK$0.60 per Offer Share, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will increase to approximately HK$164.5 million. In such events, the Directors will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

In the event that the Over-allotment Option is exercised, the additional net proceeds of about HK$19.7 million (assuming that the Offer Price is determined at the mid-point of the stated Offer Price range) will be applied by the Company in the same proportions as set out above. To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Group presently intends that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price per Share of HK$0.30	**Based on an Offer Price per Share of HK$0.60**
Market capitalisation of the Shares(1)	HK$360 million	HK$720 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$0.193	HK$0.266

Notes:

(1) The calculation of market capitalisation is based on the respective Offer Price of HK$0.30 per Share and HK$0.60 per Share and 1,200,000,000 Shares expected to be in issue following the completion of the Global Offering, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after making the adjustments set forth in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of a total of 1,200,000,000 Shares expected to be in issue following the completion of the Global Offering, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

RISK FACTORS

There are risks associated with any investment. Some of the risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. Prospective investors should read the entire section carefully before deciding to invest in the Offer Shares.

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

"Affiliate(s)"	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
"ACU Provider"	a limited liability company incorporated in the US which provided antenna control units to the Group and to the best knowledge of the Directors, an Independent Third Party, with which the Group has agreement during the Track Record Period, details of which are set out in the paragraph headed "Collaborations with key market players" of section headed "Business" of this prospectus
"APAC"	Asia and Pacific region including, for the purpose of this prospectus, Hong Kong, Macau, Vietnam, Laos, Cambodia, Thailand, Malaysia, The Philippines, Indonesia and Pakistan
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or where the context so to the best knowledge of the Directors, requires, any of them, relating to the Hong Kong Public Offer
"Articles" or "Articles of Association"	the articles of association of the Company, adopted on 22 March 2012, a summary of certain provisions of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
"Block Up-converter Supplier"	a US supplier which provides block up-converters and to the best knowledge of the Directors, an Independent Third Party, with which the Group has signed agreement, details of which are set out in the paragraph headed "Collaborations with key market players" of section headed "Business" of this prospectus
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCID"	CCID Consulting Company Limited, a company which is principally engaged in the provision of market research and management consultancy services, provision of data information management services, public relationship consultancy services, information supervision services and training service, an Independent Third Party
"chief executive"	the chief executive (as defined in the SFO) of the Company
"Co-developed Satellite Antenna"	the satellite antenna co-developed by the Group and the Israel Satellite Antenna Provider pursuant to the Framework Development Agreement, details of which are set out in the section headed "Business — Research and Development — Joint research and development — Technology and development collaboration with the Israel Satellite Antenna Provider" of this prospectus
"Companies Law"	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Commercial and Technical Agreement"	an agreement in relation to the procurement of Co-developed Satellite Antenna and the related software, know-how and technologies entered into between the Group and the Israel Satellite Antenna Provider dated 15 August 2011 and as amended by further supplemental agreement dated 21 November 2011
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Synertone Communication Corporation (協同通信集團有限公司), a company incorporated in the Cayman Islands with limited liability on 11 October 2006
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the case of the Company, means Mr. Wong Chit On and Excel Time
"Convertible Notes"	the convertible notes issued by Excel Time in the principal amount of HK$90,000,000 convertible into 180,000,000 Shares
"Deed of Indemnity"	the deed of indemnity dated 25 March 2012 and entered into between the Controlling Shareholders and the Company, details of which are set forth in the paragraph under "Other Information — Estate duty and tax indemnity" in Appendix V to this prospectus
"Director(s)"	the director(s) of the Company
"Emperor Capital" or "Sole Sponsor"	Emperor Capital Limited, a company incorporated in Hong Kong holding a licence to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Encouraging Policies"	certain policies on Encouraging the Development of Software Industry and Integrated Circuit Industries (鼓勵軟件產業和集成電路產業發展的若干政策) promulgated by the PRC government authorities
"Enterprise Income Tax" or "EIT"	the enterprise income tax of the PRC
"Excel Time"	Excel Time Investments Limited, a company incorporated in the BVI on 8 October 2001 with its issued share capital wholly-owned by Mr. Wong Chit On, a Controlling Shareholder
"Framework Development Agreement"	the framework development agreement entered into between the Group and the Israel Satellite Antenna Provider dated 25 November 2009
"Global Offering"	the Hong Kong Public Offer and the International Placing
"GREEN application form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by the Company
"Group", "we" and "us"	the Company and its subsidiaries, or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company and the business operated by such subsidiaries

"HK eIPO White Form"	application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at *www.hkeipo.hk*
"HK eIPO White Form Service Provider"	the **HK eIPO White Form** service provider designated by the Company, as specified on the designated website *www.hkeipo.hk*
"HK$", "HK dollar(s)" and "HK cent(s)"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Legal Advisers"	Alvan Liu & Partners, the legal advisers to the Company as to Hong Kong laws
"Hong Kong Offer Shares"	the 30,000,000 new Shares being initially offered for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares, subject to adjustment as described in the section headed "Structure of the Global Offering" of this prospectus
"Hong Kong Public Offer"	the conditional offer of the Hong Kong Offer Shares for subscription by the members of the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" of this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer listed in the section "Underwriting — Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 29 March 2012 entered into between, among others, the Company and the Hong Kong Underwriters relating to the Hong Kong Public Offer, particulars of which are summarised in the section headed "Underwriting" of this prospectus

"Independent Third Parties"	persons or companies which are independent of and not connected with any of the Directors, chief executive of the Company, the Controlling Shareholders, the Substantial Shareholders and the directors and shareholders of any other member of the Group or any of its subsidiaries and their respective associates, and "Independent Third Party" means any of them
"International Placing"	the conditional placing of the International Placing Shares at the Offer Price to professional, institutional and other private investors as set out under the section headed "Structure of the Global Offering" of this prospectus
"International Placing Shares"	the 270,000,000 new Shares being initially offered for subscription pursuant to the International Placing, representing 90% of the initial number of the Offer Shares, subject to adjustment and the Over-allotment Option as described in the section headed "Structure of the Global Offering" of this prospectus
"International Underwriters"	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the conditional international placing underwriting agreement relating to the International Placing and expected to be entered into by, among others, the Company and the International Underwriters on or about the Price Determination Date, particulars of which are summarised in the section headed "Underwriting" of this prospectus
"Israel Satellite Antenna Provider"	a limited liability company incorporated in the State of Israel and to the best knowledge of the Directors, an Independent Third Party, with which the Group has signed agreements, details of which are set out in the paragraph headed "Collaborations with key market players" of section headed "Business" of this prospectus
"Issuing Mandate"	the general unconditional mandate granted to the Directors by the Shareholders relating to the issue of new Shares, particulars of which are set forth in the paragraph headed "Written resolutions passed by all Shareholders on 22 March 2012" in Appendix V to this prospectus
"Latest Practicable Date"	26 March 2012, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to the printing of this prospectus

"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date on which dealings of the Shares on the Main Board first commence, which is currently expected to be on 18 April 2012
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Mr. Wong Chit On"	Mr. Wong Chit On (王浙安), formerly known as Wang Gang Jun (王鋼軍), the chairman, chief executive officer and the executive Director of the Group
"Ms. Ni"	Ms. Ni Yun Zi (倪蘊姿), formerly known as Ni Xiaochen (倪曉晨), the executive Director and the spouse of Mr. Wong Chit On
"Main Board"	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association"	the memorandum of association of the Company
"Offer Price"	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003%, and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure of the Global Offering — Pricing and allocation" of this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by the Company to the Sole Global Coordinator (for itself and on behalf of the International Underwriters), in the event that the final Offer Price is agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company at HK$0.34 or above, exercisable at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require the Company to allot and issue up to an aggregate of 45,000,000 additional new Shares representing 15% of the initial Offer Shares, at the Offer Price per Share to cover, among other things, over-allocations in the International Placing, if any

"PRC" or "China"	the People's Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisers"	Alpha Law Firm, the legal advisers to the Company as to the PRC laws
"Price Determination Agreement"	the agreement expected to be entered into between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to fix the Offer Price
"Price Determination Date"	the date, expected to be on or about 12 April 2012 (or such later date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company), on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than 13 April 2012
"Radio World"	Radio World Holding Limited (formerly known as Radio Shack Holdings Limited), a company incorporated in the BVI on 18 August 1999, an indirect wholly-owned subsidiary of the Company
"Reorganisation"	the corporate reorganisation of the Group in preparation for the Listing, particulars of which are set out in the paragraph headed "Reorganisation" under section headed "History and Development and Reorganisation" of this prospectus
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares granted to the Directors by the Shareholders, particulars of which are set forth in the paragraph headed "Written resolutions passed by all Shareholders on 22 March 2012" in Appendix V to this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SCL"	Synertone Communication Limited (協同通信有限公司), a company incorporated in Hong Kong on 21 November 2001, an indirect wholly-owned subsidiary of the Company
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 22 March 2012, a summary of the principal terms of which is set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Sole Global Coordinator"	Emperor Securities Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
"sq. m."	square metre(s)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Excel Time and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 45,000,000 Shares from Excel Time for the purpose of covering over-allocation in the International Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under section 2 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Synertone Group"	Synertone Group Holdings Limited (協同集團有限公司), a company incorporated in Hong Kong with limited liability on 12 December 2001, a wholly-owned subsidiary of the Company
"Synertone Smartend"	協同智迅通信技術(深圳)有限公司 (Synertone Smartend Communication Technology (Shenzhen) Company Limited), a wholly-foreign owned enterprise established in the PRC on 6 February 2002, an indirect wholly-owned subsidiary of the Company
"Synertone Soontend"	協同迅達電子科技(深圳)有限公司 (Synertone Soontend Electronic (Shenzhen) Company Limited), a wholly-foreign owned enterprise established in the PRC on 5 February 2002, an indirect wholly-owned subsidiary of the Company

"Synertone Telecom"	協同信聯通信技術(深圳)有限公司 (Synertone Telecom Technology (Shenzhen) Limited), a foreign invested limited liability company (invested by legal person of Hong Kong, Taiwan and Macau Special Administrative Region) established in the PRC on 18 May 2010 and is wholly owned by Mr. Wong Chit On indirectly, whose particulars and business relationship with the Group are set out in the paragraph headed "Relationship with Synertone Telecom" in the section headed "Relationship with Techtone Communication and Synertone Telecom" of this prospectus
"Synertone Wireless"	Synertone Wireless Limited (協同無綫有限公司), a company incorporated in Hong Kong on 21 November 2001, an indirect wholly-owned subsidiary of the Company
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three years ended 31 March 2011 and the seven months ended 31 October 2011
"Techtone Communication"	廣州市天珩通通信設備有限公司 (Guangzhou Techtone Communication Equipment Company Limited), a limited liability company established in the PRC on 31 May 2002, an Independent Third Party, whose particulars and business relationship with the Group are set out in the paragraph headed "Relationship with Techtone Communication" in the section headed "Relationship with Techtone Communication and Synertone Telecom" of this prospectus
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America
"US$", "US dollar(s)" and "US cent(s)"	United States dollars and cents, respectively, the lawful currency of the United States of America
"US Satellite Antenna Supplier"	a corporation incorporated in the US, an Independent Third Party, with which the Group signed agreement, details of which are set out in the paragraph headed "Collaborations with key market players" of section headed "Business" of this prospectus
"Value-added Tax" or "VAT"	the value-added tax of the PRC

"Vastsuccess"	Vastsuccess Holdings Limited, a company incorporated in the BVI on 8 September 2000, an indirect wholly-owned subsidiary of the Company
"Victory Investment"	Victory Investment China Group Limited, a company incorporated in the BVI with limited liability on 11 February 2004, the entire shareholding of which is owned by Mr. Wang Ruiyun, an Independent Third Party
"Yusman"	Yusman Limited, a company incorporated in the BVI on 6 June 2001, with its issued share capital wholly-owned by Mr. Wang Min Zhong
"%"	per cent

In this prospectus, unless otherwise stated, certain amounts denominated in RMB have been translated into HK$ and/or into US$ at the historical or forecasted average exchange rate for the applicable year, for illustration purpose only. No representation is made that any amount in RMB or HK$ or US$ could have been or could be converted at the above rate or at any other rates or at all.

Unless otherwise specified, all references to any shareholding in the Company assume no exercise of the Over-allotment Option.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language are for identification purpose only.

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there is any inconsistency between the English and Chinese versions, the English version shall govern.

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"block up-converter"	frequency converter used in the uplink transmission of satellite signals, which is able to convert a band of frequencies from lower frequency to higher frequency such as from L band to Ku
"CDMA"	Code Division Multiple Access, a channel access method utilised by various radio communication technologies, which employs spread-spectrum technology and a special coding scheme (where each transmitter is assigned a code) to allow multiple users to be multiplexed over the same physical channel
"CITONE digital trunking mobile communication system"	first generation of digital trunking mobile communication system developed by the Group specifically for government sector, which adopts FDMA and semi-duplex communication, and supports transmission of digital voice data, short message and static picture and offers encryption of data transmitted
"digital trunking system"	digital trunking system (數字集群系統), a core system of the specialised communication network which provides wireless communication network to an area and enables wireless and radio communication with data encryption among moving users
"DITONE digital trunking mobile communication system"	third generation of digital trunking mobile communication system based on TDMA, which offers the functions available in the first and second generation systems, featuring with improved network switch function and independent data encryption system. Compared to the previous generations, it is more flexible in addressing users' needs
"Duplex communication system"	a communication system composed of two connected parties or devices that allows communication in both directions between two parties simultaneously, so that both callers are allowed to speak and be heard at the same time

"FDMA"	Frequency Division Multiple Access, a channel access method which offers users individual allocation of one or several frequency bands or channels and at the same time coordinate access between multiple users
"FITONE digital trunking mobile communication system"	fourth generation of digital trunking mobile communication system which appends the function of high broadband adaptation frequency hopping. It allows assembling network and dividing frequency by enhancing the anti-fading ability radio channel in the division of frequency
"GPS"	Global Positioning System, a global navigation satellite system which provides reliable positioning, navigation, and timing services to worldwide users on a continuous basis in all weather, day and night, anywhere on or near the Earth
"integrated circuit(s)"	integrated circuit, a single and miniaturized electronic circuit with many electronically connected components which is manufactured in the surface of a thin substrate of semiconductor material and largely used in most electronic equipment.
"IP"	Internet Protocol, a principal communication protocol which is used for relaying datagrams across an internetwork and responsible for routing packets across network boundaries. It is the primary protocol that establishes the Internet and delivers datagrams from the source host to destination host based on their addresses.
"Ku"	Ku band, a portion of the electromagnetic spectrum in the microwave range of frequencies, which is primarily used for satellite communications
"Network switch (channel associated signaling)"	a form of digital communication signaling which allows network switching, digital transmission of encoded short messages, caller display and call conferencing
"operation integrated system"	operation integrated system (系統集成), a system which involves an integration of "trunking system, satellite system and the exchange system", and completes signals exchange and connection. The system can be applied as an emergency communication solution
"PCB"	Printed Circuit Board which is used to mechanically support electrically connect electronic components using conductive pathways, tracks or signals

"PDSN"	Packet Data Serving Node, a component of the CDMA radio network which acts as the connection point between the Radio Access and IP networks and provides access to the Internet and intranets. It is a combination in the CDMA which provides mobility management and packet routing functions.
"Repeater"	an electronic device that receives a signal and retransmits it at a higher level and/or higher power, or onto the other side of an observation, so that the signal can cover longer distances
"Semi-duplex communication system" or "Simplex communication system"	a communication system which provides communication in both directions, but only one direction at a time (not simultaneously)
"TDMA"	Time Division Multiple Access, a channel access method for shared medium networks, which allows several users to share the same frequency channel by dividing the signal into different time slots
"trunking system"	a radio communication system mainly applies in specialised communication system, which allows command dispatching. The channels of the system are able to be used by all users, which enables sharing of resources, data and multi-functions communication. It is characterized by the push to talk function, which allows speedy and reliable connection for effective communication, and prioritized communication function
"VOIP"	Voice Over Internet Protocol, any of the methodologies, communication protocols and transmission technologies for delivering voice communications and multimedia sessions over Internet Protocol networks
"VSAT"	Very Small Aperture Terminal, is a two-way satellite ground station with a dish antenna, which is commonly used to transmit narrowband data or broadband data for transportable and on-the-move communications
"VSAT low speed satellite transmission system"	VSAT low speed satellite transmission system (地面移動低速衛星傳輸系統), an integrated radio data management platform for data collection, data exchange and data management which allows satellite bi-directional radio communication system based on CDMA technologies
"VSAT high speed stationary digital satellite system"	VSAT high speed stationary digital satellite system (地面機動高速數位衛星系統), a type of VSAT satellite system

"VSAT high speed dynamic digital satellite system"	VSAT high speed dynamic digital satellite system (地面移動衛星高速通信系統), a type of VSAT satellite system
"VSAT satellite antenna"	VSAT satellite antenna, major component of the VSAT satellite system which enables bi-directional voice and message transmission, speedy internet retrieving, VOIP communication, telecommunication conference, extension of network and visual broadcasting, etc
"VSAT satellite system"	VSAT satellite system (地面移動衛星系統), a VSAT satellite system based on the VSAT satellite antenna, which is able to provide outdoor point to point or various points communication and serves as the chain facility between the base station and movable terminal in digital trunking system
"WITONE digital trunking mobile communication system"	second generation of digital trunking mobile communication system developed by the Group, specifically targeted at professional users. The system adopts FDMA and simplex/duplex voice communication of frequency division handset, allows network switch, featuring with data encryption function, improved digital error-correcting function and network linkage function

This prospectus contains forward-looking statements that are not historical facts, but relate to the Group's intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled "Summary", "Risk Factors", "Industry Overview", "Business" and "Financial Information" to this prospectus which are, by their nature, subject to risks and uncertainties.

Forward-looking statements can be identified by words such as "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "ought to", "would" the negative of these terms and other comparable terminology. These forward-looking statements include, without limitation, statements relating to:

- the business goals and strategies for implementation and plan of operations;
- the capital expenditure and funding plans;
- the planned use of proceeds;
- the development plans;
- the operation and business prospects;
- projects under construction or planning;
- profitability and financial condition;
- general economic conditions;
- the trends and future development of industry, including but not limited to the statements in the "Industry Overview" section;
- certain statements in the section entitled "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates;
- future growth and developments of, and competitive environment in the industry;
- the regulatory environment and changes thereto in the market in which the Group operates; and
- other statements in this prospectus that are not historical fact.

The foregoing is not an exclusive list of all forward-looking statements made in the prospectus. The forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond control of the Group. In addition, the forward-looking statements reflect the Group's current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in the section entitled "Risk Factors" and other risks. Therefore, you are cautioned against relying on any of these forward-looking statements.

The forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. The Group undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the Group's control. You are cautioned that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements and should not pay undue reliance on any forward-looking information.

All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, the following risks in connection with an investment in the Company. The Group's business, financial condition or results of operations could be materially and adversely affected by any of these risks or any additional risks and uncertainties not presently known to the Company or that the Company currently deem immaterial. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO THE GROUP

The Group provides a relatively long credit period and extends credit period for certain customers

The Group has laid down, in principle, the maximum contractual credit period to be offered to each type of customers (conprising system integrators, distributors and direct customers). Each sales representative, when negotiating payment terms with each type of customers, is required to ensure that the credit period to be agreed shall not exceed the applicable maximum contractual credit period and is encouraged to negotiate and agree on a shorter credit period than the applicable maximum contractual credit period, so as to minimize the risk exposed to the Group. The actual contractual credit period agreed with customers is determined with reference to, among other things, the business nature, reputation, financial background, credit history, on-going relationship, product type and corporate background.

During the Track Record Period, except for the retention money which will only be payable upon expiry of warranty period, actual contractual credit periods ranging from five days to 180 days were agreed with customers under sales contracts. Taking into account of the applicable maximum contractual credit period, extension beyond the actual contractual credit period would be granted by the Group to certain customers considering the length of business relationship with the Group, frequency of transactions with the Group, potential to develop stable business relationship, or whether their technical expertise is valuable to the Group's development, or whether they are governmental bodies or who has government-related background. Trade receivables past due (i.e. outstanding beyond the contractual credit period) but not impaired accounted for approximately 9.1%, 42.3%, 12.1% and 7.0% of the total trade receivables outstanding as at the end of each reporting period. As at 31 October 2011, the Group's trade receivables amounted to approximately HK$115.0 million and accounted for approximately 45.6% of the Group's total current assets, of which approximately HK$8.7 million were outstanding for six months or above. The trade receivables turnover days were approximately 174 days, 274 days, 294 days and 255 days during the three years ended 31 March 2011 and the seven months ended 31 October 2011. The relatively long or extension of credit period provided to the customers is subject to credit risk. Further, in light of the Group's business expansion, the Group may need to provide additional sales on credit to its customers, leading to increased customers' credit risk. The Group's cash flow and financial position could be adversely affected should the Group experience any difficulty in collecting payment from its customers. Hence, the Group's business, financial condition and results of operations may be adversely affected.

Any significant impairment of trade receivables may adversely affect the cash flow and working capital, financial condition and results of operation of the Group

Notwithstanding the fact that the Group provided a relatively long credit period and extension of credit period for certain customers during the Track Record Period, no trade receivables of the Group as at 31 March 2009, 2010 and 2011 and 31 October 2011 were individually determined to be impaired. There were also no special allowances for doubtful debts for the three years ended 31 March 2011 and the seven months ended 31 October 2011 recognized.

In determining if recognition of impairment is required, the Group takes into account the collection history, collectability, creditworthiness and financial condition of the customers. Impairment will be made for specific trade receivables when the management of the Group, having considered the above factors, are of the view that such trade receivables are unlikely to be collected. The Directors and the Reporting Accountants are of the view that no impairment for trade receivables was required for the Track Record Period. Details of the basis of no impairment made during the Track Record Period are set out in the section headed "Financial Information — Analysis of Major Statement of Financial Position Components — Trade and other receivables — Trade Receivables" of this prospectus.

However, there is no assurance that the collectability, creditworthiness and financial condition of and the possible effect of market, technology, legal environment on the customers of the Group will not deteriorate. Any material default of payment, any significant impairment or provisions for impairment of trade receivables of the Group may adversely affect the cash flow and working capital, financial condition and results of operation of the Group.

The Group is exposed to concentration of credit risk of sales to system integrators

During the Track Record Period, the sales to system integrators amounted to approximately HK$118.9 million, HK$175.2 million, HK$141.7 million and HK$63.1 million, which accounted for approximately 73.6%, 81.7%, 64.8% and 61.6% of the total turnover of the Group during the respective periods, respectively. During the Track Record Period, the Group has agreed with the system integrators for contractual credit periods ranging from five days to 180 days. As at 31 March 2009, 2010 and 2011 and 31 October 2011, approximately HK$94.8 million, HK$199.6 million, HK$81.2 million and HK$82.4 million, representing 94.5%, 90.0%, 62.2% and 71.6% of the total trade receivables, were due from the system integrators, respectively. Extension of credit period was required by the customers of the Group, including the system integrators, mainly because such customers experienced delay in receiving final payment from their respective end customers or their respective end customers are subject to strictly regulated governmental annual budgeting process which prolonged the settlement process. If the end customers of the system integrators experience financial distress or do not settle the purchase amount with the system integrators who place purchase order with the Group, or the system integrators do not pay the Group for their purchases in a timely manner or at all, the financial condition and results of operations of the Group could be materially and adversely affected as the Group do not have rights to claim the unpaid amount from the end customers under the applicable PRC laws and regulations.

The Group recorded net cash outflow in operating activities for the years ended 31 March 2009 and 2010. Any net cash outflow in operating activities experienced by the Group in the future may adversely affect the business operation and the liquidity of the Group

The Group has recorded substantial increase in trade and other receivables and inventories for the Track Record Period. Net cash of approximately HK$5.1 million and HK$3.9 million was used in operating activities of the Group for the two years ended 31 March 2009 and 2010, respectively. Despite the fact that the Group did not record net cash outflow in operating activities for the year ended 31 March 2011 and the seven months ended 31 October 2011, the Group cannot ensure that it will not experience net cash outflow in operating activities in the future. If the Group experiences net cash outflow in operating activities, the cash reserve of the Group may be insufficient for its operation, and the business operation and the liquidity of the Group may be adversely affected.

The Group relies on its major customers

For each of the three years ended 31 March 2011 and the seven months ended 31 October 2011, the five largest customers of the Group, in aggregate, accounted for approximately 85.8%, 86.4%, 82.4% and 96.5% of the Group's total sales, respectively.

During the Track Record Period, sales to the largest customer of the Group, Techtone Communication accounted for approximately 62.3%, 50.0%, 39.0% and 43.0% of the Group's total sales during the respective reporting periods. The Group relied heavily on Techtone Communication for a significant portion of its sales. During the Track Record Period, the contractual credit periods agreed with Techtone Communication were generally 180 days, whereas the maximum extension of credit period granted to Techtone Communication was 17 months. The Group and Techtone Communication entered into a co-operation framework agreement in December 2002 for a term of ten years, expiring in December 2012. The Group had been in negotiation with Techtone Communication for renewal of the co-operation framework agreement and a memorandum of intention was signed by the Group and Techtone Communication in March 2012 indicating the parties' intention to renew the co-operation framework agreement for a further period of not less than five years.

Prior to 26 February 2008, Techtone Communication was a connected person of the Company. Ms. Ni, an executive Director, was a director for two holding companies of Techtone Communication and held 40% of equity interests in a holding company of Techtone Communication. Mr. Wong Chit On was the legal representative and director of Techtone Communication and two of the holding companies of Techtone Communication namely Shenzhen City Xietong Xunda Industry Company Limited (深圳市協同迅達實業有限公司) ("Shenzhen Xietong Xunda") and Shenzhen City Techtone Information Communication Company Limited (深圳市天恒通信息通信有限公司) ("Shenzhen Techtone"). Mr. Wong Chit On ceased to be the legal representative and director of Techtone Communication, Shenzhen Xietong Xunda and Shenzhen Techtone on 18 April 2006, 1 February 2008 and 18 December 2007, respectively. On 26 February 2008, Mr. Wong Chit On also ceased to be the supervisor of Shenzhen City Daiyou Communication Limited (深圳市大有通訊有限公司), another holding company of Techtone Communication. After Ms. Ni's disposal of her indirect interest in Techtone Communication on 1 February 2008 and her resignation as director of its two holding companies on 1 February 2008 and 26 February 2008 respectively, Techtone Communication ceased to be a connected person of the Company. Further details of the relationship of the Group with Techtone Communication are set out in the section headed "Relationship with Techtone Communication and Synertone Telecom" of this prospectus.

The Group anticipates that it will continue to derive a significant portion of its revenue from its five largest customers and in particular, Techtone Communication, in the near future. There can be no assurance that the Group will be able to retain its major customers or receive any purchase order at favourable terms to the Group, or that they will maintain or increase their current level of business with the Group. There can be no assurance that the Group will be able to renew the co-operation framework agreement with Techtone Communication for a long term, or in favourable terms to the Group. Any significant reduction in the volume of business with any of these customers including Techtone Communication or any significant restriction in pricing terms for these customers, or any cancellation, delay or reduction in the scope of the existing sales to any of the major customers of the Group, could have a material adverse effect on the Group's operating results and profitability.

Some or all of the Group's key customers may change their procurement policies, which could cause them to purchase less from the Group or force the Group to lower the selling prices of its products and services

To the best knowledge of the Directors, a majority of the end customers of the Group's customers during the Track Record Period were the PRC public sector, including public security, police, armed police, etc.. The procurement policies of certain customers of the Group and their respective end customers are subject to the policies of the PRC government and the development of the industry which the Group belongs to. In particular their demand for the products and services from the Group were governed by the Government Procurement Law of the PRC (《中華人民共和國政府採購法》), pursuant to which procurement of goods by the PRC government shall be conducted in such a manner as to facilitate achievement of the goals as set by various economic and social development policies, such as environmental protection and promotion of the growth of small and medium-sized enterprises, and in accordance with either the approved central or local budgets. The thresholds for central budget shall be prescribed by the State Council and that for local budgets. Should there be any change in the economic and social development policies in the PRC or a cut in the central or local budgets, demand from the end-users of the Group's customers may accordingly reduce and lower average selling prices and this may, in turn, affect the sales and the turnover of the Group. To the best knowledge of the Directors, the Directors are not aware of any change in the procurement policies of the end customers of the Group's customers during the Track Record Period.

Fluctuation in prices of raw materials

During the Track Record Period, the Group procured raw materials, parts and components from certain major suppliers for the production of the Group's products and services. The prices of the raw materials are determined from time to time according to the market conditions and supply and demand, therefore resulting in corresponding fluctuations in the production costs of the Group. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, cost of raw materials, parts and components accounted for approximately 68.7%, 76.1%, 61.8% and 60.0% of the total cost of sales of the Group, respectively. During the Track Record Period, raw materials of core components for specialised communication system including cables and plastic materials are vulnerable to fluctuation of prices of copper and crude oil respectively. There is no assurance that the prices of other raw materials will not fluctuate in the future. In the event that the prices of raw materials significantly increase, the business and the profitability of the Group could be adversely affected.

The Group may not be able to sustain a high profit margin

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the Group achieved gross profit margin of approximately 62.0%, 59.2%, 65.4% and 58.9% respectively. However, there is no assurance that the Group will be able to sustain its high profit margin in the future. In the event that the Group is unable to develop new products with high profit margin or the Group's products are substituted by similar products developed by its competitors, the Group may not be able to sustain its high profit margin.

Any potential sanction imposed against products exported from Israel or other countries where the Group's suppliers are located may affect the growth prospect and financial performance of the Group

During the Track Record Period, the Group has established strategic co-operation with the Israel Satellite Antenna Provider. The Group procured satellite antenna from the Israel Satellite Antenna Provider as one of the core components of the VSAT satellite system. Turnover derived from direct resale of the Israel Satellite Antenna Provider's products for the three years ended 31 March 2011 and the seven months ended 31 October 2011 amounted to approximately nil, HK$4.1 million, HK$6.0 million and HK$6.7 million and accounted for approximately nil, 1.9%, 2.7% and 6.5% of the total turnover of the Group during the relevant years/period, respectively. Due to uncertainty in political relationships amongst the Middle-East countries with the US and the European Union, there is a potential risk that the US and the European Union may impose sanction against products exported from Israel. Sanction against other countries may also be imposed by the US or the European Union. If the customers of the Group are based in the US or the European Union, they may refrain from ordering products of the Group, in particular the VSAT satellite system as it may contain the satellite antenna procured from the Israel Statelite Provider or the suppliers located in countries subject to sanction, or blacklist the Group for a certain period of time as the Group has had business relationship with the Israel Satellite Antenna Provider or the suppliers located in countries subject to sanction. In addition, the Group may have to order the satellite antenna from other suppliers. The Group cannot assure that it will be able to source satellite antenna from alternative suppliers with similar level of performance at acceptable prices or at all. Therefore, such sanction (if any) may adversely affect the growth prospects, financial performance and operation of the Group.

A change in the Group's tax treatment may have a negative impact on the results of its operations

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) implemented on 1 January 2008, a unification of the enterprise income tax rate for domestic-invested and foreign-invested enterprises was fixed at 25% over a five-year transitional period, while "Advanced Technology Enterprises" are subject to 15% EIT rate. In this connection, before having been accredited as "Advanced Technology Enterprise" in the PRC on 6 September 2010, Synertone Soontend was taxable at EIT rates of 18% and 20% for the period from 1 January 2008 to 31 December

2008 and for the period from 1 January 2009 to 31 December 2009 respectively, and was taxable at preferential EIT rate of 15% for the period from 1 January 2010 to 31 October 2011. Synertone Smartend, having been accredited as "Advanced Technology Enterprise"in the PRC on 16 December 2008 and renewed on 31 October 2011, enjoyed a preferential EIT rate of 15% for the period from 1 January 2008 to 31 October 2011. Synertone Smartend and Synertone Soontend will be taxable at the preferential tax rate of 15% for the year ending 31 March 2012. According to the Notification of matters relating to taxation policy concerning technology transfer of enterprises (《關於居民企業技術轉讓有關企業所得税政策問題的通知》), enterprise will enjoy the preferential tax benefit when the transfer of technology falls into the definition of transfer of patent technologies, patent rights of calculator software, design rights of integrated electric circuit, innovation of plant and medical products or any other technologies recognized by the Financial Bureau and State Bureau of Taxation. The enterprises are also required to have at least five years of rights to exercise globally or full ownership to be entitled to taxation benefits, transfer of technology to be completed by agreement and registered with governmental departments (province level or beyond) according to their nature to be entitled to tax benefits. Synertone Smartend and Synertone Soontend will enjoy the stipulated preferential tax benefit if the relevant transfer of technology fulfills the requirements as stated therein. During the Track Record Period, Synertone Smartend enjoyed such preferential tax benefit for certain transfers of the systems technologies as approved by the relevant tax bureau.

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值税暫行條例》), Synertone Smartend and Synertone Soontend are required to pay VAT at a rate of 17%. As both Synertone Smartend and Synertone Soontend had registered their self-manufactured software with the relevant governmental departments, 14% of the VAT on the sales of the registered software and related services would be refunded. Pursuant to the Notification of The State Council relating to further issuance of certain policies concerning the development of software industry and integrated circuit industry (《國務院關於刊發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》) issued on 28 January 2011, the aforesaid preferential policies for Value-added Tax for software will continue to be implemented after 31 December 2010.

Pursuant to the notice regarding relevant tax issues on implementation in strengthening technological innovation, developing high-end technology and industrialisation (關於貫徹落實《中共中央、國務院關於加強技術創新、發展高科技、實現產業化的決定》有關税收問題的通知) issued on 2 November 1999, entities and individuals are entitled to apply for waiver or reduction of business tax for the transfer and/or development of technology as prescribed therein. During the Track Record Period, Synertone Smartend and Synertone Soontend submitted sales contracts for transfer of the systems technologies to the relevant authorities for approval and enjoyed the waiver and/or refund of business tax for the relevant transfer of the systems technologies.

As the PRC tax authorities granted such preferential tax rates pursuant to their discretionary authority, such preferential tax rates could be modified or cancelled. The Group's profit after taxation and financial position may be materially and adversely affected in the future in the event the preferential tax treatments are modified or cancelled. Any change in the preferential tax treatment in the PRC currently enjoyed by the Group's PRC operations may have a significant negative impact on the results of the Group's operations.

Delay in obtaining approval from the relevant tax authority may cause delay in the Group's issuance of invoice to customers and result in payment delay by customers

To enjoy the business tax benefit relating to the transfer of systems technologies, the Group is required to submit the sales contract for the systems technologies to the relevant authorities for approval and payment invoice shall be issued by the relevant tax bureau according to the notice regarding relevant tax issues on implementation in strengthening technological innovation, developing high-end technology and industrialisation (關於貫徹落實《中共中央、國務院關於加強技術創新、發展高科技、實現產業化的決定》有關稅收問題的通知) issued on 2 November 1999. Any delay in obtaining the payment invoice issued by the relevant tax bureau may result in subsequent delay in the Group passing such payment invoice to its customers for collection of contract sums. There is no assurance that the Group may complete the required approval procedures in a timely manner. Any delay or inability of the Group to pass the payment invoice to its customers for settlement may adversely affect the time for the Group to collect trade receivables and may adversely affect the Group's financial performance and operating cash flows, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Newly launched products of the Group may not be accepted by the market

Apart from the existing products and technologies of the Group, the Group intends to upgrade the existing products and develop and launch newly developed products such as the FITONE digital trunking mobile communication system which is more advanced digital trunking mobile communication system developed by the Group at its preliminary stage of research and development. The Group has developed its own satellite antenna to substitute the satellite antenna sourced from its strategic partners and plans to apply it in the VSAT satellite system. The introduction and/or the upgrade of one or more of the Group's products or services or any products that the Group may plan to introduce in the future may be affected by any technical, operational, distribution or other problems. Also, newly launched products of the Group may not be able to satisfy the requirements or needs of the Group's existing and prospective customers. The Group cannot ensure that any of these products and services will achieve market acceptance or generate revenue.

The key managerial and technical personnel of the Group are critical to its success and if the Group fails to attract or retain such personnel, the ability of the Group to maintain relationships with its customers, develop new products and effectively carry on its research and development and other efforts may be adversely affected

The operation and the future growth of the Group's business is substantially dependent on the efforts and abilities of its senior management and senior technical staff, particularly Mr. Wong Chit On. Under Mr. Wong's leadership, the Group has successfully established its status in the specialised communication industry and its products were used by end-users in the government sector and business enterprises in various industries. The Group's ability to maintain close relationships with its clients is due to their long working history with the Group and the proven success of the Group's products and services. Further, the Group is substantially dependent on its technical, marketing and engineering personnel with a thorough understanding of the business operations of the Group and customer requirements and needs. The Group relies on its skilled research and development department in the development of new products and technologies. The Group has entered into service agreements with each of the executive Directors. Such service agreements have an initial term of three years. In the event the Group loses the services of its key managerial and technical personnel and cannot recruit an appropriate replacement in a timely manner, there may be an adverse effect on the operation, future performance and profitability of the Group.

The Group relies on a limited number of suppliers for certain key components and raw materials

During the Track Record Period, the Group sourced its principal raw materials, parts and components from a number of Independent Third Parties. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the purchase by the Group from its top five suppliers accounted for approximately 70.8%, 66.5%, 37.7% and 41.3% of the total amount of purchase, respectively. During the Track Record Period, the Group entered into fixed term contract for approximately one to two years with some of its suppliers for the provisions of raw materials, parts and components. The Group cannot assure that such supply contracts will be renewed upon the expiry of its term and the Group cannot assure that it will be able to source raw materials from alternative sources, at acceptable prices or at all, in the event it cannot obtain such materials from its existing suppliers for any reason. Any failure to obtain adequate raw materials, parts or components could interfere with the Group's manufacturing operations and have adverse effect on the operation and turnover of the Group.

Defects in the Group's products or services, systems failures, delays and other problems could harm the reputation and business of the Group, cause the Group to lose customers and expose it to liability

There may be defects in the Group's products or services and the Group may experience failure or interruption to its systems or services or other problems in connection with its operations as a result of various matters, including damage or interruption caused by fire, flood, power loss or power shortages; damage to or failure of the Group's software or hardware or its infrastructure and connections; data processing errors by its systems; the loss or corruption of data; computer viruses or software defects; and security breaches or hackings. If the Group cannot adequately ensure the ability of its systems and services to perform at a consistently high level or if the Group otherwise consistently fails to meet customers' expectations, it may experience damage to its reputation; it may incur liabilities to customers under the contracts which the Group has in place with them; the Group's operating expenses or capital expenditure may increase as a result of remedial action which it is required to take; and/or its customers may reduce its use of its services or seek an alternative service provider. These or any other consequences would adversely affect the revenue and results of operations of the Group.

The Group relies on the PRC market and has a limited operating history

During the Track Record Period, over 90% of the Group's total revenue was derived from the PRC market. The Directors anticipate that the PRC will continue to be a significant production and sales base of the Group in the near future. The Group is therefore susceptible to changes in the economic, political and social conditions of the PRC and there is no assurance that any such change will not adversely affect the future performance and profitability of the Group.

The Group commenced its business of the design, research and development, production and sales of specialised communication network and systems, equipment and related technologies in 2003 and has a relatively limited operating history. It takes time for the Group to establish its reputation under the brand name of "Synertone", to increase market share in the PRC and to expand to overseas market. There is no guarantee that the Group's existing customers or prospective customers will recognise its track record performance when considering whether to use or continue to use the Group's products and services.

Failure to obtain all requisite certificates, permits and licenses in the PRC may adversely affect the business operation of the Group

The Directors and the PRC Legal Advisers confirmed that the Group has obtained all requisite certificates, permits and business licenses from the relevant regulatory authorities in the PRC for its operations, details of which are set out in the paragraph headed "Awards and Certificates" in the section headed "Business" of this prospectus. In the event any of such certificates, permits and business licenses is revoked or not approved for renewal upon expiry, the business operation of the Group could be adversely affected.

The Group has very limited business experience outside the PRC, and it may not be able to achieve its overseas expansion strategy

During the Track Record Period, over 90% of the Group's turnover was generated in the PRC. The Group has very limited business experience outside the PRC. However, the Group intends to explore overseas business opportunities for its products and services, especially in the APAC, Brazil and Turkey.

The Group's experience in operating outside the PRC and with foreign regulatory environments and market practices is very limited, and it cannot guarantee that it will be able to penetrate any overseas market. It may encounter obstacles in connection with its efforts to expand overseas such as keeping abreast of market, business, regulatory and technical developments in foreign jurisdictions, and coping with social instability and other disturbances. Failure to implement the Group's overseas expansion strategy may have a material and adverse effect on its business growth and profitability.

The Group may not be able to accurately evaluate the time and resources necessary for the performance of the Group's services

Product price may vary based on methods of payment, acceptance of new products and relationship between the Group and different customers. Present price charged to customers may not necessarily reflect future price and changes in product price charged to customers may be adverse to the Group's turnover. If the Group fails to evaluate accurately the resources and time required for an engagement, to effectively manage customer expectation or to complete the fixed price engagement in a timely manner and to the customers' satisfaction, the Group may be exposed to cost overruns, damage to reputation and liabilities to its customers, which could have a negative impact on its turnover.

Dividends declared in the past may not be indicative of the dividend policy in the future

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the Group declared dividends in the amount of approximately HK$52 million, HK$63 million, nil and nil, respectively. Subsequent to 31 October 2011, the Group declared a dividend of HK$27 million for the year ending 31 March 2012. The amount of dividends that the Group has declared and made in the past is not indicative of the dividends that it may pay in the future. A declaration of dividends proposed by the Board and the amount of any dividends will depend on various factors, including, without limitation, the results of operations, financial condition, future prospects of the Group and other factors which the Board may determine as important. For further details of the Group's dividend policy, please refer to the paragraph headed "Dividends" in the section headed "Financial Information" of this prospectus. There is no guarantee that the Group will declare dividends in the future.

The Controlling Shareholder has significant influence over the Group's management and affairs and could exercise this influence against the best interests of other shareholders

Following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Excel Time, the Controlling Shareholder, and Mr. Wong Chit On, the beneficial owner of the entire issued share capital of Excel Time, will beneficially own approximately 67.5% of the issued share capital of the Company. As a result, pursuant to the Articles of Association and applicable laws and regulations, Excel Time and Mr. Wong Chit On will be able to exercise significant influence over the Company. The interests of Excel Time and Mr. Wong Chit On may not always coincide with the best interests of other Shareholders and it will have the ability to exert significant influence over the actions and effect corporate transactions irrespective of the desires of the other Shareholders or Directors.

The Group may not be able to protect its intellectual property rights or may infringe others' intellectual property rights

The Group relies on a combination of copyright, trademark, patent and proprietary technology and contractual restrictions on disclosure imposed on third parties to protect its intellectual property rights. As at the Latest Practicable Date, the Company had registered one trademark both in the PRC and in Hong Kong and owned four patents in the PRC. The Group had also obtained 65 softwares registration certificate with Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC. The Group had also applied for the registration of another two patents in China. The Group's efforts to protect its intellectual property rights may not be effective in preventing unauthorised parties from copying or otherwise obtaining and using its intellectual property rights. Monitoring unauthorised use of the Group's technology is difficult and costly, and the Group cannot be certain that the steps it takes will effectively prevent misappropriation and infringement of its intellectual property rights.

Furthermore, it is necessary for the Group to disclose some of its know-how and certain aspects of the application of the proprietary technology and technological secret of the Group to specific employees. During the Track Record Period, the Group has entered into relevant confidentiality agreements/provisions with its employees. The Group is unable to guarantee that all of those currently or previously employed by the Group will maintain confidentiality absolutely and appropriately. The proprietary technology and technological secret of the Company, once leaked, may be taken advantage of by its competitors thereby intensifying the competition facing the Group. Consequently, adverse position in terms of competition and its operational performance and costly litigation may divert management attention and other resources away from the business. An adverse determination in any such litigation will impair the Group's intellectual property rights and may harm the business, prospects and reputation of the Group.

Further, some of the research and development projects of the Group with other entities have the outcomes belonging to or being used by both parties jointly, in particular, the joint development under the Framework Development Agreement and the technology development agreement entered into by the Group and Guangzhou Tian Yi Telecommunication Technology Limited (廣州市天意通訊科技有限公司). Where the Group is unable to cooperate smoothly with the other party in the course of development, it is possible that the outcomes will be affected. In addition, according to the current cooperation agreements, the Group and the relevant party will jointly own the proprietary right in the technology developed. The Group is unable to guarantee that an interest-allocation agreement that is fair and reasonable from the perspective of the Group can always be reached with the other party after successful development of technology. Where the other party disputes over the distribution of the proceeds arising from the application of the intellectual property, the profits of the Group may be adversely affected. From time to time, the Group may have to resort to litigation to enforce its intellectual property rights, which could result in substantial costs and diversion of its resources.

The Group may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Group, could cause the Group to pay significant damage awards

The Group depends largely on its ability to use and develop its technology know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to the Group's patent rights involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The Group may be subject to litigation involving claims of violation of intellectual property rights of third parties, even in situations where the Group has not in fact infringed on any third party's intellectual property. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of the Group's technical and management personnel. If adversely determined against the Group in any such litigation or proceedings, the Group could be subject to significant liability to third parties. As a result, the Group may be required to seek licenses from third parties, to pay ongoing royalties and to the patented products. The Group could also be subject to injunctions prohibiting the manufacture and sale of the products or the use of its technologies. Ongoing litigation could also result in the Group's customers or potential customers deferring or limiting its purchase or use of the Group's products until resolution of such litigation.

The continued development of new products and services to cope with customers' requirements will involve the Group's continued research and development effort in respect of the improvement of functionality of its products and the launch of new products to satisfy the requirement of the Group's existing and prospective customers. In the event the Group fails to enhance its research and development capability to improve the existing products or to develop new products to meet the ever changing demands of the customers, or if the Group fails to cope with the latest technology developments, the Group may be surpassed by its competitors and be in an adverse situation, and hence causing adverse impact to the Group's operating results and future developments.

The Group's products and services are designed with significant investment of time and expertise and use of complex technology so that industry and government standards as well as customers' specifications can be adequately addressed. If the Group is unable to continue to meet these standards and specifications, it may be disqualified by its customers in not selecting its products and services. If the Group is unable to maintain the quality and design standards of its products and services, its reputation and relationships with existing and prospective customers may be damaged, which could have a material and adverse effect on the financial results of the Group.

The Group currently does not maintain any product liability insurance for its products, and any significant product liability claim could have a material and adverse effect on its financial condition

The Group currently does not maintain any product liability insurance for its products and has no current plan to effect product liability insurance in the near future. Therefore, any product liability claims against the Group in relation to its products, or any major interruptions of its operations or third-party claims could have a material and adverse effect on its financial condition.

RISKS RELATING TO THE INDUSTRY

Failure to identify and develop new products and services in line with technological changes may have a material adverse effect on the Group's operation and financial conditions

The market for the Group's products and services is characterised by frequent product introductions, rapidly changing technology and continued evolution of new industry standards. The development of technologically advanced products is a complex and uncertain process requiring extensive research and development, high levels of innovation as well as accurate anticipation of technological and market trends. There can be no assurance that the Company's research and development will be able to identify and develop new products and services which effectively meets the market demands in a timely manner. Further, the Group's competitors may introduce new products or product enhancements in advance of the Group and enhance their positions in the industry. In such event, there may be a material adverse effect on the Group's business, operating results and financial conditions.

The Group's products and services encounter intense competition in the market which may lead to reduced price, gross profit and market share

The Group's products and services encounter intense competition. Many of the Group's existing and potential competitors in China and overseas markets have greater financial, technical, research and development and other resources than the Group and may be able to respond more quickly to new technologies and customers' requirement and deploy greater resources to research and development. Further, the accession of China into the World Trade Organization may have intensified the competition faced by the Group. In addition, according to CCID, the potential growth of the specialised telecommunications industry is expected to result in intense competition in the future. Increased competition is likely to result in price reductions, reduced gross profit margins and loss of market share which could have adverse effect on the financial condition of the Group.

Potential inertia of governmental departments to shift from current adopted standards to the standards and technologies developed by the Group

According to CCID, it is often for the relevant government departments already using certain standards of specialised communication system developed and provided by service provider to continuously adopt and apply such standards in its specialised communication system and hence engage the same service provider in future system development, maintenance and upgrading. If some governmental departments or authorities have been engaging a service provider other than the Group and adopting standards of specialised communication system that are different from that provided by the Group, such inertia may hinder the promotion of the Group's business and the Group may not succeed in expanding its customer base and as a result, the Group's operating result and future developments may be adversely affected.

Any unfavourable changes in the regulatory environment may materially and adversely affect the Group's operation and financial performance

The Group's operations and business are subject to various laws and regulations in which regulators' decisions may materially and adversely affect the financial results and operations of the Group. The Group has been providing core components of specialised communication system and has been subject to the relevant laws and regulations such as the Administration Measures for the Control of Pollution caused by Electronic Information Products《電子信息產品污染控制管理辦法》, the PRC Law on Management of Radio Operation《中華人民共和國無綫電管理條例》and Certain Policies on Encouraging the Development of Software Industry and Integrated Circuit Industry《鼓勵軟件產業和集成電路產業發展的若干政策》. In the event there is any changes in law, regulations or government policies in the future, there is no assurance that the Group's business, financial condition and the results of operations will not be materially and adversely affected.

RISKS RELATING TO THE PRC

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on the Group

During the Track Record Period, most of the Company's operations were located in the PRC. The PRC economy has traditionally been a planned economy. Over the past two decades, the PRC government implemented economic and political reform measures in the PRC. Such reforms have resulted in significant economic and social advancement. The PRC government continues to play a significant role in regulating industries by imposing industrial policies. Any change in the economic and political situation in the PRC and policies adopted by the PRC government may affect the Group's operations in the PRC and its performance and profitability.

Fluctuations in the exchange rates of the RMB

Changes in the PRC's political and economic conditions have been the main driving force for the recent fluctuations in the exchange rates between the RMB and the Hong Kong dollar, the U.S. dollar and other foreign currencies. In 2005, the implementation of pegging the value of the RMB to the U.S. dollar has been introduced by the PRC government. A basket of currencies is pegged with the RMB, and the People's Bank of China (中國人民銀行) ("PBOC") sets the exchange rate daily based on the previous day's interbank foreign exchange market rates in the PRC and the current exchange rates in the financial markets. On 21 July 2005, the PBOC issued a public notice (中國人民銀行關於完善人民幣滙率形成機制改革的公告) concerning the increase in the exchange rate of the RMB against the U.S. dollar by approximately 2% to RMB8.11 per US$1.00. In late June 2010, the PBOC announced the decision to proceed further with reform of the RMB exchange rate regime thus to improve the RMB exchange rate flexibility. The peg of RMB against US dollars is abandoned and the currency is based on market demand and supply with reference to a basket of currencies and weightings. There is no assurance on additional policy changes in the future and adverse effect which might result loss in the Group's financial condition and daily operation. A further appreciation of the RMB against the U.S. dollar, the HK dollar and other foreign currencies is likely under significant international pressure on a more flexible policy on the PRC government, and thus the Group's cost of production will increase. Subject to the substantial amount of the Group's expenditure being denominated in RMB, any appreciation may result increase in extra costs and devaluation may affect value of the Group's assets, earnings and value of dividends, payable on the Shares in the Hong Kong dollars.

Changes in PRC foreign exchange regulations may adversely affect the Group's business operations

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of foreign exchange out of China. The Group receives a substantial portion of its revenue in RMB. Under the Group's current corporate structure, the Group's income is primarily derived from dividend payments from the PRC subsidiaries. The PRC subsidiaries of the Group must convert their RMB earnings into foreign currency before they may pay cash dividends to the Company or honour their foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required when RMB is converted into foreign currencies and remitted out of China for capital-account transactions, including the repatriation of equity investments in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect the ability of the Group to finance its PRC subsidiaries. Subsequent to the Global Offering, the Group has the choice, as permitted by the PRC foreign investment regulations, to invest the net proceeds from the Global Offering in the form of registered capital or a shareholder loan into its PRC subsidiaries to finance its operations in China. The choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, the Group's transfer of funds to subsidiaries in China is subject to approval by PRC governmental authorities in case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by the Group's PRC subsidiaries permit any such shareholder loans. These limitations on the flow of funds between the Company and its PRC subsidiaries could restrict the ability of the Group to act in response to changing market conditions.

The PRC's legal system embodies uncertainties that could adversely affect the business and results of operations of the Group

A substantial portion of the assets of the Group is located in the PRC and a substantial portion of the employees of the Group are PRC citizens. The operations of the Group are therefore subject to the PRC legal system and PRC laws and regulations. Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite the development of the PRC legal system, the legal system of the PRC is still considered to be underdeveloped when compared with the legal systems of some western countries. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

Any new laws or regulations imposing stricter control on environmental protection may cause the Group to incur additional expenses

The Group is required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC. These laws and regulations cover issues including environmental protection regarding construction project and the prescribed standards relating to the discharge of solid waste, liquid waste and gases and the reduction of noise. These regulations also empower local governments to impose penalties on companies which do not comply with the relevant requirements. The Group has established and implemented a set of environmental protection measures in relation to the disposal of solid waste, effluent and gases and the reduction of noise which comply with the regulations. As at the Latest Practicable Date, the Group had not received any notice or warning letter from the Environmental Protection Bureau or other competent authorities alleging any breach of any environmental laws and regulations. However, no assurance can be given that the PRC government will not introduce new laws and regulations which may impose stricter control on environmental protection and the Group may have to incur additional expenses in order to comply with such environmental laws and regulations.

It may be difficult to effect service of process upon the Group or the Directors who live in the PRC or to enforce against the Group or the Directors in the PRC judgments obtained from non-PRC courts

The Company was incorporated in the Cayman Islands. The majority of the Directors are residents of the PRC. A substantial proportion of the Group's assets are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon the Group or those persons inside the PRC or to enforce against the Group or them in the PRC any judgments obtained from non-PRC courts.

The PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and most other Western countries. It may be difficult for investors to secure recognition and enforcement in the PRC for court judgments obtained in Hong Kong and other jurisdictions and to access the assets of the Group in China in order to enforce judgment or awards entered against the Group outside of China.

The implementation of the new labour contract law and increase in labour costs in the PRC may adversely affect the Group's business and profitability

A new labour contract law became effective on 1 January 2008 in China. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. In addition, under the "Regulations on Paid Annual Leave for Employees" (《職工帶薪年休假期條例》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to 15 days, depending on the length of the employees' length of service. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the new law and regulations, the Group's labour costs may increase. There is no assurance that any disputes, work stoppages or strikes will not arise in the future. Increases in the Group's labour costs and future disputes with its employees could adversely affect its business, financial condition or results of operations.

Failure to comply with the SAFE regulations by future shareholders who are PRC residents may adversely affect the business operations of the Group

On 21 October 2005, SAFE issued Circular No. 75, which became effective as at 1 November 2005. According to Circular No. 75 and the related clarifications issued since then, prior registration with the local SAFE branch is required for PRC natural or legal person residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC and raising funds from overseas. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Circular No. 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration procedures with the local SAFE branch by 31 March 2006. Some of the ultimate beneficial owners of the Shares are PRC natural persons and therefore, are required to go through the registration procedures set forth under Circular No.75. As advised by the PRC Legal Advisers, such PRC natural persons have completed the registration with the competent authority for foreign exchange registration of overseas investment in accordance with the requirements of Circular No.75. However, the Group may not be fully informed of the identities of all the future Shareholders of the Group who are PRC residents. Moreover, the Group does not have control over the future Shareholders and cannot ensure that all of the future PRC resident beneficial owners of the Group will comply with Circular No.75 for registration or amendment. The failure of such future beneficial Shareholders who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to Circular No.75 or the failure of future Shareholders who are PRC residents to comply with the registration requirements set out in Circular No.75 may subject such beneficial owners and/or the PRC subsidiaries of the Company to fines and legal sanctions. It may also limit the ability of the Group to contribute additional capital to the PRC subsidiaries of the Company, limit the ability of the PRC subsidiaries of the Company to distribute dividends to the Company or otherwise materially and adversely affect the business of the Group.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares, and the liquidity and market price of the Shares may be volatile

Prior to Listing, there has been no public market for the Shares. The Offer Price for the Shares will be agreed between the Sole Global Coordinator (on behalf of the Underwriters) and the Company, and may differ from the market prices for the Shares after Listing. The Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, there is no assurance that the listing of the Shares on the Stock Exchange will result in the development of an active and liquid public trading market for the Shares. The market price, liquidity and trading volume of the Shares may be volatile. There can be no assurances as to the ability of the holders to sell their Shares or the price at which the Shares can be sold. As a result, the Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which the Shares will be traded include, among other things, variations in the turnover, earnings, cash flows and costs, announcements of new investments, and changes in laws and regulations in China. There is no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past for reason not related to their performance, and it is possible that the Shares may be subject to changes in price not directly related to the Group's performance.

The Group may not be able to achieve its future plans

The future plans of the Group as set out in the section headed "Future Plans and Use of Proceeds" in this prospectus are based on circumstances currently prevailing and the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. The Group's future prospects must be considered in light of the risks, expenses and difficulties which may be encountered by the Group in its various stages of development of business. There can be no assurance that the Group will be successful in implementing its strategies or that its strategies, even if implemented, will lead to successful achievement of the Group's objectives. If the Group is not able to implement its strategies effectively, the Group's business operations and financial performance may be adversely affected.

Current volatility in the global financial markets could cause significant fluctuations in the price of the Shares

Financial markets around the world have been experiencing heightened volatility and turmoil since 2008. Upon Listing, the price and trading volume of the Shares will likely be subject to similar market fluctuations which may be unrelated to the Group's operating performance or prospects. Factors that may significantly impact the volatility of the stock price include:

- developments in the business of the Group or in the financial sector generally, including the effect of direct governmental actions in the financial markets;
- the operating and share price performance of companies that investors consider to be comparable to the Group;
- announcements of strategic developments, acquisitions and other material events by the Group or the competitors of the Group; and
- changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of the Shares may decline significantly, and the Group's investors may lose a significant value on their investments.

The laws of the Cayman Islands relating to the protection of interest of minority shareholders are different from those in Hong Kong

The corporate affairs of the Company are governed by the Memorandum of Association, the Articles, the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. These differences may mean that the Company's minority Shareholders may have different protections than they would have under the laws of Hong Kong. A summary of Cayman Islands law on the protection of minority shareholders is set out in "Summary of the constitution of the Company and the Cayman Islands company law" in Appendix IV to this prospectus.

Future sales of substantial amounts of the Shares in the public market could adversely affect the prevailing market price of the Shares

The Shares held by the Controlling Shareholders are subject to certain lock-up periods. Please refer to the section headed "Underwriting" in this prospectus for further information. The Group cannot assure that, after such restrictions expire, the Controlling Shareholders will not dispose of any Shares. Sales of substantial amounts of the Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of the Shares.

The Group's ability to raise capital in the future may be limited, and failure to raise capital when needed could prevent the Group from executing the growth strategy of the Group successfully

The Directors believe that the Group's existing cash and cash equivalents together with the net proceeds from the Global Offering will be sufficient to meet the anticipated cash needs for the next 12 months following Listing. The timing and amount of the working capital and capital expenditure requirements may vary significantly depending on a number of factors, including market acceptance of the products of the Group, the need to adapt to changing technologies and technical requirements, and the existence of opportunities for expansion.

If the Group's capital resources are insufficient to satisfy liquidity requirements in the future, the Group may seek to raise additional funds through the issue of new equity securities or debt securities or obtain debt financing. The issue of additional equity securities or convertible debt securities by the Company other than on a pro-rata basis will result in additional dilution to the shareholding of the Shareholders, and such convertible securities so issued may confer rights and privileges that take priority over those conferred by the Shares. On the other hand, additional debt would result in increased expenses and could result in covenants that would restrict the Group's operations. The Group has not made arrangements to obtain additional financing, and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to the Group, if at all.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus are derived from official government sources and statistics may not be relied upon

Certain information and statistics contained in the section headed "Industry Overview" of this prospectus has been extracted and derived, in part, from various official government publications and statistics. Whilst reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither the Company, nor the Sole Sponsor or the Sole Global Coordinator and the Underwriters, nor any of the Company or their respective affiliates or advisers, nor any party involved in the Global Offering and the Underwriters verified such information and statistics derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information or statistics compiled within or outside China. The Group makes no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

In addition, certain information and data contained the section headed "Industry Overview" of this prospectus are derived from market data provided by CCID. The Company believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading. However, the information has not been independently verified by the Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. The Group makes no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

Forward looking statements may be inaccurate

This prospectus contains certain forward-looking statements and information relating to the Group that are based on the belief of the Directors as well as assumptions based on the information currently available to them. In this prospectus, the words "believe", "consider", "estimate", "expect", and similar expressions, as they relate to the Company or the Group or the Directors, are intended to, among others, identify forward looking statements. Such statements reflect the current views of the Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions are proved to be incorrect, the Group's financial condition may be adversely affected and vary materially from those described herein as believed, considered, estimated or expected.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, the Group has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily residents in Hong Kong. Since the principal business operations of the Group are located in the PRC, members of the senior management of the Company are and will therefore be expected to continue to be based in China. At present, the company secretary Ms. Lam Mei Shan is ordinarily resident in Hong Kong but none of the executive Directors are ordinarily resident in Hong Kong or based in Hong Kong. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12.

The Company has received from the Stock Exchange a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) the Company appoints two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as its principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorised representatives appointed are Mr. Wong Chit On, an executive Director, and Ms. Lam Mei Shan, the company secretary. The alternate authorised representative to Mr. Wong Chit On is Mr. Lam Ying Hung Andy, who is an independent non-executive Director. Each of them will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or e-mail. Each of them has been duly authorised to communicate on behalf of the Company with the Stock Exchange;

(b) the Company appoints a compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as its additional communication channel with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which the Group distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules;

(c) both of the authorised representatives, including the alternate authorised representative, have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. The Company will implement a policy whereby (i) each Director will provide his or her mobile phone number, office phone numbers, fax number and e-mail address to the authorised representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorised representatives when he or she is travelling; and (iii) each Director will provide his or her mobile phone number, office phone number, fax number and e-mail address to the Stock Exchange; and

(d) All Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

The Company has not authorised anyone to provide any information or to make representation not contained in this prospectus. Prospective investors should not rely on any information or representation not contained in this prospectus as having been authorised by the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any of their respective directors, or any other person involved in this Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Company's Shares would, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Group since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

The Global Offering comprises of the Hong Kong Public Offer of initially 30,000,000 Hong Kong Offer Shares and the International Placing of initially 270,000,000 International Placing Shares, subject, in each case, to adjustment on the basis as described in the section headed "Structure of the Global Offering" of this prospectus and, in case of the International Placing, also to any exercise of the Over-allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Placing will be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement and are subject to the Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed among the Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed. Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting" of this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of the Company's or their respective directors, agents, employees or advisors or any other parties involved in the Global Offering.

Further information on the structure of the Global Offering, including its conditions, is set forth in the section headed "Structure of the Global Offering" of this prospectus, and the procedures for applying for the Offer Shares are set forth in the section headed "How to Apply for the Hong Kong Offer Shares" of this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. If the Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before the Price Determinations Date, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his/her/its subscription for Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued pursuant to the options to be granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG REGISTER AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered on the Company's Hong Kong register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by the Company's principal share registrar in the Cayman Islands.

Dealings in Offer Shares registered in the Hong Kong register of members of the Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

Details of arrangements relating to the Over-allotment Option and stabilisation are set out in section headed "Structure of the Global Offering" of this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section entitled "How to apply for the Hong Kong Offer Shares" of this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offer, the International Placing and the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after the trade date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Wong Chit On (王浙安) (formerly known as Wang Gang Jun (王鋼軍)	Flat 8B, Block 1 Ming Cui Ju Waterside View Shenzhen PRC	Chinese
Ni Yun Zi (倪藴姿) (formerly known as Ni Xiaochen (倪曉晨))	Flat 8B, Block 1 Ming Cui Ju Waterside View Shenzhen PRC	Chinese
Lu Zhijie (律智杰)	15 Tian Hu Jing Shan Hu Bay Pan Yu Guangzhou PRC	Chinese
Han Weining (韓衛寧)	22 Sunnyside Crescent Castlecrag NSW 2068 Australia	Australian
Independent non-executive Directors		
Lam Ying Hung Andy (林英鴻)	Flat G, 6/F Block 3, Site 12 Whampoa Garden Hung Hom Kowloon Hong Kong	Chinese
Mao Zhigang (毛志剛)	Flat 201, No. 54, Aly. 51 Shui Cheng Nan Lu Chang Ning District Shanghai PRC	Chinese
Hu Yunlin (胡雲林)	Flat 16A Bi Hai Court Ri Hua Garden Gong Bei Zhuhai PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Emperor Capital Limited Room 606, 6/F, Emperor Group Centre 288 Hennessy Road Wanchai, Hong Kong
Sole Global Coordinator, Joint Bookrunner and Sole Lead Manager	Emperor Securities Limited 23-24/F Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Joint Bookrunner and Co-Lead Manager	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
Legal advisers to the Company	*as to Hong Kong law*: Alvan Liu & Partners Rooms 701-704, Nan Fung Tower 173 Des Voeux Road Central Hong Kong *as to PRC law:* Alpha Law Firm 18G-H, Huamin Empire Plaza 726 West Yan'an Road Shanghai 200120 PRC *as to Cayman Islands law:* Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY-1111 Cayman Islands
Legal adviser to the Sole Sponsor and the Underwriters	*as to Hong Kong law:* Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong

Auditors and reporting accountants	CCIF CPA Limited *Certified Public Accountants* 34/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Receiving banker	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	2-4/F, Block 1 1028 Buji Road, Luohu District Shenzhen China
Principal place of business in Hong Kong registered under Part XI of the Companies Ordinance	Room 1301, 13th Floor Henan Building 90 Jaffe Road Wanchai, Hong Kong
Company's website	www.synertone.net (information on the website does not form part of this prospectus)
Company secretary	Lam Mei Shan, *CPA, AICPA*
Authorised representatives	Wong Chit On Flat 8B, Block 1 Ming Cui Ju Waterside View Shenzhen PRC Lam Ying Hung Andy (alternate authorised representative to Wong Chit On) Flat G, 6/F Block 3, Site 12 Whampoa Garden Hung Hom Kowloon Hong Kong Lam Mei Shan Flat 7, 32/F, Block B Kwai Yin Court Tai Wo Hau New Territories Hong Kong

Audit committee	Lam Ying Hung Andy *(Chairman)* Hu Yunlin Mao Zhigang
Remuneration committee	Hu Yunlin *(Chairman)* Lam Ying Hung Andy Mao Zhigang
Nomination committee	Mao Zhigang *(Chairman)* Lam Ying Hung Andy Hu Yunlin
Principal share registrar and transfer office in Cayman Islands	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68, Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong share registrar	Tricor Investor Services Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Compliance Adviser	Yuanta Securities (Hong Kong) Company Limited 23rd Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Principal bankers	The Hongkong & Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Bank of China (Shenzhen Branch) 2022 International Finance Centre Construction Road Luoho District Shenzhen PRC Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

The information and statistics in the section below has been extracted and derived, in part, from various official government publications. Whilst reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither the Company, nor the Sole Sponsor or the Sole Global Coordinator, nor any of the Company or their respective affiliates or advisers, nor any party involved in the Global Offering have independently verified such information and statistics derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information or statistics compiled within or outside China.

In addition, certain information and data contained in this prospectus are derived from market data provided by CCID. The Company believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading. However, the information has not been independently verified by the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

The Group is a provider of core components of specialised communication systems. The Group provides to its customers specialised communication network design and implementation that can be customarily devised pursuant to the specific needs of client. The Group has designed and developed products relating to digital trunking and satellite communication systems through research and development and acquisition of intellectual property rights and technology know-how from third parties.

A specialised communication network is customarily constructed according to the specific needs of a particular client such as for the purpose of the management of the production system of an organization, for direction purposes in rescue work when public communication network cannot be used and for the internal use of that particular client, such as (i) government sector including governmental departments, police, armed police, national security, fire service, custom, traffic and city management; (ii) infrastructure services including flooding prevention, electricity, gas, aviation, airport, railway, rail station, harbour, transportation, highway and underground; and (iii) large-scale enterprises including companies engaging in oil, mining, smelting, chemicals, logistics, logistics management and other large-scale manufacturers, which excludes the use of and inference by the general public or organization outside the system to avoid being unduly overloaded or interrupted. An integrated communication solution generally comprises wireline telephone system, wireless communication system, intranet and internal multimedia transmission system, which can be adopted in various scales up to national coverage for permanent or temporary network, and emergency conditions, such as regular supply of electricity, speed establishment. Customer base of specialised communication network and systems are mainly large scale organizations such as governmental bureaux and departments and corporations engaging in the provision of utilities, infrastructure and energy.

According to CCID, the aggregate sales in the specialised communication system in China amounted to approximately RMB3.39 billion in the third quarter for the year 2011. Based on the system of strong research and development capability, development of digital trunking system and

VSAT satellite system, stable customer relationship and its intellectual property, the Group has prominent performance of contributing an aggregate sales of approximately RMB152 million from the Group in turn holding 3.83% of the market share in the specialised communication system in China for the year 2010. Also, the Group's specialised communication network equipment has been applied in Sichuan earthquake rescue and Olympics Games which indicates the significant development of the Group.

Amongst various government sectors, the Group has provided extensive supplies to public security and defense force. As public security and defense force offer essential protection on national economic development and political and social stability, the PRC government has paid great attention on the communication network equipment deployment. Other reasons are the large amount of people, wide geographic distribution, multi-segment sector and great demand of communication equipment in public security and defense force, have also required high standards of security and reliability on the communication equipment. Therefore in the future three to five years, the demand of public security and defense force will grow continuously and become an important market for the specialised communication network.

Characteristics of the industry

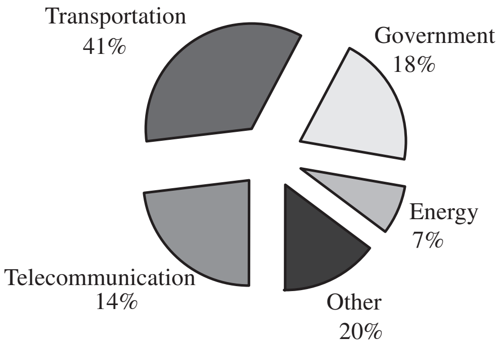
Steady development in global scale with technological enhancement and growing market size

The specialised communication network industry expanded rapidly in the 1980s primarily in the form of analogue trunking radio technology. In the meantime, satellite communication network and associated equipment started to gain currency. Since the 1990s, following the speedy enhancement of digital radio technology, digital trunking communication network has begun to develop. In the past two decades, the global specialised communication industry has been largely digitalized. There has been rapid development in the technology, products and forms of specialised communication network which allows more flexibility in the applications of such network. Stepping into the twenty-first century, equipment of the industry have become more integrated, smaller in size, more cost effective and more functional due to the further enhancement of technologies.

Rapid development in the Asia-Pacific markets, especially in China

The demand for specialised communication networks and solutions raised alongside the economic development in the Asia-Pacific region in recent years, amongst countries like Japan, the Philippines, South Korea and Singapore, China has an evidently strong demand in fields including public security, airport, railway and underground largely due to its extensive geographical coverage. Customer bases of specialised communication system in China can be broadly categorized into such as (i) government sector including governmental departments, police, armed police, national security, fire service, custom, traffic and city management; (ii) infrastructure services including flooding prevention, electricity, gas, aviation, airport, railway, rail station, harbour, transportation, highway and underground; and (iii) large-scale enterprises including companies engaging in oil, mining, smelting, chemicals, logistics, logistics management and other large-scale manufacturers. In China, over 200 remote cities in the PRC are still out of reach of any trunking communication systems. Hence, the potential demand for specialised communication networks and equipment in the PRC remains enormous.

The following chart shows the application of specialised communication systems in different industries in the PRC in the third quarter of 2011:



Source: CCID

Wider application and increasing standard of requirement

Following the rapid socio-economic developments, the demand for specialised communication systems has been expanded to new industries, for example, ports, piers, emergency units, prisons and forestry. At the same time, due to the increased popularity and reduced cost of equipment, the standard of requirements has also been increased to meet the more complex and sophisticated demand. The required degree of specialisation varies with the nature of business, mission and purpose for each industry. While the transportation section requires higher stability in radio communication process, public security puts more emphasis on timeliness, information security and system reliability.

More intense competition and the co-existence of various standards

In 1998, the International Telecommunication Union, a specialised agency under the United Nations, standardized seven digital trunking communication network standards, namely APCO25, Tetralpol, EDACS, TETRA, DIMRS, IDRA and Geotek. At present, market participants in China have also developed unique standards. For example, Huawei Technologies Company Limited (華為技術有限公司) launched its GT800 standard based on the GSM trunking communication, ZTE Corporation launched the GoTa (Global Open Trunking Architecture) standard based on CDMA and the Group launched its CITONE and WITONE standards based on its own intellectual property rights. It is evident that the specialised communication network industry has become more active with more market participants, having more standards developed.

As each of such network is developed for the exclusive use of an organization to meet its particular requirement, the need for universal standardisation of technologies is unlike that for the public networks. Since each of the market participant has invested a great deal of resources in the research and development of its technologies and standards, and has obtained the relevant patents or other intellectual properties, it is a rational consequence that each market participant will promote its own standard and as a result, due to the keen competition, the industry will flourish with a variety of standards. However, the difference in encoding/decoding (編解碼) and communication agreement (通訊協議) of different standards would result in difficulties in ensuring the interactiveness, message confidentiality, expansion of application, smoothness in network evolution (網絡演進平滑性) and integration of network among different standards and therefore causing obstacles in the linkage and communication among different standards. Hence, the issue of how to facilitate the linkage and communication among different standards has become a concern of the market participants in the industry. The Group launched to the market its WITONE standards in 2008. The WITONE standards were developed by the Group on the basis of its own intellectual property rights with functions and features customized for the use by government departments of which built a solid foundation for the linkage in the future.

Following the promulgation of Digital Tracked Mobile Communication System (數字集群移動通信系統體制) by Ministry of Information Industry (信息產業部) and a series of plans and management regulations in relation to radio frequencies, the market direction and development environment has been clear which resulted in a favourable environment for further development of digital communications.

Favourable factors for development of the industry

The support of Chinese government sustains steady development

In recent years, the Chinese government has been a keen promoter of informatisation. The China's Informatisation Development Strategy (2006-2020) Policy (2006-2020年國家資訊化發展戰略) issued in May 2006 and the 12th Five-year Plan of the information industry of China issued in November 2011 provided strong support to the satellite communication industry. The former stressed the importance of promotion of wireline, ground and satellite digital broadcasting development; while the latter also stated that the government would provide its full support to the development of satellite related areas and its use in regional development, city management and mega projects so as to enhance the uses and technologies in long range communication capability. In the trunking communication system industry, the Chinese government has itself adopted and directed corporations to introduce such systems in wide applications including railway transportation, maritime communication, port navigation, climate forecast, forestry, mining, public security, electricity, oil and emergency services.

In addition, as a result of the increased application of specialised communication system in the police, army, fire services and other governmental departments of the Chinese government and the higher standards and requirements of system functions demanded by such users (including the demand for networks having extensive geographic coverage at national level and extending to major cities), the Chinese government puts a strong emphasis on the standards, planning and design and applicability of the specialised communication systems and the set up of the platform in relation to the specialised communication networks. In order to facilitate the specialised communication system service providers to have a better understanding of the requirements and needs of the Chinese government, the Chinese government has a practice to engage the service providers in the private sector, such as the Group, for the development of the products/systems required by the Chinese government on projects or products basis with the provision of subsidies to such service providers. Such arrangement motivates the service providers to inject more capital and resources for the research and development of the appropriate standards of specialised communication systems to customize the needs and requirements of the Chinese government more efficiently and effectively. Very often, once the relevant standards have been developed and tested by such service providers, the relevant governmental departments will adopt such standards as its own departmental standards and will continuously adopt and apply such standards in its specialised communication systems and engage the same service provider in future system development, maintenance and upgrading.

Increasing investment from some existing and new industries in China

With the objective to increase operation and management efficiency, large sums of investment have been injected in informatisation in public security, railway, city management, airport and underground in recent years. Being an indispensable part of such informatisation process, the demand for specialised communication systems and associated equipment witnessed constant increase.

The public security was amongst the first few industries to adopt the trunking and satellite communication systems in the PRC in the late 1990s. However, the coverage of such specialised communication networks has yet to cover up to two-third of the less developed cities in the western regions of the PRC. The government has put a great emphasis to deploy the systems in these regions in the coming years.

The railway industry is another key market. Since 2002, the Chinese government has included the specialised communication systems in the new developed railway projects, including the Qinghai-Tibet Line (青藏線), Daqin Line (大秦線), Jiaoji Line (膠濟線), Changjiu Line (昌九線), Wujiu Line (武九線) and Xinbaoshen Line (新包神線). It is expected that by 2020 a total of RMB5,000 billion will be invested in the railway industry covering up to 120,000 kilometres.

Increasing emphasis on emergency communications in China

In 2006, the State Council of China promulgated the National Emergency Plan for the public emergency incidents (國家突發公共事件總體應急預案) and the Chinese government allocated a regular spending on the handling of emergency incidents. With the increasing number and frequency of disasters with extensive geographical coverage, the demand for emergency communications system has received unprecedented attention. In 2008, natural disasters caused over RMB1,350 billion economic loss and affected 470 million people.

Emerging overseas markets

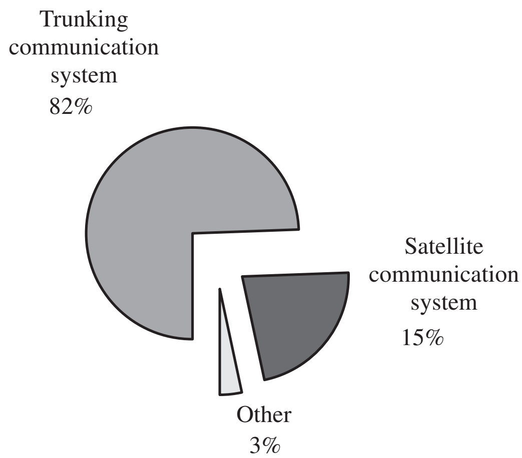
In recent years, market participants of specialised communication system industry in China have been actively expanding their clientele to less developed countries such as Russia, Norway, Malaysia, Brazil, Turkey and Egypt, where industries like public security, medical services, railway and civil aviations have exhibited increasing demands for specialised communication systems. Since the pricing of products and services provided by Chinese companies are more competitive in comparison with their western counterparts, these less developed countries having the great potential demands are rationally attracted.

Market analysis of the industry

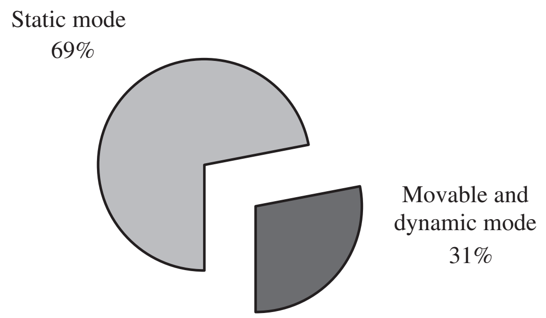
A specialised communication network is customarily constructed pursuant to the specific needs of a particular client, which excludes the use and inference by the general public or organization outside the network system. A specialised communication system is featured with rapid connection, speedy transmission, accurate and reliable transmission, high security, high utilization rate of frequency channel, prioritized communications and the exclusive use by any designated particular group of users within the system. The specialised communication network provided by the Group mainly comprises digital trunking system (數字通信集群系統), VSAT satellite system (地面移動衛星系統) and operation integrated system (系統集成).

In the specialised communication system industry of China, in the third quarter of 2011, approximately 82% of such systems were constructed on the basis of trunking communication system, while approximately of which was 15% were constructed on the basis of satellite communications system, the remaining 3% were on other technologies. Further, approximately 69% of such systems was based on static mode whereas approximately 31% was based on movable and dynamic mode.

The following charts show the composition of products structure in the specialised communication industry in the PRC in the third quarter of 2011:



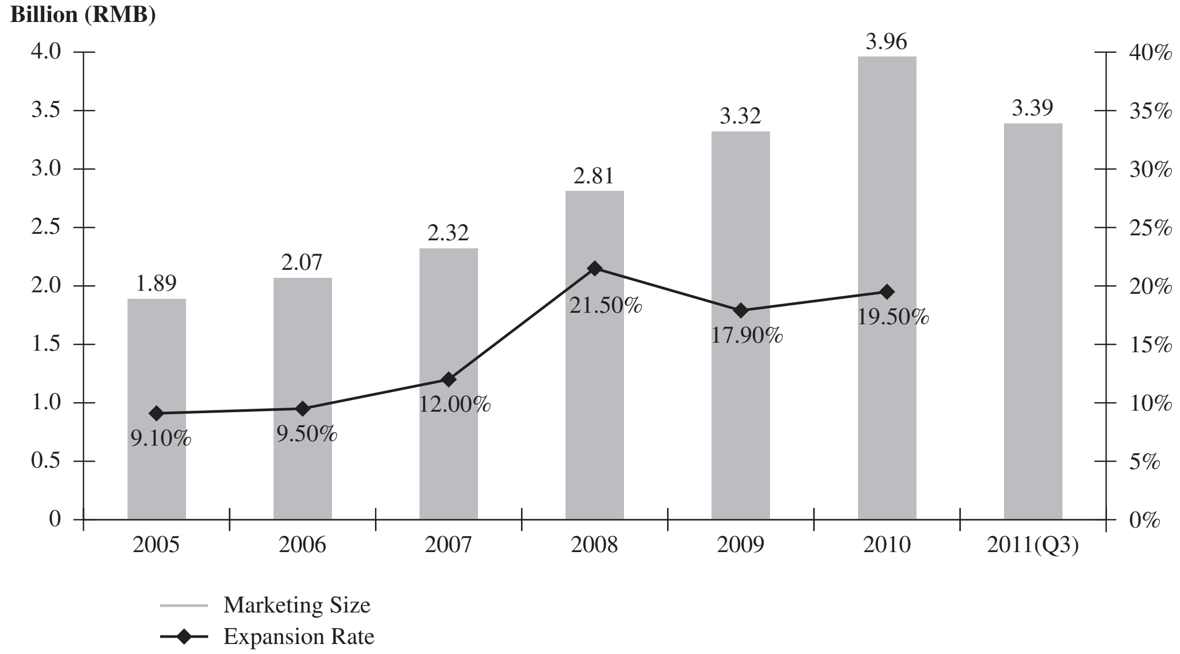
Source: CCID



Source: CCID

Specialised communication system in China from 2005 to third quarter of 2011

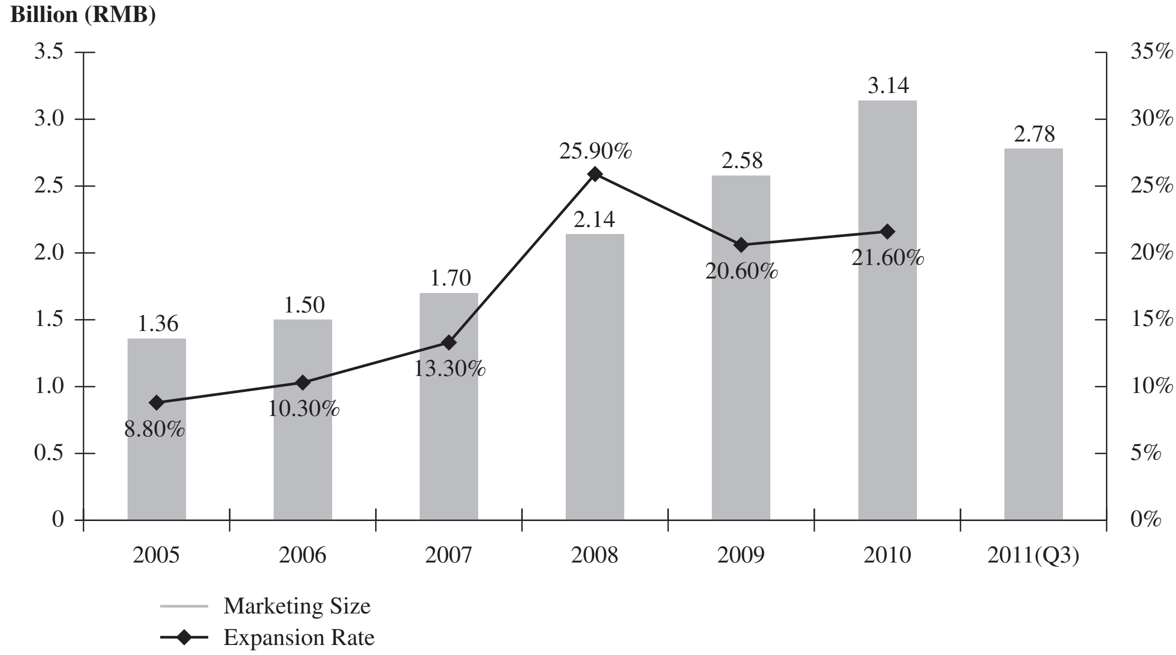
For the period from 2005 to third quarter of 2011, due to the support from the Chinese government such as the measures under the China's Informatisation Development Strategy (2006-2020) and the 12th Five-year Plan of the information industry of China, and the continuous increase in investment from the transportation and energy industry, the market size of the specialised communication system industry increased on an ascending rate. By the third quarter of 2011, the market size of the industry reached RMB3.39 billion.



Source: CCID

Trunking communication system in China from 2005 to third quarter of 2011

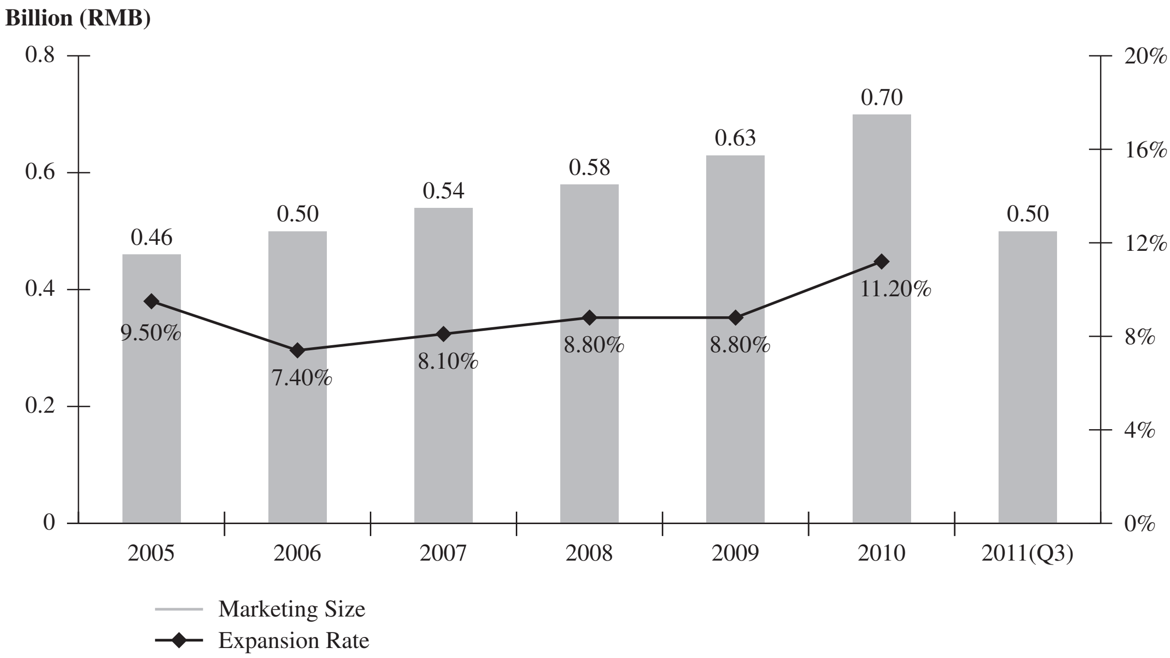
For the period from 2005 to third quarter of 2011, the trunking communication system industry continued to grow due to the construction and deployment of such systems in the fields of emergency communications, nuclear energy, port, sports and railway in regions including Beijing, Shanghai, Nanjing and Chengdu.



Source: CCID

Satellite communication system in China from 2005 to third quarter of 2011

In recent years, the VSAT satellite communication system has been widely adopted in remote regions in emergency communications and under other special circumstances. The industry has continued to grow due to the support from the Chinese government and the global development trend. In 2010, the VSAT system was widely deployed in fields including fire services, surveillance, climate observatory and broadcasting.



Source: CCID

Development trend of the industry

Development trend of specialised communication system in China from 2011 to 2013

According to CCID, it is expected that the specialised communication systems will become an organic integration of digital trunking mobile communication system and satellite communication system which take advantage of not only the sophisticated digital networks but also the extensive geographical coverage and flexible satellite systems.

On the other hand, in view of the fact that the industry continues to grow in its size, it will no doubt attract more market participants which may probably have the capability to offer more specialised products or services, acting as catalyst for standardisation of market operations and specialisation. The general trend of specialisation in this industry is likely to result in more distinctive roles for total solutions providers and equipment manufacturers. It is expected that the total solution providers will take up more of the sale and maintenance services, while the equipment manufacturers will concentrate more on research and development.

Market size forecast of specialised communication system in China from 2011 to 2013

According to CCID, taking into consideration all the favourable factors, it is expected that by 2013, the market size of specialised communication system in China will be:

	2011	2012	2013
Market size (RMB billion)	4.66	5.60	6.98
Expansion rate (%)	17.5	20.1	24.8

Source: CCID

Market composition of specialised communication system in China from 2011 to 2013

It is expected that the specialised communication system will play an increasingly important role in respect of the energy, oil and gas, transportation industry and governmental bureau and departments.

In 2010, the information technology investment of the energy industry has increased by 11.6% from 2009 which amount to approximately RMB15.9 billion. In 2010, State Grid Corporation of China (國家電網公司) has announced No. 1 Document (1號文件) which has declared constructive proposal of the next 10 years of the intelligence grid (智能電網). The said document mention that a basic intelligence grid will be formed and based on Huabei, Huadong and Huazhong as receive terminal and Dongbei and Xibei as transmission terminal, which form the structure of the connection of gas, water, nuclear and renewable sources of electricity base in 2020.

In 2010, the information technology investment of the gas and oil industry has increased by 10.3% to approximately RMB12.1 billion. With the large amount of consumption in China, number of enterprises in the gas industry has increased intensively together with the growth in production scale. In the coming years, rigorous enlargement in the car industry and modernization in the agricultural industry would be the main driving force for the constant growth in demand for gas and oil.

As for the transportation industry, the information technology investment in 2010 has increased by 29.3% to approximately RMB14.9 billion. According to the Middle to Long term Railway Network Plan (adjusted in 2008) (中長期鐵路網規劃(2008年調整)) developmental target section, the transportation network has to expand in large scale in order to adapt to comprehensive construction of requirements of the society. It is expected that by 2020, the railway industry should have a coverage of 120,000 kilometers with above 50% and 60% of Double-Track Rate (複綫率) and Electrical Rate (電化率). It is also expected that the core technology equipment standards have reached advanced international standards.

Regarding the governmental sector, information technology investment has increased by 12.1% from 2009 to approximately RMB97.6 billion in 2010. Following the growth in urbanization in China, increased pressure has been faced by the population and governmental bureaux and departments. The construction of digital city (數字城市), wireless city (無綫城市) and safe city (平安城市) has shown great emphasis in the city integrated management, which has motivated the government information technology investment progress.

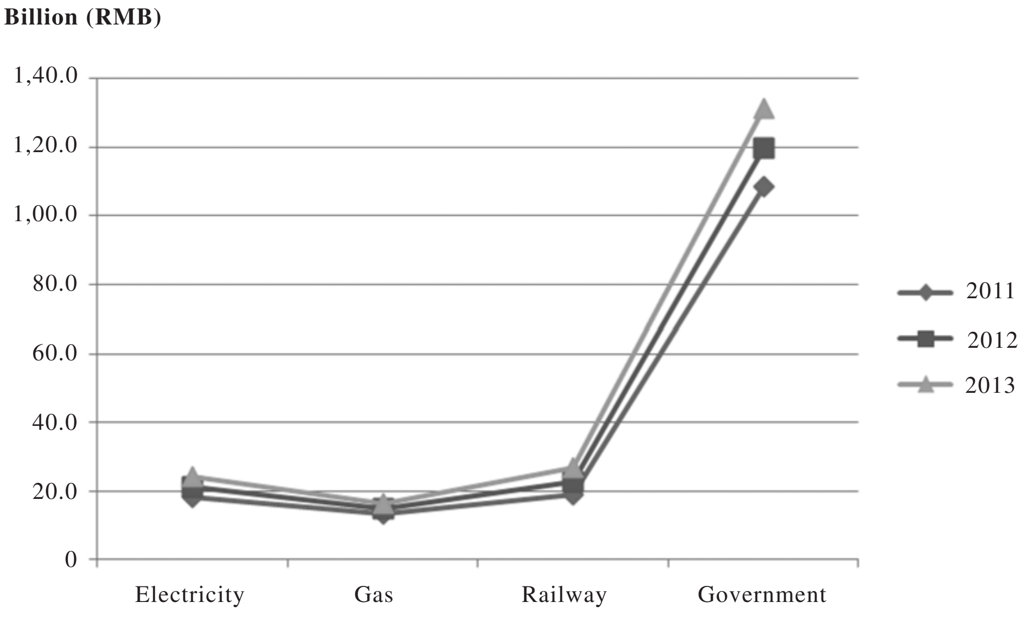
The table below sets forth the parallel structural forecast of the specialised communication system in China:

	2011	2012	2013
	(%)	(%)	(%)
Transportation	42	43	43
Telecommunication	14	14	13
Governmental bureaus and departments	18	20	22
Energy	7	6	6
Others	19	17	13

Source: CCID

In addition, it is expected that information technology will be increasingly applied in different industries, such as electricity, gas, coal, railway and government departments in China. With the increase in the investment of information technology in different industries in the PRC, it is expected that there will be a drastic increase in demand for specialised communication systems with developed information technology systems.

The following chart shows the expected investment amount in the information technology systems of major industries in the PRC from 2011 to 2013:



Source: CCID

Technical composition of specialised communication system in China from 2011 to 2013

According to CCID, in the coming years, it is expected that the digital trunking mobile communication system and the satellite communication system will remain the main forces in the specialised communication solutions. The following table sets forth the market composition of the specialised communication solutions:

	2011	**2012**	**2013**
	(%)	(%)	(%)
Digital trunking mobile communication system	80.6	81.8	83.2
Satellite Telecommunication	16.3	15.2	14.0
Others	3.1	3.0	2.8

Source: CCID

Source of information

Information set out in this section have been extracted from an industry overview report compiled by CCID, an Independent Third Party, as commissioned by the Group. Such industry review was compiled based on various data collected by CCID through different means, including but not limited to: (i) conducting direct visits or telephone interviews with market participants; (ii) conducting direct visits or telephone interviews with upstream (suppliers) and downstream (customers) industry participants; (iii) conducting telephone interviews with industry experts; (iv) making enquiries with relevant government bureau and departments; and (v) gathering a variety of published public information. CCID, a company with its issued shares listed in Hong Kong Growth Enterprise Market, is principally engaged in the provision of market research and management consultancy services. The principal activities of CCID and its subsidiaries mainly comprise the provision of data information management services, and public relation consultancy services. The agreed amount of fees payable by the Group to CCID is RMB320,000. The above data gathered by CCID was assessed and analyzed at multiple levels within CCID. Considering the background of CCID, the work that it has undertaken and the basis of its source of information, the Directors believe that the relevant information and statistics provided by CCID are reasonably reliable.

REGULATORY ENVIRONMENT OF THE SPECIALISED COMMUNICATION INDUSTRY IN THE PRC

The specialised communication industry is subject to national laws and government regulation in the PRC. The regulatory authorities primarily include the Ministry of Information Industry (工業信息產業部) (replaced by Ministry of Industry and Information Technology of the PRC in 2008) and the State Radio Management Organization (國家無綫電管理機構).

The principal PRC laws, rules and regulations applicable to the Group's operations in the PRC include the following:

Regulations in relation to the control of radio operation and radio transmission equipment

The PRC Law on Management of Radio Operation (《中華人民共和國無線電管理條例》(the "Radio Operation Law")

On 11 September 1993, the State Council (中華人民共和國國務院) and the Central Military Commission (中華人民共和國中央軍事委員會) jointly issued the Radio Operation Law in order to strengthen the management of radio operation to ensure normal transmission of radio wave in the air, full use of the radio frequency and the normal operation of all radio services. The Radio Operation Law governs the setting up and operation of radio stations and the development, manufacture and import of radio transmission equipment, and the operation of non-radio equipment which transmit radio waves in China. Pursuant to the Radio Operation Law, the State Radio Management Organization (國家無綫電管理機構), which is under the supervision of the State Council and the Central Military Commissioner, is responsible for the management of radio operation in the PRC. The Radio Management Organization of the Chinese People's Liberation Army (中國人民解放軍無綫電管理機構) is responsible for the radio management in the military community. Radio management organizations of various provinces, autonomous regions and municipalities under the direct administration of the central government are responsible for the management of radio operations except those of military community within their jurisdiction under the supervision of the radio management organizations at the next higher level and the people's governments at the same level. The radio management organizations under the relevant department of the State Council are responsible for the radio management of their own systems. The State Radio Monitoring Center (國家無綫電監測中心), the radio monitoring stations at all levels (各級無綫電監測站), the State Radio Frequency Management Center (國家無綫電頻譜管理中心) and the State Radio Frequency Management Research Institute (國家無綫電頻譜管理研究所) are also responsible for the monitoring of radio frequency, technical standards and development, and scientific research involving radio.

Regarding the management of frequency, the Radio Operation Law provides that the State Radio Management Organization shall unify the exercise of division and allocation of radio frequencies. The State Radio Management Organization and local radio management organizations shall designate radio frequency according to their terms of reference. All designation and use of frequency shall observe the national provisions concerning frequency management of the State. If the period for the use of frequencies expires and there is the need of continuous use, extension of the period of use is required. No unit or individual is allowed to assign, lease or lease in disguise the frequencies designated to it without the approval of the State Radio Management Organization or local radio management organizations.

Regarding the development, manufacture, marketing and import of radio transmission equipment, the Radio Operation Law provides that working frequencies and frequency bands required for research and development or manufacturing of radio transmission equipment shall conform to the national provisions Council and the Central Military Commissioner concerning radio management and be submitted to the State Radio Management Organization for examination and approval. The working frequencies, bands and related technical indices of the radio transmission equipment produced will be submitted to the State Radio Management Organization or local radio management organization for record. Radio transmission equipment produced and sold by enterprises shall conform to the technical standards set by the government and to the provisions of laws and regulations concerned product quality. The competent product quality supervision and control departments shall exercise supervision and examination according to law.

The Regulations on the Production of Radio Transmission Equipment (《生產無線電發射設備的管理規定》(the "Radio Transmission Equipment Regulations")

On 7 October 1997, in order to further strengthen the administration of manufacture of radio transmission equipment, the original State Radio Management Committee (原國家無綫電管理委員會) and the State Bureau of Technical Supervision (國家技術監督局) jointly issued the Radio Transmission Equipment Regulations, which came into force on 1 January 1999. Any manufacture (including pilot production) of radio transmission equipment in PRC will be subject to these regulations. The Radio Transmission Equipment Regulations specifically require that the production of radio transmission equipment in the PRC has to be approved by the State Radio Management Committee Office (國家無綫電管理委員會辦公室) for the model of transmission feature and the Model Approval Certificate of Radio Transmission Equipment and Model Approval Code shall be obtained and the latter shall be prominently displayed on the exterior of radio transmission equipment, except when either of the following two conditions are satisfied, namely:

- the equipment has passed the model approval according to the Management Regulations of Import of Radio Transmission Equipment (《進口無綫電發射設備的管理規定》) and obtained "Model Approval Certificate of Radio Transmission Equipment" (無線電發射設備型號核准証); or

- the production of radio transmission equipment is for the sole purpose of exporting, and will not be sold and/or used in the domestic market (except otherwise provided by signing agreement with relevant countries).

Prior to September 2006, all of the radio transmission equipment produced by the Group were exported and hence the Model Approval Certificate of Radio Transmission Equipment Regulations is not necessary. However, after September 2006, the radio transmission equipment produced by the Group was sold in the domestic market and hence the operation of the Group began to be subject to these regulations, and the Group applied for, and was granted the "Model Approval Certificate of Radio Transmission Equipment" for two types of its radio transmission equipment in 2006 and 2008 respectively.

The Management Regulations of Import of Radio Transmission Equipment (《進口無線電發射設備的管理規定》) (the "Import Regulations")

On 24 July 1995, in order to strengthen the administration on the import of radio transmission equipment, the original State Radio Management Committee (原國家無綫電管理委員會), State Economic and Trade Commission (國家經濟貿易委員會), Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) and General Administration of Customs (海關總署) jointly issued the Import Regulations, which came into force on 1 January 1996. The Import Regulations govern all imports of radio transmission equipment. All foreign exporters which export radio transmission equipment to China have to hold valid "Model Approval Certificate of Radio Transmission Equipment" issued by the State Radio Management Committee Office (國家無綫電管理委員會辦公室) and the equipment shall be marked with Model Approval Code. The Import Regulations also provide that in case radio transmission equipment is imported for military use, the "Model Approval Certificate of Radio Transmission Equipment" shall be issued by the State Radio Management Committee Office (國家無綫電管理委員會辦公室), and the detailed rules for implementation shall be enacted by the Radio Management Organization of the Chinese People's Liberation Army (中國人民解放軍無綫電管理機構).

On 30 January 1996, the State Radio Management Committee Office (國家無綫電管理委員會辦公室) issued the Detailed Rules for the Implementation of Management Regulations of Import of Radio Transmission Equipment (《進口無綫電發射設備的管理規定實施細則》) (the "Import Implementation Rules"). The Import Implementation Rules further clarify the procedures of the application for "Model Approval Certificate of Radio Transmission Equipment" for foreign manufacturers and the procedure of the import examination for domestic importer.

The Group has obtained "Model Approval Certificate of Radio Transmission Equipment" issued by the Ministry of Information Industry of the PRC on 28 March 2006, and the approved name of the equipment is frequency tuning base station (調頻基站) valid for five years. The Group has also obtained another "Model Approval Certificate of Radio Transmission Equipment" issued by the Ministry of Industry and Information Technology of the PRC on 24 December 2008 concerning the frequency tuning vehicle-carried radio valid for five years.

Regulations in relation to the control of pollution caused by electronic information products

On 28 February 2006, the Ministry of Information Industry (replaced by Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) in 2008), the National Development and Reform Commission (中華人民共和國國家發展和改革委員會), the Ministry of Commerce of the PRC (中華人民共和國商務部), the General Administration of Customs of the PRC (中華人民共和國海關總署), the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局), the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局), and the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) jointly issued Administrative Measures for the Control of Pollution Caused by Electronic Information Products (《電子信息產品污染控制管理辦法》) which was effective from 1 March 2007, pursuant to which pollution and other public hazards to the environment caused by electronic information products in the process of production, sale and import (including computer products) within the territory of the PRC should be controlled and reduced. Any producer, importer or seller of electronic information products must abide by such measures, and any act of production, sale and import of electronic information products containing toxic or harmful substances or elements which do not comply with industrial or national standards for controlling pollution caused by electronic information products shall be strictly prohibited.

Regulations in relation to intellectual property rights

Certain Policies on Encouraging the Development of Software Industries and Integrated Circuit Industries (《鼓勵軟件產業和集成電路產業發展的若干政策》) (the "Encouraging Policies")

On 24 June 2000, the State Council of the PRC promulgated the Encouraging Policies to govern the development of the software and integrated circuit industry in the PRC. According to the Encouraging Policies, the newly established software companies engaging in the sale of their self-devised software in the PRC are given certain preferential treatments, which include investment incentives, preferential tax treatment, export incentives and the autonomy in determining benefits and professional training support for their staff. The Group has registered a total of 65 softwares with Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC; among which, 39 under Synertone Soontend and 26 under Synertone Smartend.

According to the Encouraging Policies, the rate of value-added tax payable by ordinary VAT payer in the PRC engaging in the sale of their self-devised software will be 17% until the end of 2010 and any amount of value added tax in excess of 3% of the sales generated from provision of software and related services shall be refunded. Meanwhile, for newly established software businesses commencing from its first profitable year, a software enterprise shall be exempted from paying enterprise income tax for two years, and is eligible to enjoy a 50% reduction in enterprise income tax for the subsequent three years. Software companies with aggregate annual software export exceeding US$1 million will also be granted export rights for their own software products.

Pursuant to the Notification of The State Council relating to further issuance of certain policies concerning the development of software industry and integrated circuit industry (《國務院關於刊發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》) issued on 28 January 2011, the aforesaid preferential policies for value-added tax for software will continue to be implemented after 31 December 2010.

Software Administration Measures (《軟件產品管理辦法》) (the "Software Administration Measures")

On 4 February 2009, the Software Administration Measures was promulgated to enhance the administration of software products and encourage the development of the software industry in the PRC. Pursuant to the Software Administration Measures, registered and filed software products shall enjoy preferential treatments stated in the Encouraging Policies. Software developers or manufacturers may submit applications for registration of software products developed or manufactured by them to the authority in charge of information industry in the relevant provinces, autonomous regions or municipalities directly under the jurisdiction of the central government where the developers or manufacturers are located ("Relevant Authority"). The registration and filing of a software product will not become effective until the Registration Certificate of Software Product has been obtained from the Relevant Authority and the public notice has been issued by Ministry of Information Industry (replaced by Ministry of Industry and Information Technology in 2008) in respect of such software product. The registration of a software product will be valid for 5 years and is renewable upon expiry.

However, such measures do not apply to software products which are developed for the own use of the developer or the customised needs of its customers.

Trademark Law of the PRC (《中華人民共和國商標法》) (the "Trademark Law")

On 23 August 1982, the Trademark Law was promulgated by the Standing Committee of the National People's Congress (全國人大常委會) and was later amended on 22 February 1993, which is formulated for the purpose of improving the administration of trademarks, protecting the right to exclusive use of trademarks and encouraging producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers. The Trademark Law was further amended 27 October 2001. It provides that the Trademark Office of the administrative department for industry and commerce shall be in charge of the trademark registration and administration throughout the country. According to the Trademark Law, any legal person or other organisation that needs to acquire the right to exclusive use of a trademark for the commodities it produces, manufactures, processes, selects or markets, or a trademark for the service items it provides shall respectively file an application for commodity trademark registration or service trademark registration with the Trademark Office. The right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to commodities on which the use of a trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved, and renewal is available upon expiry of the ten years period.

Law on the Protection of Computer Software (《計算機軟件保護條例》) (the "Protection of Computer Software Law")

The Protection of Computer Software Law was enacted in accordance with the Copyright Law of the PRC by State Council for the principal purpose of protecting the rights and interests of the copyright owner of software, encouraging the development and application of software so as to promote the development of software industry. This law was effective on 1 January 2002. It provides that Chinese legal persons are entitled to enjoy the copyright for the software they have developed, regardless of whether it has been published. The software copyright shall come into effect on the day of the completion of development. Software copyright owner is entitled to lease or license the other party to use or transfer part of or the whole of its copyright by entering into a written licensing or transfer agreement. Those agreements which grant license to the third party for exclusive use or transfer the whole copyrights may be registered with the software registration bodies. This law further provides that the software copyright owners may register at the software registration bodies accredited by the administrative department of copyright under the State Council. The certificates of registration issued by the software registration bodies shall be the preliminary certification of the registered matters. In case that the software is developed jointly by two or more natural persons, legal persons, or other organizations, the ownership of the copyright of the software shall be agreed upon in a written contract signed by the co-developers. The copyright of software which is commissioned to be developed shall be governed by any written contract signed between the commissioner and the party under commission. For the software copyright of a legal person or other organization, the term of protection is 50 years, ending on the 31st of December of the fiftieth year after the first publication of the software. However, these regulations will no longer protect the software if it has not been published within 50 years since the completion of development.

Patent Law of the PRC (《中華人民共和國專利法》) (the "Patent Law")

On March 12, 1984, the Patent Law was promulgated by Standing Committee of the National People's Congress and was effective on 1 April 1985, which is formulated for the purpose of protecting the legitimate rights and interests of patents holders, encouraging inventions, giving an impetus to the application of inventions, improving the innovative capabilities, and promoting scientific and technological progress, which was amended for three times respectively in 1992, 2000 and 2008. Pursuant to the Patent Law, the "inventions" to be protected means inventions, utility models and designs. The patent administrative department of the State Council is responsible for the administration of patent registration throughout China, uniformly accept and examine applications for registration of patents, and grant patents in accordance with the law. The patent administrative department of each province, autonomous region, or municipality is directly in charge of the administration of patents within its own jurisdiction.

The Patent Law provides that an invention made by a person in the execution of the tasks of the entity for which he works or made by him by taking advantage of the material and technical means of this entity will be a service invention. The right to apply for the patent registration of a service invention shall remain with the entity. After the application is approved, the entity shall be the registered owner of the patent. For any non-service invention, the right to apply for a patent registration shall remain with the inventor or designer. After the application is approved, the inventor or designer shall be the registered owner of the patent. For an invention made by a person by taking advantage of the material and technical means of the entity where he works, if there is a contract between the entity and the inventor or designer regarding the right to apply for patent registration and the ownership of the patent, the contractual stipulations shall prevail. For an invention made through the joint work of two or more entities or individuals, or made by an entity or individual upon the authorisation of another entity or individual, the right to apply for a patent shall, unless it is otherwise agreed upon, remain with the entity or individual which made the invention or with the entities or individuals which jointly made the invention. After the application is approved, the entity (or entities) or individual(s) that filed the application shall be the registered owner of the patent.

Pursuant to the Patent Law, the patent owner's legitimate right will be protected. The scope of protection of the patent right for an invention or utility model shall be determined by the terms of the claims which is submitted along with the application. The scope of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in the drawings or photographs which are submitted together with an application. Under the Patent Law, the right to apply for a patent and the patent rights also may be assigned by concluding a written contract and the registration of the contract in the patent administrative department of the State Council. The assignment of the right to apply for the patent or the patent right shall come into force as of the date of registration. The said contract shall be announced by the patent administrative department of the State Council. Where an entity or individual exploits the patent of anyone else, it or he shall conclude a licensing contract with the patentee and pay a royalty.

The Patent Law provides that a preliminary examination and a substantive examination for a patent invention will be required. In the case it is found after a substantive examination that there is no reason to reject the patent invention application, the patent administrative department of the State Council shall make a decision to grant a patent for the invention, issue an invention patent certificate, and register and announce such patent. The patent right for invention shall become effective as of the date of announcement. On the other hand, a substantive examination is not required for the application of patent of a utility model or design. In case it is found after the preliminary examination that there is no reason to reject the application, the patent administrative department of the State Council shall make a decision to grant a patent for the utility model or design, issue the relevant patent certificate, register and announce such patent. The patent right for utility model or design shall become effective as of the date of announcement. The duration of an invention patent shall be twenty years, and the duration of the patent for a utility model or design shall be ten years, respectively counted from the date of application.

Government Procurement Law of the PRC (《中華人民共和國政府採購法》) (the "Government Procurement Law")

The Government Procurement Law was adopted at the 28th meeting of the Standing Committee of the Ninth National People's Congress of the People's Republic of China on 29 June 2002 and took effect on 1 January 2003. The Government Procurement Law was enacted with a view to regulate the government procurement activities. All government procurement carried out within the territory of the PRC will be subject to the Government Procurement Law. The Government Procurement Law defines the term "government procurement" as the procurement of goods, projects and services within the lawfully-made centralized procurement lists or, if above the procurement limits, by the state organs, public institutions and bodies with public fiscal funds. Under the Government Procurement Law, government procurements can be conducted either by way of centralized procurement or decentralized procurement. The scope for centralized procurement shall be limited to the lists for centralized procurement which are published by the government of the PRC on the provincial government level or above. If any of the government procurement items belong to the budget of the central government of the PRC, the list for centralized procurement shall be approved and published by the state council of the PRC. If all of the government procurement items belong to the budget of local governments, the list for centralized procurement shall be determined and published by the people's government of the respective province, autonomous regions or municipality directly under the central government or the authorised organs. The Government Procurement Law further stipulates detailed regulations with respect to parties participating in government procurement, ways and procedures of and contracts for government procurement. The Government Procurement Law provides that the detailed regulations concerning military procurements shall be separately enacted by the Central Military Committee.

Laws and Regulations in relation to taxation

Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) (the "**FIE Tax Law**")

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the FIE Tax Law promulgated on 9 April 1991 and effective on 1 July 1991 and the related implementation rules. Pursuant to the FIE Tax Law, a foreign-invested enterprise was subject to a enterprise income tax at the rate of 30% and a local tax at the rate of 3% unless a lower rate was provided by law or administrative regulations. The income tax on foreign-invested enterprises established in Special Economic Zones, foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on foreign-invested enterprises of a production nature in Economic and Technological Development Zones, was levied at the reduced rate of 15%. The income tax on foreign-invested enterprises of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located, was levied at the reduced rate of 24%. Any foreign-invested enterprise of a production nature scheduled to operate for a period of not less than 10 years was exempted from income tax for two years commencing from the first profit-making year and allowed a 50% reduction in the following three consecutive years. The FIE Tax Law was repealed after the promulgation of the Enterprise Income Tax Law of the PRC.

Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**")

According to the EIT Law, which was promulgated on 16 March 2007, the income tax for both domestic and foreign-invested enterprises will be at the same rate of 25% effective from 1 January 2008. The FIE Tax Law was repealed, however, in accordance with the EIT Law and its relevant implementation rules, enterprises that previously established and enjoyed preferential tax rate according to former relevant tax law or regulations are given a five-year transitional period. Such enterprises will continue to enjoy the lower tax rate before they are gradually subject to the tax rate of 25% within the transitional period. In particular, enterprises which were subject to an EIT rate of 15% would be subject to an EIT rate of 18% in 2008, 20% in 2009. 22% in 2010 and 24% in 2011, and 25% in 2012. Foreign-invested enterprises which enjoy a fixed period of exemptions or reductions under the existing applicable rules and regulations may continue to enjoy such treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment will commence from the effective date of the EIT Law. According to the EIT Law, "Advanced Technology Enterprises" that the state decides to support are subject to the applicable enterprise income tax rate with a reduction of 15%.

Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例)

Pursuant to the Provisional Regulations on Value-added Tax of the PRC, effective from 1 January 1994 (amended on 5 November 2008) and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 17%, or 0% for exporting goods or in certain limited circumstances, 13%, depending on the product type.

Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例)

Pursuant to the Provisional Regulations of the PRC on Business Tax effective from 1 January 1994 (amended on 10 November 2008) and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The items and rates of business tax shall be implemented in accordance with the List of Items and Rates of Business Tax attached to the regulation.

Circular on Several Issues concerning Foreign Exchange Regulation of Corporate Finance and Roundtrip Investments by PRC Residents through Special Purpose Companies incorporated Overseas (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知(滙發[2005]75 號) (the Circular No. 75)

On 21 October, 2005, SAFE issued Circular No. 75, which became effective as at 1 November, 2005. According to Circular No. 75 and the related clarifications issued since then, prior registration with the local SAFE branch is required for PRC natural or legal person residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC and raising funds from overseas. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Circular No. 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration procedures with the local SAFE branch by 31 March, 2006. If any PRC shareholder of any offshore company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore company may also be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore company. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. PRC residents who control the Company from time to time are then required to register with the SAFE in connection with their investments and have done so.

Certain ultimate beneficial owners of the Shares of the Company are PRC residents and, therefore, are required to complete the registration procedures set forth under Circular No.75. As advised by the PRC Legal Advisers, the Shareholders who are PRC residents have completed the relevant registrations required under the Circular No.75.

Dividend Distribution

Before the promulgation of the New Tax Law, the principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include the Wholly Foreign Owned Enterprise Law, the Implementation Regulation and the FIE Income Tax Law. Pursuant to the Wholly Foreign-Owned Enterprise Law and the Implementation Regulation, wholly foreign-owned enterprises in the PRC shall retain a certain amount from its profits after income tax has been paid in accordance with the PRC tax laws as reserve funds, bonus and welfare funds for staff members. The proportion of reserve fund to be withdrawn shall not be lower than 10% of the total amount of profits after payment of tax; the withdrawal of reserve funds may be stopped when the total cumulative reserve has reached 50% of the registered capital.

After the implementation of New Tax Law, if overseas members are deemed to be PRC resident enterprises, dividend obtained by an eligible PRC resident enterprise from the other PRC resident can be exempted from enterprise income tax; if overseas members are deemed to be non-PRC resident enterprises, shareholders outside China will be subject to a withholding tax rate of 10% of any dividends paid by the Group.

Regulations of overseas investments and listings

On 8 September, 2006, the "Rules on the Acquisition of Domestic Enterprises by Foreign Investors in the PRC" (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), came into effect and was later amended on 22 June 2009. Under the M&A Rules, a foreign investor is required to obtain necessary regulatory approvals when it (i) acquires equity interests of a domestic enterprise resulting in the conversion of the domestic enterprise into a foreign-invested enterprise; (ii) subscribes additional equity capital of a domestic enterprise resulting in the conversion of the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise and conducts asset acquisition from a domestic enterprise; or (iv) acquires assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. In addition, if a security offering involves a reorganization that falls within the scope of the activities described above, an approval from the China Securities Regulatory Commission ("CSRC") is required for the Global Offering.

According to the PRC Legal Advisers, the Company has never conducted any merger and acquisition activities described in the M&A Rules after 8 September, 2006. As a result, the M&A Rules are not applicable to the Global Offering and the Global Offering does not require the approval of the CSRC.

REGULATORY COMPLIANCE

As confirmed by the PRC Legal Advisers, (i) the Group has obtained all necessary approvals and licenses for the operation of its business; (ii) the approvals and licenses obtained are valid and have not been revoked as at the Latest Practicable Date; and (iii) the Group has complied with all relevant PRC laws and regulations during the Track Record Period.

CORPORATE HISTORY

The following sets forth the corporate development of each member of the Group since their respective dates of establishment/incorporation. The principal operating entities are Synertone Smartend, Synertone Soontend, Synertone Wireless and SCL which are the Company's indirect wholly-owned subsidiaries. Synertone Smartend is the Group's principal entity for the research and development, production, design, installation and testing of the VSAT satellite system, WITONE digital trunking mobile communication system and DITONE digital trunking mobile communication system and provides technical support and maintenance and user training to the Group's customers. Synertone Soontend is the Group's principal entity for the research and development, production, design, installation and testing of the control and system exchange section of the Group's core components of the specialised communication system, and provides technical support and product training to its customers. Synertone Wireless and SCL are the Group's principal entities for investment holding, procurement of raw materials from overseas, value-added service and distribution of some of the products of the Group.

Synertone Smartend

Synertone Smartend was established on 6 February 2002 in Shenzhen, the PRC by Synertone Wireless. At the time of establishment, the total registered capital of Synertone Smartend in the amount of HK$1,000,000 was solely contributed by Synertone Wireless while the total investment amount was HK$1,000,000. Synertone Smartend was principally engaged in the provision of "wireless communication, data communication product and system technology development, providing relevant technical services and information consultancy".

On 3 September 2003, Synertone Smartend changed its business scope to "wireless communication, data communication product and system technology development, providing relevant technical services, information consultancy; the production and sale of base station of trunking communication system and relevant technical facilities, channel device, multiplexer and demultiplexer".

On 22 October 2007, the registered capital of Synertone Smartend was increased from HK$1,000,000 to HK$15,000,000 by converting HK$12,500,000 of the undistributed profits of Synertone Smartend for 2006 and contributing by way of equipment in the amount of HK$1,500,000. The total investment amount of Synertone Smartend was also increased from HK$1,000,000 to HK$15,000,000 on the same day. Necessary approvals and permits have been obtained for this increase in the registered capital.

On 23 May 2008, Synertone Smartend was approved to add to its business scope the "installation of own products".

On 20 November 2008, Synertone Smartend changed its business scope to "wireless communication, data communication product and system technology development, production and the wholesale, import and export and related ancillary business of the above products (the exports of the above products do not include products subject to special management of international trade, auction of import and export quotas and import and export licensed products)".

Synertone Soontend

Synertone Soontend was established on 5 February 2002 in Shenzhen, the PRC by SCL. At the time of establishment, the total registered capital of Synertone Soontend in the amount of HK$1,000,000 was solely contributed by SCL and the total investment amount of SCL was HK$1,000,000 while the total investment amount was initially HK$21,000,000. Synertone Soontend was principally engaged in the "development of computers, communication products and systems technologies and the provision of electronic technology and information consultancy".

On 3 September 2003, the business scope of Synertone Soontend was changed to "development of computers, communication products and systems technologies, provision of electronic technology and information consultancy; production and operation of base station of trunking information system and relevant terminal facilities and base station controller".

The total registered capital of Synertone Soontend was increased from HK$1,000,000 to HK$16,000,000 on 8 May 2004. The total investment amount of Synertone Soontend was increased to HK$22,000,000 on the same day. Necessary approvals and permits have been obtained for this increase in the registered capital.

Synertone Wireless

Synertone Wireless was incorporated in Hong Kong on 21 November 2001 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares with a par value of HK$1 each. On 15 November 2001, 9,900 shares and 100 shares, which represent 99% and 1%, in Synertone Wireless were allotted and issued at par to Radio World and Vastsuccess, respectively. On 8 August 2008, Vastsuccess transferred all its shareholding in Synertone Wireless to Radio World in consideration of HK$100 which represented their par value. The consideration was fully settled. Synertone Wireless is principally engaged in the business of "investment holding, procurement, distributing, selling communication equipment and parts and value-added services".

SCL

SCL was incorporated in Hong Kong on 21 November 2001 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares with a par value of HK$1 each. 9,900 shares and 100 shares, which represent 99% and 1% in SCL, were allotted and issued at par to Vastsuccess and Radio World, respectively on 15 November 2001. On 8 August 2008, Radio World transferred all its interest in SCL to Vastsuccess in consideration of HK$100 which represented their par value. The consideration was fully settled. Upon completion of the transfer, SCL is wholly owned by Vastsuccess. SCL is principally engaged in the business of investment holding, procurement, distributing, selling communication equipment and parts and value-added service.

Radio World

Radio World was incorporated in BVI on 18 August 1999 with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1 each. Each of Mr. Wong Chit On and Mr. Cai Zuping held 500 shares of Radio World. On 1 December 2000, Mr. Cai Zuping transferred all his shareholding in Radio World to Mr. Wong Chit On in the consideration of US$500, which represents the par value and was paid by Mr. Wong Chit On in full. On 31 December 2001, Mr. Wong Chit On transferred all his shareholding in Radio World to Synertone Group at a consideration of US$1,000, which represents the par value and was paid by Synertone Group in full. After the transfer, Radio World is wholly owned by the Group. Radio World is an investment holding company.

Vastsuccess

Vastsuccess was incorporated in BVI on 8 September 2000 with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1 each. One subscriber share was allotted and issued to the subscriber. On 31 December 2001, the subscriber share was transferred to Synertone Group at a consideration of US$1, which represents the par value and was paid by Synertone Group in full. Vastsuccess is an investment holding company.

Synertone Group

Synertone Group was incorporated in Hong Kong on 12 December 2001 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares with HK$1.00 par value each. 9,999 shares and 1 share, which represented 99% and 1% in Synertone Group, were allotted and issued at par to Excel Time and Mr. Wong Chit On, respectively. On 19 March 2002, Excel Time transferred 2,999 shares in Synertone Group to Yusman in consideration of HK$2,999, which represents the par value and was paid by Yusman in full, and Mr. Wong Chit On transferred 1 share in Synertone Group to Yusman in consideration of HK$1, which represents the par value and was paid by Yusman in full. On 29 September 2006, Yusman transferred 3,000 shares in Synertone Group to Excel Time in consideration of HK$15,921,000. The consideration was negotiated at arm's length between Excel Time and Yusman taken into account of the unaudited financial information as of 30 June 2006 as well as the business affairs and income generated out of Synertone Smartend and Synertone Soontend. On 27 December 2006, Excel Time transferred 10,000 shares in Synertone Group to the Company at a consideration of and in exchange for the Company crediting its 10,000,000 Shares held by Excel Time as fully paid. Upon completion of the transfer, Synertone Group is wholly owned by the Company. Synertone Group is principally an investment holding company.

The Company

The Company was incorporated on 11 October 2006 in the Cayman Islands with limited liability.

The agreement concerning the investment in the Company by the senior management of the Group and independent consultants

In 2006, the Company proposed to apply for the listing of the Group's business in Hong Kong. However, subsequent to series of negotiations between the Group and the former sponsor, both parties had not come to an agreement on the valuation of the Group after taking the cost and benefit of listing into consideration. Meanwhile, the Group was not able to draw in any pre-IPO investment into the Group. The Group hence decided to postpone the listing timetable and to concentrate on allocating the resources on further development and expansion of the business of the Group. With a view to encouraging some members of senior management staff to work for the Group on a stable and long-term basis and to reward Liu Yan, Zhao Xiaoyan and John Edward Hunt, who respectively are independent consultants outside the Group. For their previous services rendered to the Group including providing advice to the development of the Group and research and development of the Group's products and to encourage them to continue providing such assistance to the Group, the

Company resolved to allow them to invest in the Company at a preferential price. While the independent consultants were allowed to make direct investment in the Company, members of the senior management were allowed to invest in the Company through two BVI companies, namely, Jumbo Harbour Group Limited ("**Jumbo**") and Pak Fu Enterprises Limited ("**Pak Fu**").

Jumbo was incorporated in BVI on 20 January 2006 and Pak Fu was incorporated in BVI on 19 January 2006, with the original shareholder being Mr. Wong Chit On, who held one share of Jumbo and one share of Pak Fu.

On 30 December 2006, a share subscription agreement was signed among the Company, Jumbo, Pak Fu, the relevant senior management members of the Group, and Liu Yan, John Edward Hunt and Zhao Xiaoyan in relation to the proposed investments (the "**2006 Subscription Agreement**"). Pursuant to the 2006 Subscription Agreement, members of the Group's senior management staff could invest through Jumbo and Pak Fu respectively, in an aggregate amount of HK$20,000,000 to subscribe for the Shares, acquiring an interest in a total of approximately 6.67% shareholding in the Company through Jumbo and Pak Fu. No special right was granted by the Company to Jumbo and Pak Fu under the 2006 Subscription Agreement. Meanwhile, the following Independent Third Parties, Liu Yan, John Edward Hunt and Zhao Xiaoyan, could invest into the Company an aggregate amount of HK$10,000,000 to directly subscribe for approximately 3.33% of the Company's shareholding.

Pursuant to the 2006 Subscription Agreement, the following senior management members of the Group could respectively make investment into Jumbo to subscribe for the following number of shares in Jumbo, through which they will hold beneficial interest in the Company:

Name	**Position held in the Group as at the date of the 2006 Subscription Agreement**	**No. of shares in Jumbo**	**Amount to be invested to the Company through Jumbo** *(HK$)*
Liu Jiang (劉強) *(Note 1)*	vice-president of research and development	14,760,000	4,920,000
Shen Ruisong (沈瑞松)	general manager of the research centre in Nanjing	750,000	250,000
Feng Baoli (馮寶理)	assistant manager of the research centre in Nanjing	2,190,000	730,000
He Jie (何潔)	chief technical officer	4,170,000	1,390,000
Yang Jun (楊軍) *(Note 2)*	general manager of the research centre in Shenzhen	2,880,000	960,000
Total:		24,750,000	8,250,000

Notes:

1. Liu Jiang left the Group on 31 July 2007 and gave up his subscription right under the 2006 Subscription Agreement.

2. Yang Jun left the Group on 30 September 2009 and gave up his subscription right under the 2006 Subscription Agreement.

Pursuant to the 2006 Subscription Agreement, the following senior management members of the Group could respectively make investment into Pak Fu to subscribe for the following number of shares in Pak Fu, through which they will hold beneficial interest in the Company:

Name	Position held in the Group as at the date of the 2006 Subscription Agreement	No. of shares in Pak Fu	Amount to be invested to the Company through Pak Fu
			(HK$)
Fan Zhiwen (范志文)	chief operating officer	8,100,000	2,700,000
Yu Qi (虞琦) *(Note 3)*	general manager of production management centre	2,370,000	790,000
Yao Junshui (姚俊水) *(Note 4)*	general manager of marketing and sales management centre	7,800,000	2,600,000
Xu Jianxu (徐建需) *(Note 5)*	vice-president of production management, administration and human resources	16,980,000	5,660,000
Total:		35,250,000	11,750,000

Notes:

3. Yu Qi left the Group on 12 October 2007 and gave up his subscription right under the 2006 Subscription Agreement.

4. Yao Junshui left the Group on 31 December 2008 and gave up his subscription right under the 2006 Subscription Agreement.

5. Xu Jianxu left the Group on 31 January 2009 and gave up his subscription right under the 2006 Subscription Agreement.

Pursuant to the 2006 Subscription Agreement each of Liu Yan, John Edward Hunt and Zhao Xiaoyan, Independent Third Parties who had contributed to the development of business and technological innovation of the Group, could respectively invest into the Company the following amounts to subscribe for the Shares:

Name	Approximate percentage of the Company's total issued Shares before Listing	Amount to be invested to the Company
		(HK$)
Liu Yan (劉延)	1.33%	4,000,000
John Edward Hunt	1.33%	4,000,000
Zhao Xiaoyan (趙曉岩)	0.67%	2,000,000
	3.33%	10,000,000

The subscription price offered by the Company to the said three individual investors was HK$0.333 per Share (ie 3 Shares for HK$1.00) under the 2006 Subscription Agreement. The members of the senior management of the Group could indirectly subscribe for the Shares through either Jumbo or Pak Fu at the price of HK$0.333 per Share (ie 3 Shares for HK$1.00) under the 2006 Subscription Agreement. The price offered to the members of senior management and the said three individual investors was determined with reference to the unaudited financial information of the Group as of 30 June 2006, together with the Group's business conditions in 2006 and its future development plan. The 2006 Subscription Agreement also included, among other things, the following terms:

1. The subscription rights of Liu Yan, John Edward Hunt and Zhao Xiaoyan under the 2006 Subscription Agreement can be transferred upon approval by the Company;

2. The amounts to be invested by the respective parties can be used for the Group's working capital; and

3. Relevant share certificates can be issued later at a time close to the date when the Group submits a formal application for Listing.

Subsequent to the 2006 Subscription Agreement, Liu Yan, John Edward Hunt, Zhao Xiaoyan paid their respective subscription amounts to the Company by May 2008.

On 14 May 2009, the Company, Liu Yan and Han Weining, an executive Director, signed a subscription right transfer agreement, pursuant to which the parties agreed that Liu Yan would transfer his right to invest HK$4,000,000 into the Company, to Han Weining at HK$4,000,000 (the "**Subscription Right Transfer Agreement**"). Han Weining paid HK$4,000,000 to Liu Yan on 28 May 2009 according to the Subscription Right Transfer Agreement. The right to the HK$4,000,000 investment made by Liu Yan was accordingly transferred to Han Weining from Liu Yan on the same day.

Since some senior management members of the Group, namely Liu Jiang, Yang Jun, Yu Qi, Yao Junshi and Xu Jianxu, gave up their share options upon termination of their employment with the Group, certain adjustments had to be made in relation to the combination of individuals entitled to invest in the Company through Jumbo and Pak Fu and the corresponding amount of investment as agreed by all parties under the 2006 Subscription Agreement. None of Liu Jiang, Yang Jun, Yu Qi, Yao Junshi or Xu Jianxu had paid their respective amount of investment to Jumbo or Pak Fu before they left the Group.

On 1 December 2009, an option transfer agreement for the senior management and others was signed among the Company, Jumbo, Pak Fu, Group A parties as set out below, Group B parties as set out below, and Han Weining (the "**2009 Option Transfer Agreement**"), pursuant to which all parties therein confirmed that they agreed to the adjustments mentioned below and agreed to abide by the relevant terms of the 2006 Subscription Agreement. Pursuant to the 2006 Subscription Agreement and the 2009 Option Transfer Agreement, the following senior management members of the Group ("**Group A**") could respectively make investment into Jumbo the following amounts to subscribe for the following number of shares, thereby allowing them to hold beneficial interests in the Company through Jumbo:

Name	**Position held in the Group as at the date of the 2009 Option Transfer Agreement**	**No. of shares in Jumbo**	**Amount to be invested to the Company through Jumbo**
			(HK$)
Xiang Jun (向軍)*	vice-president of marketing and sales	13,259,999	4,420,000
Shen Ruisong (沈瑞松)	vice-president of research and development	9,660,000	3,220,000
Feng Baoli (馮寶理)	general manager of the research centre in Nanjing	3,240,000	1,080,000
He Taoyang (何濤洋)*	general manager of the research centre in Shenzhen	2,100,000	700,000
Huang Guangxin (黃光欣)*	deputy general manager of financial planning and management centre	1,740,000	580,000
Total:		29,999,999	10,000,000

* New senior management staff joining in the pre-IPO share option arrangement.

Pursuant to the 2006 Subscription Agreement and the 2009 Option Transfer Agreement, the following senior management members of the Group ("**Group B**") could respectively make investment into Pak Fu the following amounts to subscribe for the following number of shares, thereby allowing them to hold beneficial interests in the Company through Pak Fu:

Name	**Position held in the Group as at the date of the 2009 Option Transfer Agreement**	**No. of shares in Pak Fu**	**Amount to be invested to the Company through Pak Fu**
			(HK$)
Fan Zhiwen (范志文)	vice-president of operation	9,899,999	3,300,000
Sun Peng (孫芃)*	general manager of production management centre	8,880,000	2,960,000
Ma Jinbu (馬金步)*	general manager of administration and human resources management centre	3,750,000	1,250,000
He Jie (何潔)	chief technical officer	2,550,000	850,000
Tian Huachen (田華臣)*	general manager of financial planning and management centre	2,520,000	840,000
Kwan Po Yuk (關寶玉)*	chief officer of accounting for the Hong Kong subsidiaries of the Group	1,200,000	400,000
Lee Lim Ching (李廉正)*	chief officer of logistics and operation for the Hong Kong subsidiaries of the Group	1,200,000	400,000
Total:		29,999,999	10,000,000

* New senior management staff joining in the pre-IPO share option arrangement.

Upon transfer of the right to invest from Liu Yan to Han Weining on 28 May 2009, Han Weining should be entitled to subscribe for 1.33% of the issued share capital of the Company before Listing for the amount invested in the sum of HK$4,000,000 paid to the Company. John Edward Hunt and Zhao Xiaoyan should be entitled to subscribe for 1.33% and 0.67% of the issued share capital of the Company before Listing respectively for their respective amounts invested in the Company in the sums of HK$4,000,000 and HK$2,000,000.

The subscription price offered by the Company to members of the senior management staff, Han Weining, John Edward Hunt and Zhao Xiaoyan remained the same as agreed under the 2006 Subscription Agreement at HK$0.333 per Share.

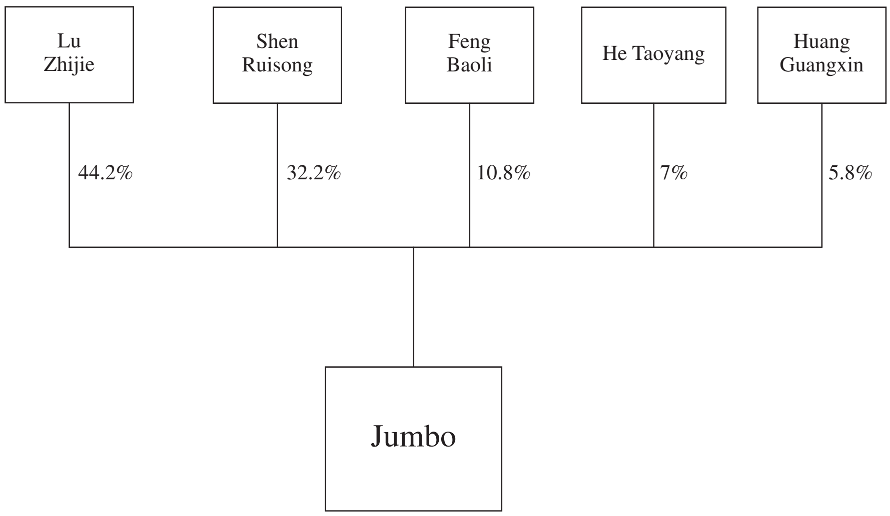
All members of Group A injected their respective amount in full pursuant to the 2006 Subscription Agreement and the 2009 Option Transfer Agreement by the end of December 2009 and all members of Group B injected their respective amount in full pursuant to the same by 5 January 2010. Jumbo, Pak Fu, Han Weining, John Edward Hunt and Zhao Xiaoyan injected their respective amounts of investment into the Company respectively before February 2010.

On 12 February 2010, Mr. Wong Chit On transferred one share of Jumbo he held to Xiang Jun at a nominal consideration of HK$10 paid by Xiang Jun in full, and transferred one share of Pak Fu he held to Fan Zhiwen at a nominal consideration of HK$10 paid by Fan Zhiwen in full on the same day.

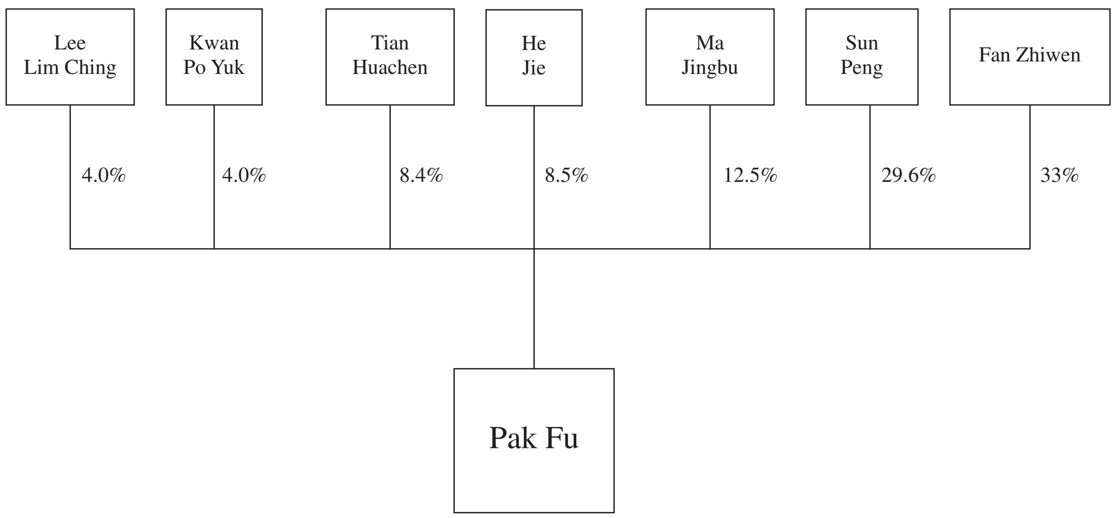
On 2 December 2010, Jumbo allotted shares to Group A and Pak Fu allotted shares to Group B.

On 2 December 2010, Xiang Jun resigned from the directorship in Jumbo and Pak Fu respectively and transferred the entire issued shares he held in Jumbo (equivalent to 44.2% shareholding in Jumbo) to Lu Zhijie, a Director, at HK$4,420,000 on the same date. The above price is the same as the subscription price for the 44.2% shareholding in Jumbo originally invested by Xiang Jun. The consideration was paid by Lu Zhijie to Xiang Jun on 2 December 2010.

The existing shareholders of Jumbo are as follows:



The existing shareholders of Pak Fu are as follows:



On 17 February 2011, the Company allotted and issued 30,000,000 Shares and 30,000,000 Shares to Jumbo and Pak Fu respectively for the consideration of the paid investment amount of HK$10,000,000 and HK$10,000,000 respectively. On 17 February 2011, the Company allotted and issued 12,000,000 Shares, 12,000,000 Shares and 6,000,000 Shares to Han Weining, John Edward Hunt and Zhao Xiaoyan, respectively in consideration of their respective paid investment amount of HK$4,000,000, HK$4,000,000 and HK$2,000,000, respectively.

After allotment and issuance of Shares to Jumbo, Pak Fu, Han Weining, John Edward Hunt and Zhao Xiaoyan, the pre-IPO share option arrangement was entirely completed and there is no other outstanding pre-IPO share option. No further option for the Shares will be granted under such an arrangement after Listing.

REORGANISATION

Introduction

In order to rationalise the Group's structure and business development, and in preparation for the Listing, the Group underwent certain reorganisation steps, particulars of which are set out below and in the paragraph headed "Corporate reorganisation" in Appendix V to this prospectus.

In preparation for the Listing, the Group has undergone certain steps of reorganisation which involved the following steps:

- acquisition by Excel Time of the shares in Synertone Group held by Yusman to become a 100% shareholder of Synertone Group;

- incorporation of the Company and acquisition by the Company from Excel time of its entire shareholding in Synertone Group;

- acquisition of 1% shareholding in Synertone Wireless and SCL by Radio World and Vastsuccess respectively;

- disposal of Best Tender Limited;

- increase in the authorised share capital of the Company and issue and allotment of 800,000,000 Shares to Excel Time;

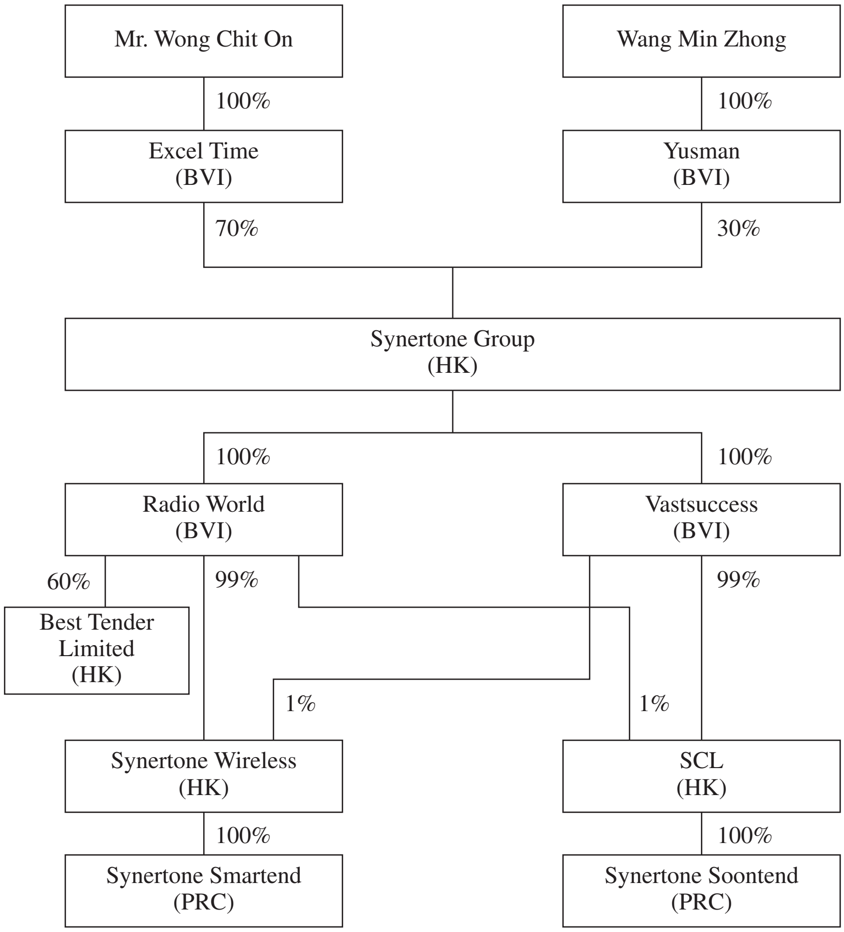
- issue and allotment of Shares to Jumbo and Pak Fu;

- issue and allotment of Shares to two independent investors and a Director;

- issue of Convertible Notes by Excel Time to Victory Investment and subsequent transfer of 180,000,000 Shares to Victory Investment; and

- repurchase of 180,000,000 Shares by Excel Time from Victory Investment.

The following diagram illustrates the Group's shareholding and corporate structure prior to the Reorganisation:



DETAILED PROCEDURES

For the purpose of the Listing, the following Reorganisation steps have been implemented:

Acquisition by Excel Time of the shares in Synertone Group held by Yusman to become a 100% shareholder of Synertone Group

On 29 September 2006, Excel Time acquired from Yusman 30% shareholding (being 3,000 ordinary shares) in Synertone Group held by it in consideration of HK$15,921,000. After the acquisition of the shares, Excel Time became the wholly owned controlling company of Synertone Group. The above mentioned acquisition was a regular transaction and the acquisition price was determined by the two parties according to the unaudited balance sheet of Synertone Group on 30 June 2006 on the arm's length.

Incorporation of the Company and acquisition by the Company from Excel Time of its entire shareholding in Synertone Group

Excel Time established the Company in the Cayman Islands on 11 October 2006 and held a 100% shareholding in the Company. On 11 October 2006:

(a) The Company allotted and issued one nil paid share of the Company to the subscriber;

(b) The subscriber transferred the one subscriber share to Excel Time;

(c) The Company allotted and issued 9,999,999 nil paid shares of the Company to Excel Time.

On 22 December 2006, the Company agreed with Excel Time to acquire from Excel Time all the shareholding in Synertone Group held by it, in consideration for the Company crediting the 10,000,000 nil-paid ordinary shares held by Excel Time as fully paid. Excel Time, as the seller, signed a share swap agreement with the Company on 22 December 2006 to implement the aforesaid arrangement. The completion date of the share swap agreement was 22 December 2006 and the relevant share transfer was effected on 27 December 2006.

Acquisition of 1% shareholding in Synertone Wireless and SCL by Radio World and Vastsuccess respectively

On 8 August 2008, Radio World acquired from Vastsuccess 100 shares (representing 1% of the issued share capital) of Synertone Wireless in consideration of HK$100. The consideration is determined based on the par value of the shares. The purpose of the equity transfer is to rationalise the Group's structure. Upon completion of the acquisition, Synertone Wireless became wholly owned by Radio World.

On 8 August 2008, Vastsuccess acquired from Radio World 100 shares of SCL in consideration of HK$100. The consideration is determined based on the par value of the shares. The purpose of the equity transfer is to rationalise the Group's structure. Upon completion of the acquisition, SCL became wholly owned by Vastsuccess.

Disposal of Best Tender Limited

Radio World was a former shareholder of Best Tender Limited and held 60% of its issued share capital. The remaining former shareholders were Max Fan International Limited and View Sun Technology Limited, each held 20% of the issued share capital of Best Tender Limited. Both Max Fan International Limited and View Sun Technology Limited have no connection with the Group, the Controlling Shareholders and the Directors.

The Group decided to separate Best Tender Limited from it as Best Tender Limited had no active business since its establishment in Hong Kong on 10 March 2005 to 2008 and was not likely to contribute to the business development of the Group. On 10 September 2008, Radio World transferred 60% shareholding (being 6,000 ordinary shares) held by it to Mr. Wong Chit On in consideration of HK$6,000 based on its par value. After such equity transfer, Best Tender Limited was separated from the Group's structure.

Increase in the authorised share capital of the Company and issue and allotment of 800,000,000 Shares to Excel Time

On 9 February 2010, the authorised share capital of the Company was increased from HK$100,000 divided into 10,000,000 Shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each, and the number of ordinary shares was increased from 10,000,000 to 2,000,000,000.

On 16 February 2011, the Company issued additional 800,000,000 fully paid Shares to Excel Time, its then sole shareholder, by way of bonus issue on the proportion of 80 Shares of the Company for every issued Share of the Company. Upon issuance of the above bonus Shares, Excel Time held 810,000,000 Shares of the Company.

Issue and allotment of Shares to Jumbo and Pak Fu

Upon completion of the capital increase, on 17 February 2011, the Company allotted and issued 30,000,000 Shares and 30,000,000 Shares respectively to Jumbo and Pak Fu in consideration of HK$10,000,000 and HK$10,000,000 respectively, according to two subscription agreements both dated 2 February 2010 and signed by Excel Time with Jumbo and Pak Fu respectively. Based on the above consideration, the price per Share of the Company was about HK$0.333. The issue price was determined after negotiation and calculation with reference to the unaudited financial information of the Group as of the end of 30 June 2006 and taking into consideration of the business of the Group in 2006 and its future development plan. Upon completion of the allotment and issuance, each of Jumbo and Pak Fu was interested in 3.333% of the issued share capital of the Company respectively.

Jumbo is currently beneficially owned by members of senior management of the Company, namely Shen Ruisong, Feng Baoli, He Taoyang and Huang Guangxin and Lu Zhijie, an executive Director. The said individuals hold 32.2%, 10.8%, 7.0%, 5.8% and 44.2% interest in the issued share capital of Jumbo, respectively.

Pak Fu is currently beneficially owned by members of senior management of the Company, namely Fan Zhiwen, Sun Peng, Ma Jingbu, He Jie, Tian Huachen, Kwan Po Yuk and Lee Lim Ching. The said individuals hold 33.0%, 29.6%, 12.5%, 8.5%, 8.4%, 4.0% and 4.0% interest in the issued share capital of Pak Fu, respectively.

Issue and allotment of Shares to two independent investors and a Director

On 17 February 2011, the Company allotted and issued 12,000,000 Shares, 12,000,000 Shares and 6,000,000 Shares, respectively to Han Weining, an executive Director, John Edward Hunt and Zhao Xiaoyan, two Independent Third Parties, pursuant to three subscription agreements all dated 2 February 2010 and signed by Excel Time with them respectively. Based on the above consideration, the price per Share of the Company was about HK$0.333. The issue price was determined after negotiation and calculation with reference to the unaudited financial information of the Group as of 30 June 2006, together with the Group's business conditions in 2006 and its future development plan. Upon completion of the allotment and issuance, Han Weining, John Edward Hunt and Zhao Xiaoyan were interested in 1.3333%, 1.3333% and 0.6667% of the issued share capital of the Company respectively.

Issue of Convertible Notes by Excel Time to Victory Investment and subsequent transfer of 180,000,000 Shares to Victory Investment

On 20 March 2010, Excel Time and Victory Investment signed a subscription agreement in relation to the issuance of Convertible Notes with a total value of HK$90,000,000 ("**Convertible Notes Subscription Agreement** "). Victory Investment has subscribed for the entire Convertible Notes from Excel Time and paid the entire principal sum to Excel Time and, Excel Time has issued Convertible Notes equivalent to the principal sum already paid by Victory Investment in accordance with the relevant note terms. Victory Investment was incorporated in British Virgin Islands on 11 February 2004 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares with a par value of US$1.00 each. 50,000 issued ordinary shares are all held by Wang Ruiyun, an Independent Third Party. Details of the note subscription and payment of principal are set out below.

The Convertible Notes Subscription Agreement was completed on 31 March 2010 when Victory Investment paid HK$20,000,000 to Excel Time and the note instrument was executed by the two parties (the "**Instrument**"). Excel Time issued notes equivalent to an amount of HK$20,000,000 to Victory Investment on 31 March 2010. Under the terms and conditions of the Instrument, Victory Investment was entitled to convert the entire Convertible Notes in the principal amount of HK$90,000,000 into the Shares of the Company at a conversion price of HK$0.50 per Share subject to certain standard adjustment provisions.

The conversion price of HK$0.50 per Share was determined between the parties after arms' length negotiation with reference to the unaudited consolidated accounts of the Group for the period comprising the three financial years ended 31 March 2010. The factors taken into account by Excel Time in agreeing to such a conversion price included: (i) Victory Investment intended to invest on a medium to long term basis; (ii) the note instrument carried interest at a rate of 2.5% per annum; and (iii) the uncertainty on the successful Listing. The conversion price of HK$0.50 per Share represents a range from a premium of 66.7% to a discount of 16.7% of the Offer Price.

On 27 May 2010, Victory Investment paid HK$25,000,000 to Excel Time and Excel Time issued notes equivalent to an amount of HK$25,000,000 to Victory Investment.

On 6 December 2010, Victory Investment paid HK$45,000,000 to Excel Time and Excel Time issued notes equivalent to an amount of HK$45,000,000 to Victory Investment.

On 26 February 2011, Excel Time and Victory Investment signed a deed (the "**Supplemental Deed**") to supplement and amend the Instrument to the effect that Victory Investment could exercise its conversion right during the period from 26 February 2011 up to and until (but excluding) the Latest Practicable Date and that the conversion price be fixed at HK$0.50 without the need for adjustment.

On 28 February 2011, during the conversion period, Victory Investment exercised its conversion right and fully converted all the Convertible Notes into 180,000,000 ordinary Shares of the Company at the conversion price of HK$0.50 per Share, representing 20% of the Company's issued share capital immediately prior to Listing and approximately 15% of the Company's issued share capital after Listing.

Pursuant to an undertaking given by Victory Investment and Mr. Wang Ruiyun in favour of Excel Time and the Company, Victory Investment and Mr. Wang Ruiyun have agreed and undertaken that: (i) Victory Investment shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the Shares held by Victory Investment during the six months lock-up period commencing on the date of Listing; and (ii) Mr. Wang Ruiyun shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the share capital of Victory Investment during the six months lock-up period commencing on the date of Listing.

Other than the terms of the Convertible Notes, no special rights were granted by Excel Time to Victory Investment. Victory Investment and Mr. Wang Ruiyun did not participate in the management or operation of the Group.

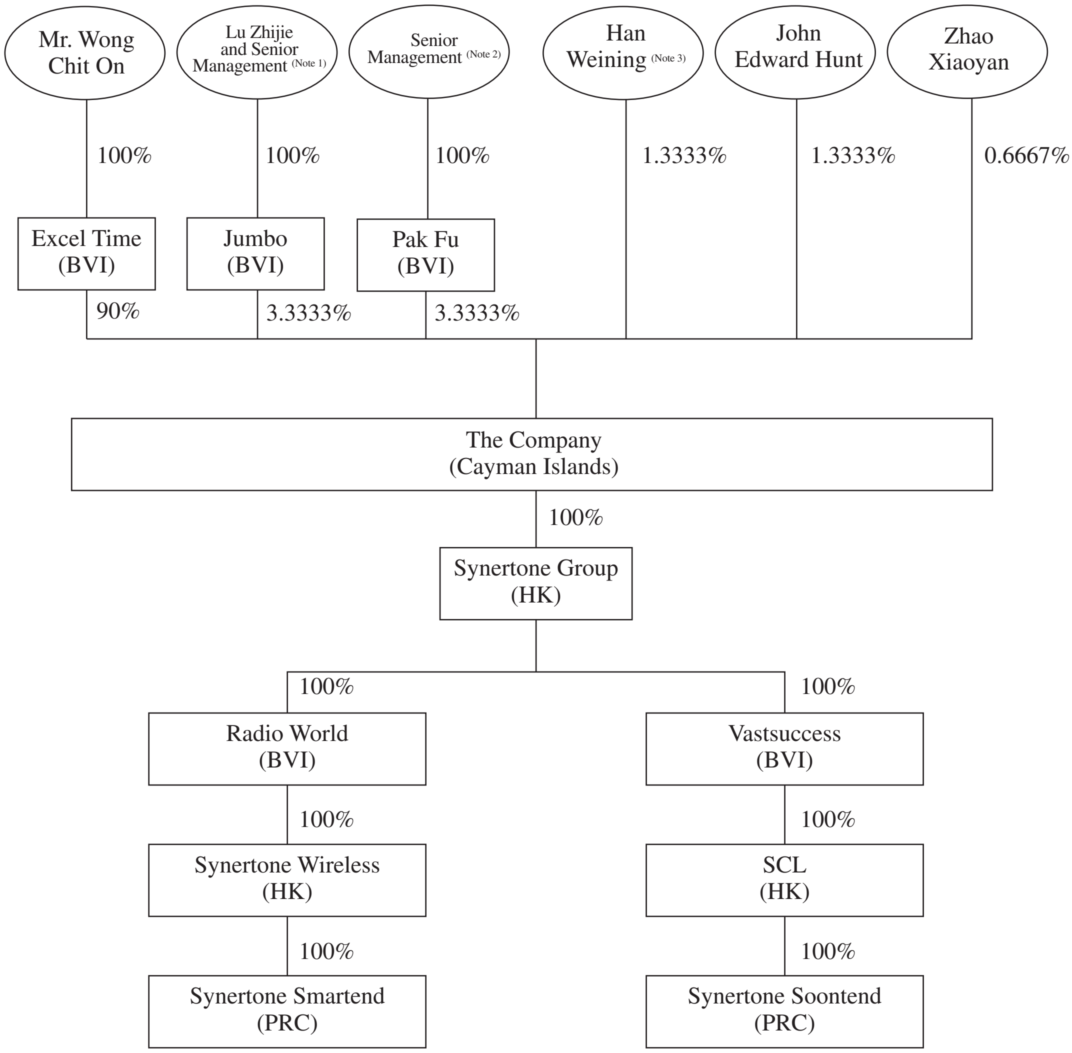
Repurchase of 180,000,000 Shares by Excel Time from Victory Investment

As the Listing Date of the Company remained uncertain by the end of 2011, Victory Investment decided to sell 180,000,000 Shares to Excel Time due to the financial needs of Mr. Wang Ruiyun (the sole shareholder of Victory Investment) at that time as well as the business arrangement needs of Victory Investment. As a result, an agreement was made between Excel Time as the purchaser, Victory Investment as the vendor and Mr. Wang Ruiyun as the warrantor on 22 December 2011 for the sale and purchase of 180,000,000 Shares (the "**S&P Agreement**"). These 180,000,000 Shares represented all of the Shares acquired earlier by Victory Investment from Excel Time upon full conversion of the Convertible Notes. Under the S&P Agreement, the consideration for the 180,000,000 Shares from Victory Investment was HK$0.50 per Share in the total sum of HK$90,000,000. The consideration for this repurchase under the S&P Agreement was the same as the conversion price of HK$0.50 per Share for the Convertible Notes under the Subscription Agreement, the Instrument and the Supplemental Deed.

Completion of the S&P Agreement took place on 12 January 2012 after Excel Time had paid by instalments a total sum of HK$90,000,000 to Victory Investment. On 12 January 2012, Victory Investment transferred 180,000,000 Shares to Excel Time, representing 20% of the issued share capital of the Company immediately prior to Listing. Upon this transfer pursuant to the S&P Agreement, Excel Time holds a total of 810,000,000 Shares, representing 90% of the issued share capital of the Company immediately prior to Listing.

On 26 May 2010, the Company was registered with the Registrar of Companies in Hong Kong as non-Hong Kong company under Part XI of the Companies Ordinance.

The following diagram illustrates the shareholding and corporate structure of the Group as of the Latest Practicable Date:



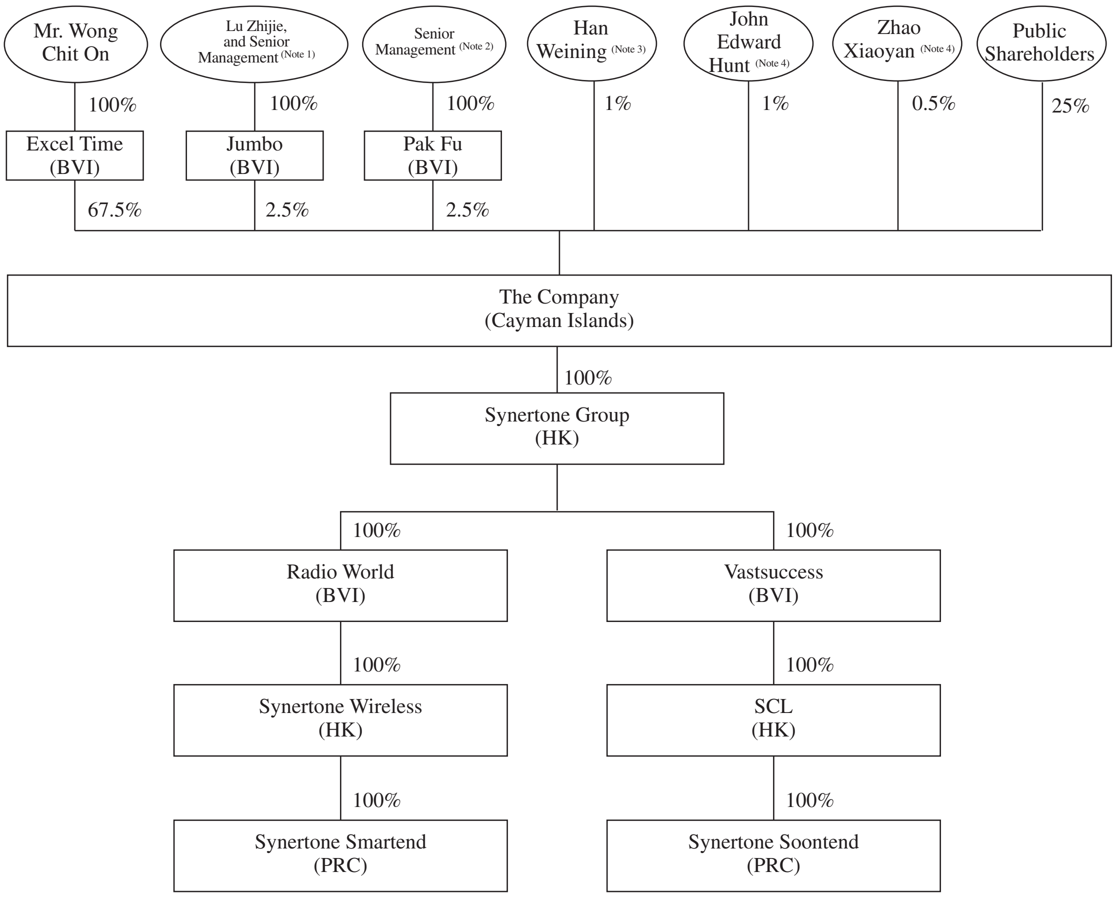
Notes:

1. Jumbo is owned as to 44.2% by Lu Zhijie (an executive Director), 32.2% by Shen Ruisong, 10.8% by Feng Baoli, 7% by He Taoyang and 5.8% by Huang Guangxin, respectively, who are senior management staff of the Company.

2. Pak Fu is owned as to 33.0% by Fan Zhiwen, 29.6% by Sun Peng, 12.5% by Ma Jinbu, 8.5% by He Jie, 8.4% by Tian Huachen, 4.0% by Kwan Po Yuk and 4.0% by Lee Lim Ching, respectively, who are senior management staff of the Company.

3. Han Weining is an executive Director.

The following diagram illustrates the shareholding and corporate structure of the Group immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option that may be granted under the Share Option Scheme):



Notes:

1. Jumbo is owned as to 44.2% by Lu Zhijie (an executive Director), 32.2% by Shen Ruisong, 10.8% by Feng Baoli, 7% by He Taoyang and 5.8% by Huang Guangxin, respectively, who are senior management staff of the Company.

2. Pak Fu is owned as to 33.0% by Fan Zhiwen, 29.6% by Sun Peng, 12.5% by Ma Jinbu, 8.5% by He Jie, 8.4% by Tian Huachen, 4.0% by Kwan Po Yuk and 4.0% by Lee Lim Ching, respectively, who are senior management staff of the Company.

3. Han Weining is an executive Director.

4. Shares held by Mr. John Edward Hunt and Mr. Zhao Xiaoyan will be part of the Company's public float (within the meaning of Rule 8.24 of the Listing Rules) upon Listing.

OVERVIEW

The Group is a provider of core components of specialised communication system. The Group has designed and developed its products relating to digital trunking and satellite communication systems through research and development and acquisition of relevant intellectual property rights and technology know-how from third parties. The Group also provides specialised communication network design and implementation that can be customarily devised pursuant to the specific needs of client. During the Track Record Period, the products of the Group are mainly utilized by end-users for public safety and emergency communication purposes. For example, users are able to remotely monitor and co-ordinate emergency rescue exercises or remotely monitor the operation of and location of vehicles through the use of the Group's products. The Group has developed its own standard of specialised communication network. The core components for specialised communication systems provided by the Group can be utilized to form digital trunking system and VSAT satellite system, which can be installed onto vehicles as operation integrated system.

Products of the Group were mostly sold under the brand name of "SYNERTONE". The Group sold its products through three channels, namely (i) sales to system integrators; (ii) sales to distributors; and (iii) sales to its direct customers, who are mainly end-users. Majority of the Group's products were sold to system integrators and distributors, which include PRC business enterprises engaged in design, development and sales of electronic products and network communication products. The Group has maintained one to nine years of business relationship with the system integrators and five years of business relationship with distributors.

The customers or end-users of the Group's products and solutions are mainly (i) government sectors which include governmental departments, police, national defence and public security; and (ii) business enterprises engaging in mining and logistics etc which require reliable, secure and rapid specialised communication systems. During the Track Record Period, products of the Group were sold and used in different areas of the PRC covering 13 provinces, three municipalities and one autonomous region: Guangdong, Hebei, Sichuan, Fujian, Shanxi, Yunnan, Gansu, Jiangsu, Hainan, Hunan, Shandong, Anhui, Zhejiang, Shanghai Municipality, Beijing Municipality, Chongqing Municipality and Xinjiang Uygur Autonomous Region.

The following sets forth the milestone events of the Group since its establishment:

2001	Hong Kong headquarters of the Group was established.
2002	Synertone Smartend and Synertone Soontend were established in Shenzhen, the PRC for the development of wireless communication, digital communication products and provision of related consultancy services.
	The Group entered into co-operation agreements with various distributors, including the Techtone Communication.
2003	The Group developed CITONE trunking mobile communication system and launched it to the market.

2005	The Group enhanced its CITONE trunking mobile communication system and upgraded it to CITONE digital trunking mobile communication system.
	The quality system of Synertone Smartend was certified for its compliance with GB/T19001-2000 – ISO9001:2000 Standard in "Research & Development, Manufacture and Service in relation to Trunking Radio System" by Universal Certification Service Co., Ltd. (Shenzhen Quality Certification Centre).
	The Group was granted a utility model patent for "duplex handheld radio" (雙工手持機) in the PRC.
2005-2007	The Group entered into collaboration agreements with (i) Xi'an Haitian Antenna Technologies Co., Ltd. (西安海天天線科技股份有限公司) for the research and development of retractable antenna for handheld radio (伸縮式手持機天線), (ii) Southeast University (東南大學) for the research and development of private network vehicle-carried radio frequency chip (專網手機射頻芯片), and (iii) an institute situated in Nanjing specialising in communication and engineering for the research and development of acoustic code (數字語音縮及抗噪技術) and key technology for new composite radio communication system (新型綜合移動通信系統關鍵技術).
2006	Synertone Smartend was granted a Radio Transmission Equipment Model Approval Certificate (無綫電發射設備型號核准證) in respect of frequency modulation base stations (調頻基站) with model number TA837 by the Ministry of Information Industry of the PRC.
2007	The Group launched the VSAT high speed dynamic digital satellite system to the market.
	The Group was granted two patents respectively for its "digital cluster communication method with the control channel frequency hopping function" (實現控制信道動態自適應跳變的方法) and "digital trunking communication method with the control channel frequency adjustment function" (具有控制信道調頻功能的數字集群通信方法) in the PRC.
2008	The Group launched WITONE digital trunking mobile communication system to the market.
	The Group collaborated with the US Satellite Antenna Supplier and developed VSAT high speed dynamic digital satellite system and VSAT high speed stationary digital satellite system.
	The Group was granted "Software Enterprise Recognition Certificate" (軟件企業認定證書) for CITONE digital trunking TBR-180BA handheld radio frequency in built software V40.3 (CITONE 數字集群 TBR-180BA 手持機射頻嵌入式軟件V40.3) by Shenzhen City Technology and Information Bureau.

	The Group was granted the invention patent for its communication method for increasing paging receiving unit in terminal and system thereof (在終端中增加尋呼接收單元的通信方法及其系統) in the PRC.
	Synertone Smartend was recognized as a "Advanced Technology Enterprise". The recognition was effective for three years. Synertone Smartend was also granted the Radio Transmission Equipment Model Approval Certificate (無線電發射設備型號核准証) for T-20 handheld radio.
	The operation integrated system was launched to the market and was applied in the rescue work of Sichuan earthquake and the security for protection of Beijing Olympic 2008.
2009	The Group co-operated with Block Up-converter Supplier and acquired the block up-converter.
	The Group entered into the Framework Development Agreement with the Israel Satellite Antenna Provider, pursuant to which the parties agreed to develop in-motion 2-way satellite antenna and ancillary products. Furthermore, the Group was granted rights to distribute and sell certain in-motion 2-way satellite antenna produced by the Israel Satellite Antenna Provider within the territory of APAC.
2010	The Group was listed in the Reputable Small to Medium Enterprises of Shenzhen (深圳市中小企誠信榜).
	The Group registered its trademark of "Synertone" in the PRC and Hong Kong.
	Synertone Soontend was recognised as a "Advanced Technology Enterprise". The recognition was effective for three years.
	The products of the Group were applied in the World Expo 2010 and the 16th Asian Game for security protection.
	The Group became a member of the Professional Digital Trunking System Industry Alliance, the members of which jointly research and develop the professional digital trunking system standard and technology.
2011	The Group commenced development of its own intelligent satellite antenna and expected to market it to the customers of the Group in the first half of 2012.
	Synertone Smartend was again recognized as a "Advanced Technology Enterprise" which would be effective for three years.

Segment turnover of the Group

Turnover generated by the Group can be broadly categorized into the following five segments (i) digital trunking system; (ii) VSAT satellite system; (iii) operation integrated system; (iv) systems technologies; and (v) other accessory parts and components. The table below sets out the turnover by business segments of the Group during the Track Record Period:

	For the year ended 31 March						For the seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*
							(Unaudited)			
Digital trunking system	94,907	58.7	104,654	48.8	174,503	79.7	92,236	79.4	87,575	85.5
VSAT satellite system	48,008	29.7	100,139	46.7	38,329	17.5	18,174	15.6	13,796	13.5
Operation integrated system	9,977	6.2	1,933	0.9	—	—	—	—	—	—
Systems technologies	8,646	5.4	7,346	3.4	5,818	2.7	5,750	4.9	—	—
Other accessory parts and components	20	—	375	0.2	174	0.1	37	0.1	1,000	1.0
	161,558	100.0	214,447	100.0	218,824	100.0	116,197	100.0	102,371	100.0

The Group's research and development capability is one of its key competitive strengths. The Group places a strong emphasis on research and development. As at the Latest Practicable Date, the Group's research and development department had 171 staff, of whom 159 received tertiary education. The research centres of the Group are located in Shenzhen and Nanjing, the PRC. During the Track Record Period, the Group focused on the research of technologies employed in the core components of specialised communication system and systems technologies, including upgrading of its digital trunking system, the VSAT satellite system and the operation integrated system. As at the Latest Practicable Date, the Group registered four patents, and held 65 softwares registration certificates from Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC and had another two patent applications in China. In order to strengthen the research and development capability of the Group, the Group has collaborated with various reputable institutes in the PRC and overseas such as the Southeast University in the PRC, a university located in Newcastle in the United Kingdom and the Israel Satellite Antenna Provider for the research and development of specialised communication products since its establishment. The Group has developed its own satellite antenna. The self-developed satellite antenna is expected to be of better performance and of lower unit cost than the satellite antenna sourced from suppliers. Further details are set out in paragraphs headed "Research and Development — The Group's own research capability — The Group's development of its own satellite antenna" in this section of this prospectus.

COMPETITIVE STRENGTHS

The Group believes that its success is primarily attributable to the following competitive strengths:

An integrated service provider of core components for specialised communication system in the specialised communication industry in the PRC which has developed its own standards of specialised communication system

The Group is an integrated services provider since 2003. The Group provides core components of specialised communication system, also provides services ranging from specialised communication network design, technical consultancy and after sales services. It sells, licences or is commissioned to research and develop systems technologies for the operation of specialised communication system and technologies employed in core components. It also engages in subsequent maintenance and systems upgrading in accordance with customers' specifications. The Group is able to provide one-stop coverage of services to meet its customers' requirements. Such an ability distinguishes it from other players in the market. Leveraging on the Group's research and development ability, the Group has developed its own standards of specialised communication system. In particular, the Group launched to the market its WITONE standards of digital trunking system based on its intellectual property rights in 2008. According to CCID, the WITONE digital trunking mobile communication system have built a solid foundation for the linkage and communication among different specialised communication standards. Further, the Directors believe that the Group's customers can enjoy the convenience of interacting with one integrated services provider for acquisition of core components for specialised communication system, the related technologies as well as supporting services and have the benefit of lower transaction costs.

Deep understanding of the requirements and needs of customers and close relationship with customers

Through consistent and persistent improvement in the past few years, the Group has successfully launched to the market its self-developed communication system in the form of digital trunking system. In 2003, the Group launched CITONE trunking mobile communication system. In 2005, the Group digitalised CITONE system and launched the CITONE digital trunking mobile communication system. In 2008, the Group launched WITONE digital trunking mobile communication system, and integrated the digital trunking system and the VSAT satellite system and launched to the market the operation integrated system, the core products of which include communication vehicles. In 2010, the Group developed and launched to the market for initial sale its DITONE digital trunking mobile communication system, which is an upgraded version of the CITONE and WITONE digital trunking mobile communication systems.

According to CCID, the Group has unique technological advantage in its self-developed products and owns certain intellectual property rights crucial for specialised communication systems. Through the maintenance of long term business relationships with its customers, the Group is in a good position to secure feedbacks from the customers on the basis of which the Group can improve its own products. Furthermore, with such understanding of the needs of its customers, the Group is able to provide value-adding services to them. The senior management and key personnel of the Group are experienced. Some members of the senior management have been working in the field of marketing management and technological management while other professional technicians have their own areas of specialised expertise. With an experienced research and development department, the Group enjoys comparative advantages in terms of market competition which can be revealed in the success of launching the CITONE, WITONE and DITONE systems to the market. In December 2010, the Group became a member and a leader of the Professional Digital Trunking System Industry Alliance, the members of which jointly research and develop the professional digital trunking system standard and technology for the industry in the PRC. Based on the above, the Group has strong research and development capabilities to develop its own specialised communication products to satisfy customers' needs.

In the industry, specialised communication systems are often required to be tailor-made to meet the specific needs and requirements of different customers of different market sectors so as to serve as a composite system to the circumstances and demands of various customers and end-users. The Directors believe that the ability to understand customers' requirements and to provide appropriate system design and core components is an essence to quality services.

In addition, the Group has established stable and long-term relationships with its major customers including distributors and system integrators who provide their products to governmental departments and agencies, business enterprises such as mining enterprises. The Group has maintained one to nine years of business relationship with its major customers. The system integrators have co-operated with the Group in the supply of specialised communication products for use in national events. The products of the Group were provided to the State emergency units of the PRC for use during the Sichuan earthquake, in the hosting of the World Expo 2010 and the 16th Asian Game through sales to system integrators while the products of the Group were provided for the use in hosting of the Beijing Olympic Games through direct sales conducted by the Group.

The Directors believe that the substantial experiences of the Group in developing innovative products accumulated in the past few years, the strong technical know-how of the Group and the stable and long-term relationship with its customers will enable the Group to meet the specific needs of its customers in the future and facilitate the growth of the Group's business.

Strong research and development capabilities and owns various intellectual property rights for its business operation

The Directors consider that research and development capabilities are crucial in the specialised communication industry which demands highly innovative and ever-changing technologies. Synertone Smartend and Synertone Soontend have both been accredited as "Advanced Technology Enterprise" in the PRC. In December 2010, the Group became a member of the Professional Digital Trunking System Industry Alliance, the members of which jointly research and develop the professional digital trunking system standard and technology in the PRC. As at the Latest Practicable Date, the Group had a strong research and development department which consisted of 171 staff, 159 of whom have received tertiary education. The Group's design, research and development centres are located in their offices in Shenzhen and Nanjing respectively. The research and development department of the Group endeavours to improve existing products of the Group and the development of new products. During the Track Record Period, the Group registered four patents, and held 65 softwares registration certificates from Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC. The Group had submitted two patent applications in China. Further details are set out in the section titled "Intellectual property rights of the Group" in Appendix V to this prospectus.

In addition, the Group attends exhibitions and technology exchange seminars and forums in order to enrich its knowledge and keep abreast of the latest market and technological development. With the dedicated staff of research and development department, the Group strives to continuously improve the functionality and quality of its products and services and to develop new technologies to meet with customers' needs.

Strong capability in VSAT satellite business and close collaboration with key players in the market

In 2007, leveraging on the research and development capabilities of the Group, the Group launched to the market its VSAT high speed dynamic digital satellite system based on the VSAT satellite antenna technologies of key market players in the industry. With the increasing awareness of the importance of emergency communication, the Group is well-positioned to capitalise on the increasing demand for satellite technologies and products in the specialised communication industry in the PRC. The Group has developed its own satellite antenna with reference to the technologies of the Co-developed Satellite Antenna and is a core component of the VSAT satellite system. The Group's competitive strength in VSAT satellite business is further enhanced by its close collaborations with key players in the global market including the US Satellite Antenna Supplier, the Block Up-converter Supplier, the Israel Satellite Antenna Provider and, previously, the ACU Provider. Further details of the collaborations between the Group and these key players in relation to its satellite business are set out in the paragraph headed "Principal Business — Products of the Group — VSAT satellite system — Collaborations with key market players" in this section. The Directors believe that close collaboration with key players in the market allows the Group to enhance its capability in satellite business.

Provision of comprehensive after-sales and maintenance services

The Group provides comprehensive and quality after sales and maintenance services during the warranty period. The Group has a team of staff responsible for after sales and maintenance services. To its customers who are system integrators and distributors, the Group provides training relating to use and repair of the products, technical support, system and network testing and equipment repair and maintenance services pursuant to the contract orders made under the long term co-operation agreements. To direct customers, the Group provides system installation and technical support and repair and maintenance services pursuant to the respective sales contracts. The provision of after sales and maintenance services enables the Group to maintain close relationships with its customers and facilitate the Group to secure more business in system upgrading as well as gathering information on potential new projects. Sales contracts of the Group typically contained a warranty period ranging from nil to three years, and up to five years only for system software upgrade. An amount ranging from approximately 0% to 5% of the contract amount as retention money will be paid by the customers pursuant to the terms of the sales contracts upon expiry of the warranty period. The amount of expenses incurred by the Group for warranty for the three years ended 31 March 2011 and the seven months ended 31 October 2011 was approximately HK$0.03 million, HK$0.5 million, HK$0.8 million and HK$0.1 million respectively, representing less than 1% of the turnover of the Group for each of the relevant years/period. As a result, the Directors considered that no provision for warranty is required. During the Track Record Period, the Group had not experienced any material product defect.

Professional and experienced management team

The Directors and senior management of the Group have significant industry experience and extensive knowledge in the specialised communication industry. In particular, Mr. Wong Chit On has over ten years' experience in the specialised communication industry. A number of Directors and senior management of the Group have been working for the Group since the commencement of business of the Group in 2002 and are familiar with the business operations and corporate culture of the Group. The Directors believe that such strong combination of knowledge and experience is crucial to the future development of the Group's business. Further details of the Directors and senior management of the Group are set out in the section headed "Directors, senior management and staff" in this prospectus.

Benefits from the government policies

According to CCID, the Chinese government has been keen to promote informatisation in recent years. The China's Informatisation Development Strategy (2006-2020) Policy (2006-2020年國家資訊化發展戰略) and the 12th Five-year Plan of the information industry of China aimed at providing strong support to the satellite communication industry. The former stressed the importance of promotion of wireline, ground and satellite digital broadcasting development; while the latter also stated that the government would provide its full support to the development of satellite related areas and its use in regional development, city management and mega projects so as to enhance the uses and technologies in long range communication capability. The PRC government has itself adopted and directed corporations to introduce trunking communication systems in a wide range of applications including railway transportation, maritime communication, port navigation, climate forecast, forestry, mining, public security, electricity, oil and emergency services. Such government policies will have a positive impact on the demand for the Group's products or services. Furthermore, owing to the recent more frequent occurrence of natural disasters, the PRC government has highlighted the importance of communication network system in emergency situations and for national security through improving the communication system of government sectors and public security. It is expected that the demand for specialised communication system and ancillary products will increase in the near future. As the Group focuses on providing core components of specialised communication system and specialised communication network design for public safety and emergency communication, the Group is well positioned to benefit from the PRC government policies.

BUSINESS STRATEGIES

The main strategy of the Group is to "strengthen through dedicated networks and scale up to general public" (強於專，大於民). The Directors expect the Group to first enhance its market status by developing and providing quality specialised communication systems. The Group believes that it can strengthen its network by participating in various exhibitions and technology exchange forums and seminars to promote its technologies, and by working with system integrators and distributors to expand its market presence as well as promote the applicability of specialised communication systems in various aspects.

The Group strives to increase its revenue, market share and customer base with the implementation of the following strategies:

Focus on expansion of sales network and market share in the specialised communication industry in the PRC

During the Track Record Period, the Group had engaged distributors and system integrators for marketing its products. The Group seeks to deepen and capitalize its relationship with existing customers, including to continue to expand its sales distribution network through system integrators and distributors in order to continue to increase its market share in the PRC and to leverage on the growth in demand for specialised communications products. To the best knowledge of the Directors, system integrators and distributors solicit orders from end-users through participation in the centralized merchandizing organised by the PRC government, public merchandizing by various industry sectors, public tendering and through established relationship with their own existing customers. Application of specialised communication systems in various sectors required different specifications. To solicit sales from end-users of various industry sectors or PRC government departments through public tendering, the Group shall possess expertise in a range of specifications for the application of specialised communication systems which demands high level of input in personnel, time and cost. The Group understands that the system integrators are experienced in the specialised communication industry and possess knowledge on particular specifications of communication systems required by respective end-users in various sectors. Furthermore, the Group understands that the system integrators have their own established client network, and competitive advantages in expanding their customer network. By engaging system integrators as its sales channel, the Group is able to leverage on the strengths of system integrators and minimize cost of sales promotion and business operation for engaging in direct solicitation. In addition, by engaging system integrators in handling the sales to end-users allows the Group to pass along to the system integrators the responsibility of equipment installation and provision of after sales services, whereupon the Group can focus its resources on research and development, further improving the quality of the Group's products, and further enhancing its technical support for the Group's customers.

The Group shall not solicit sales to the end customers of the system integrators and distributors without the prior consent of the relevant system integrators and distributors. The sales representatives of the Group is required to apply for approval from the marketing and sales department of the Group and the relevant manager in charge. If any conflict of interest between that of the Group and the system integrators or distributors is identified that may jeopardize the co-operation between the Group and the system integrators or distributors, the proposed sales will not be approved. The Group intends to engage new system integrators and distributors who have strong network and experience in the specialised communications industry and provide products to government bodies.

Penetrate overseas market

Leveraging on the Group's competitive cost structure, its unique standards of specialised communication system which enables the Group to meet its customers' specific requirements and needs and provision of flexible network configurations to its customers at competitive price, the Group intends to explore overseas business opportunities for its products and services, especially in APAC.

The Group plans to establish overseas sales and service network by opening a representative office in Hong Kong for promotion and after-sales services, which will be a starting point for the Group to explore and develop the emerging overseas markets. The Group will explore overseas markets in the next three years with the first stage emphasizing on identifying overseas system integrators and distributors as sales channels in overseas markets. It is expected that, at the second stage, direct sales to overseas end-users by the Group will be developed after it shall have obtained the necessary product quality recognition in the relevant overseas markets.

The costs for establishing the representative office and its subsequent operation and maintenance as well as obtaining product quality recognition in overseas market are set out in the section headed "Future Plans and Use of Proceeds" of this prospectus.

The Group also intends to engage in marketing and promotional activities through the internet and media to expand the Group's business in overseas market and to participate in international exhibitions and seminars to enhance the Group's corporate and brand image in overseas market.

The Group has initial plan to tap into the telecommunication industry of Brazil and Turkey as the Directors believe that the hosting of World Cup in 2014 and the Olympic games in 2016 in Brazil and the privatization of telecommunication industry in Turkey provide valuable opportunity for the Group to establish market presence in both countries. According to the market research conducted by the marketing and sales department of the Group, the government of Brazil encourages and allows foreign and private investment in the telecommunication industry. To the best knowledge of the Directors, communication equipment providers shall apply for recognition of the specialised communication system products from the government of Brazil. According to the market research conducted by the marketing and sales department of the Group, the telecommunication industry in Turkey is undergoing privatization. The Directors expect that the telecommunication market in Turkey will be further developed. The marketing development in Brazil and Turkey is in a preliminary stage at which the Group will first seek to set up representative offices in both countries for collecting more first hand market information and identify potential system integrators and distributors for further development plans at the next stage.

The Group currently has two members in the senior management with overseas market development experience. The Group will continue to recruit staff with suitable experience for the expansion of its overseas business in the future.

Continue to strengthen research and development capability and enhance product quality and functionality and network design and to develop new products which cater for the needs of the market

The Directors recognise that research and development plays a crucial role in the specialised communications industry. The Group will continue to strengthen its product design, and research and development efforts. Continuous development of technical know-how can reduce manufacturing costs and improve quality of the Group's products. As at the Latest Practicable Date, the Group registered four patents in the PRC and held 65 softwares registration certificates from Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC. The Group has submitted two patent applications in China. The Group will further explore the applicability of the technology in relation to the Group's existing patents. In addition, the Group will also continue to invest in research and development for new technical know-how to develop new products which cater for the needs of the market. The Directors are confident that further development of the Group's research and development capability can further help improve the Group's financial performance.

Promote better awareness of the products and services offered by the Group

According to the report provided by CCID, it is expected that there will be an increase in the demand for the specialised communication system and its ancillary products in the near future. The Group strives to promote better awareness of the products and services offered by the Group by expanding its sales distribution network through its distributors and system integrators and to maintain close contact with its customers of various provinces and cities or potential customers to promote its products and services. During the Track Record Period, the Group has participated in various industry exhibitions, technology exchange forums to promote and enhance the corporate image of the Group and the brand in the PRC and also overseas markets including APAC region. The Group will continue to participate in industry exhibitions and conferences regularly in the PRC and overseas to enhance the awareness of the Group and its products and services.

PRINCIPAL BUSINESS

Brand

The products developed and manufactured by the Group, including digital trunking system and other related products and the self-developed satellite antenna, are sold under its own brand of "SYNERTONE". The Directors believe that the brand "SYNERTONE" represents the Group's continuous commitment to efficiency and capability. The Group strives to provide user-friendly communication products and services to its customers. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the turnover derived from the sales of products bearing the brand name of the Group amounted to approximately HK$109.1 million, HK$105.6 million, HK$173.4 million and HK$87.7 million, representing approximately 67.5%, 49.3%, 79.3% and 85.7% of the turnover of the Group during the relevant years/period, respectively. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the profit contributed by the products bearing the brand name of the Group amounted to approximately HK$19.6 million, HK$40.7 million, HK$70.0 million and HK$17.3 million, representing approximately 60.4%, 59.8%, 96.1% and 88.9%

of the profit of the Group during the relevant years/period, respectively. Trial sales of the self-developed satellite antenna bearing the brand name "SYNERTONE" had been commenced in the seven months ended 31 October 2011 and amounted to approximately HK$8.3 million for the seven months ended 31 October 2011, representing 59.8% of the sales of the VSAT satellite system for the period.

Except for the self-developed satellite antenna which is and will be sold under the Group's brand name of "Synertone", other core components for the VSAT satellite system do not bear the brand name of "Synertone". For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the turnover derived from the sales of products not bearing the brand name of the Group amounted to approximately HK$52.5 million, HK$108.8 million, HK$45.4 million and HK$14.7 million, representing approximately 32.5%, 50.7%, 20.7% and 14.3% of the revenue of the Group during the relevant years, respectively. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the profit contributed by the products not bearing the brand name of the Group amounted to approximately HK$12.9 million, HK$27.4 million, HK$2.8 million and HK2.2 million, representing approximately 39.6%, 40.2%, 3.9% and 11.1% of the profit of the Group during the relevant years/period, respectively.

According to the report provided by CCID, the Group's products are well received by government sector such as police, public security and large scale enterprises in the energy sector. The brand "SYNERTONE" has been well established and has maintained its advantage in sectors of the police, national security and safety sectors.

The "SYNERTONE" trademark has been registered in Hong Kong and the PRC. Further details are set out in paragraphs headed "Intellectual property rights of the Group" in Appendix V to this prospectus.

Products of the Group

Products of the Group mainly comprise of five business segments: (i) the core components forming the digital trunking system; (ii) core components forming the VSAT satellite system; (iii) operation integrated system; (iv) systems technologies; and (v) other accessory parts and components. Products of the Group are utilized for public safety and city emergency communication. Apart from providing core components forming specialised communication system, the Group also provides customized network design to customers. Core elements of the Group's specialised communication system involve the integration of digital trunking system and the VSAT satellite system which enables mobile communication networks.

By combining different core components to form the specialised communication system, the area of the network coverage may vary from local coverage to extensive coverage. The Group provides a range of products which can be operated in immoveable mode, moveable mode and in motion mode respectively.

The table below sets out the turnover by business segment of the Group during the Track Record Period:

	For the year ended 31 March						For the seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*	*HK$'000*	*approximate % of total turnover*
							(unaudited)			
Digital trunking system	94,907	58.7	104,654	48.8	174,503	79.7	92,236	79.4	87,575	85.5
VSAT satellite system	48,008	29.7	100,139	46.7	38,329	17.5	18,174	15.6	13,796	13.5
Operation integrated system	9,977	6.2	1,933	0.9	—	—	—	—	—	—
Systems technologies	8,646	5.4	7,346	3.4	5,818	2.7	5,750	4.9	—	—
Other accessory parts and components	20	—	375	0.2	174	0.1	37	0.1	1,000	1.0
	161,558	100.0	214,447	100.0	218,824	100.0	116,197	100.0	102,371	100.0

(i) ***Digital Trunking System***

To meet the demand from governmental bodies and business enterprises for public safety and emergency communication, CITONE digital trunking mobile communication system, WITONE digital trunking mobile communication system and DITONE digital trunking mobile communication system were designed and developed by the Group. Based on the specifications required by the customers, the Group offers a range of core components to form the digital trunking system which can be operated under direct network, transmission network, single base station trunking network, single area multiple base stations network and multi-area network. Different modes of digital trunking system can be set up and operated with various combinations of core components addressing particular needs of each user.

The digital trunking system enables communication among various users, such as communication between two callers, group communication among various callers or all callers within the network. Callers holding the handheld radio are allowed to speak and be heard at the same time. The core components offered by the Group are also designed to be its water-proof, explosive proof and energy saving functions which allow the digital trunking system to be applied and operated smoothly under adverse or emergency condition.

For its operation, the users of the system would apply a particular set of wireless communication access (frequency resources). The system provides functions of command dispatching, data transmission, short message transmission and static picture transmission and is characterized by speedy transmission, steady network, prioritized communication, high security and reliability.

For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the turnover generated by the sales of digital trunking system amounted to approximately HK$94.9 million, HK$104.7 million, HK$174.5 million and HK$87.6 million, representing approximately 58.7%, 48.8%, 79.7% and 85.5% of the total turnover of the Group during the relevant years, respectively.

Component

The Group provides core components of digital trunking system, including core network (核心網), dispatcher station (調度台), base station/moveable station (基站), terminals (終端) which include handheld radio (手持機) and vehicle-carried radio (車載台) and ancillary network equipment which includes Repeater (直放站) and transmission station (轉信台). When requested by its customers, the Group also provides core components in the form of modules comprising such core components for customer's further integration.

Core network

The core network is used to centralise control and management of multi-base-station and interconnection network. It enables continuous calling and exchange of communication and to provide a platform for interconnection and external network, internal adjustment and maintenance management.

Dispatcher station

The dispatcher station is used to direct, dispatch and manage the equipment in relation to the network.

Base station/moveable station

Base station manages the wireless channels and the exchange between wireless channels and wireline chain. It serves as the linkage between the core network and the terminal.

Terminal

Terminal forms part of the equipment of the radio. It completes the voice encoding, channel encoding, digital encryption, data transmission and data modulation and demodulation. The terminal equipment offered by the Group include handheld terminals and vehicle-carried terminals.

Ancillary network equipment

The ancillary network equipment mainly includes repeater and transmission station. Repeater is principally used to enlarge the network coverage so as to enhance network coverage to dead zone. Transmission station is used to enhance transmission distance between the terminals in areas without network coverage.

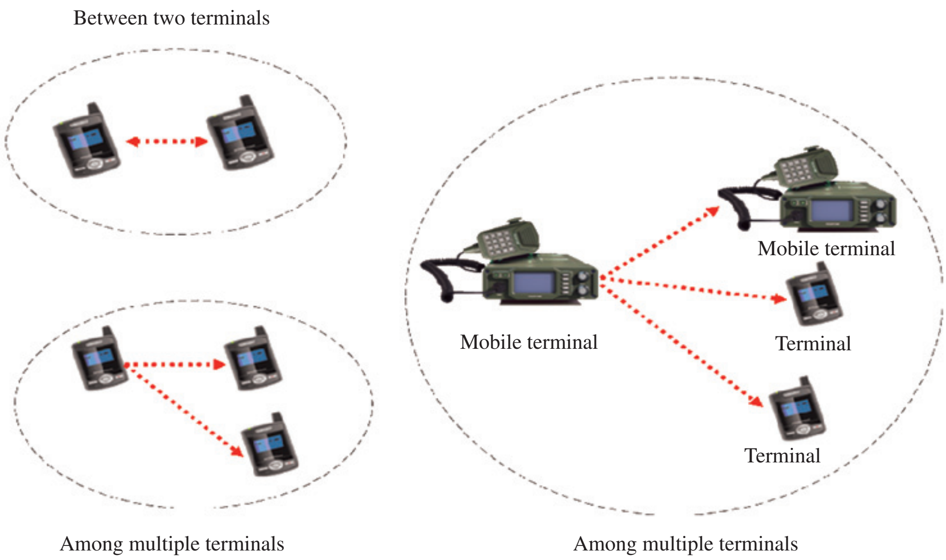
Mode of operation

The core components forming the digital trunking system can be operated under direct network, transmission network, single base station network, single area multiple base stations network and multi-area network.

(a) *Direct network (直通網絡)*

Direct network mainly comprises of a number of handheld terminals or vehicle-carried terminals with command dispatching functions. Direct network enables message transmission between two terminals, or transmission between one terminal and multiple terminals even without base station or public network station. Direct network is suitable to be used in a relatively small-scale communication among users where there is no public telecommunication network coverage.

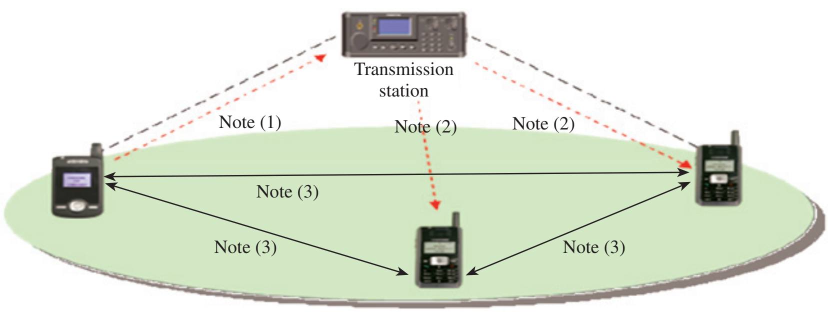
The following diagram illustrates the core products of the Group's direct network and the operation of such network:



(b) *Transmission network (轉信網絡)*

The operation of transmission network is similar to direct network but with a wider geographic coverage compared to the direct network. Transmission network mainly comprises of a number of handheld or vehicle-carried terminals with command dispatching functions together with a transmission station.

The following diagram illustrates the core products of the Group's transmission network and the operation of such network:



Notes:

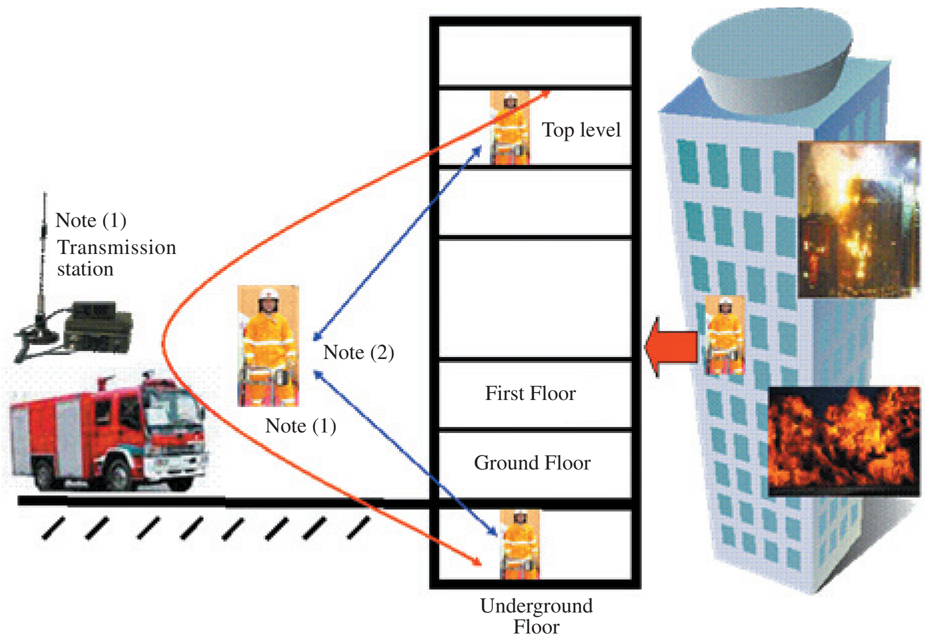
(1) The handheld or vehicle-carried terminal transmits signals to transmission station.

(2) The transmission station gathers and transmits the signals to other terminals.

(3) Each terminal operates at the same level of frequency and whenever any terminal is in use, signals will be transmitted and received by other terminals within the network.

When the transmission station is placed at a higher level, network coverage can be extended to cover a longer distance. Transmission station is portable for individuals or can be placed at any location as desired.

The following diagram shows an illustration of a transmission network established vertically:



Notes:

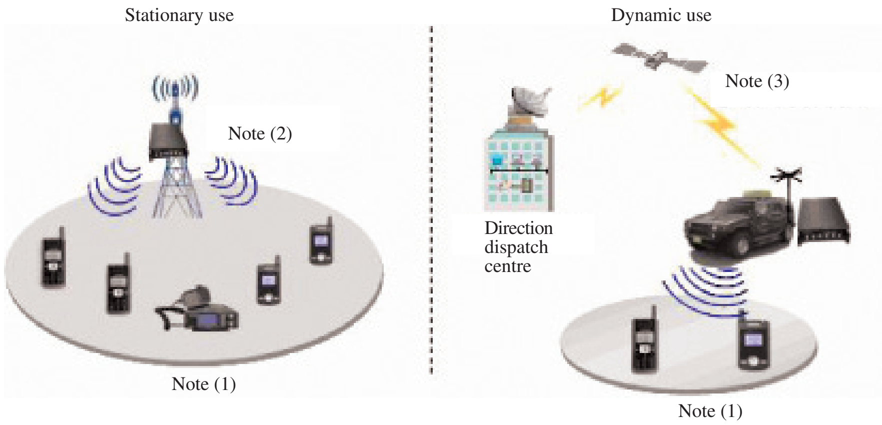
(1) A portable transmission station can be located at mid-storey of a building to serve as the transmission point and project the direct network from lower-storey to higher-storey.

(2) Signals from the terminals at lower-storey which originally cannot reach the terminals at higher-storey now can be transmitted through the transmission station.

(c) *Single base station network (單基站網路)*

Single base station network is designed for users to establish wireless communication within a region without fixed wireless network coverage and public network coverage and comprises of a number of handheld or vehicle-carried terminals with command dispatching functions and a base station. The base station designed and manufactured by the Group can operate by itself and allows prioritized communications. No specific facilities for cooling off and staff is required for the operation of single base station. Control and maintenance of the system can be done remotely. The base station network is suitable for the use by the police or corporate clients which require a network with large geographic coverage. It is also suitable to be used in emergency rescue.

The following diagram illustrates the core products of the Group's single base station network and the operation of such network:



Notes:

(1) A base station can provide two to ten wireless communication channels and is able to support the simultaneous operation of tens of wireless or lined communications.

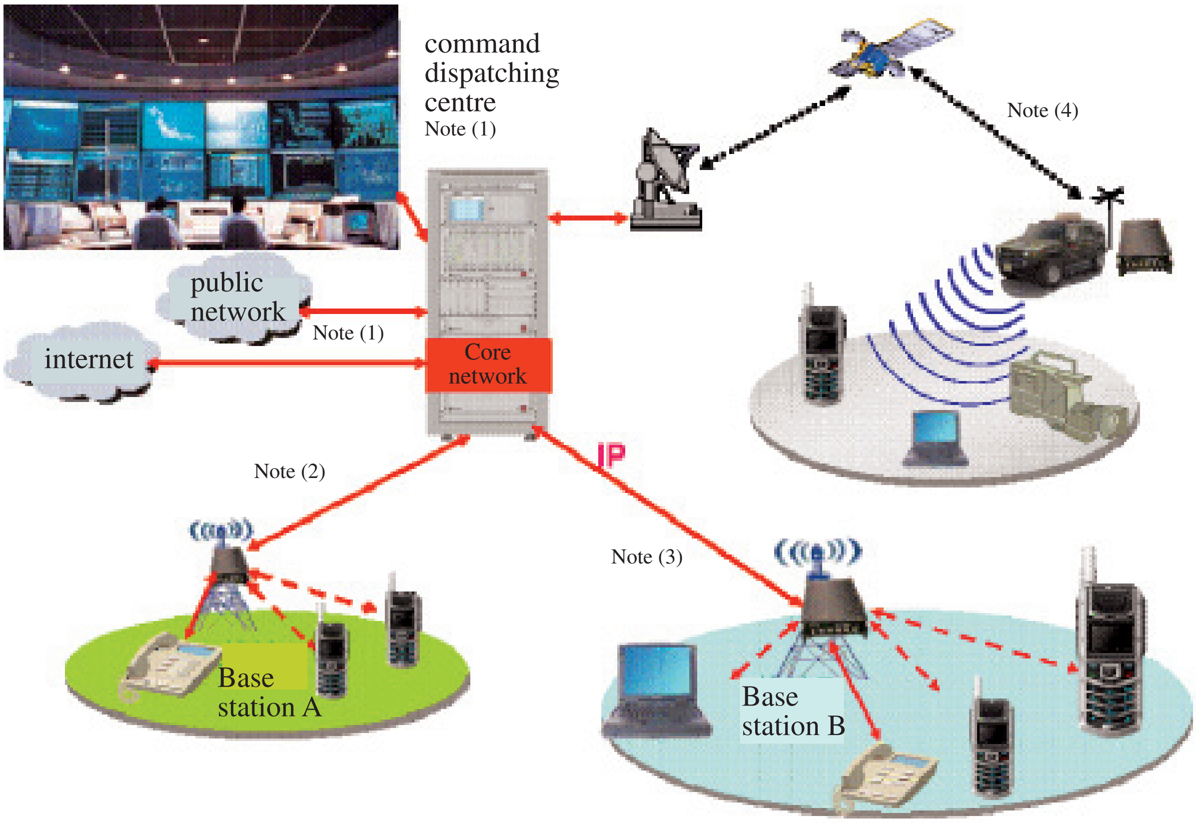
(2) Stationary use: The base station can be directly installed at the top of a tower or at rooftop of buildings to allow stable and larger coverage.

(3) Dynamic use: The base station can be installed on vehicles.

(d) *Single area multiple base stations network (單區多基站網路)*

Single area multiple base stations network is designed for users to establish a specialised communication network for a specific region, and comprises of a number of handheld or vehicle-carried terminals and multiple base stations. Different base stations can be connected by various communications links such as fibers, microwave, satellite and phone lines which enable geographic coverage depending on the number of base stations connected. The multiple base stations network is suitable for users who require a network with large geographic coverage. It is also suitable to be used in emergency rescue. In order to tackle the linkage problem in remote areas, the Group designed an operation integrated system which combines the digital trunking system and the VSAT satellite system so as to ensure the base stations and the core network can be connected via satellite in both movable and immovable conditions. Details of the integrated system of the Group are set out in the paragraph headed "Principal Business — Operation integrated system" in this section.

The following diagram illustrates the core products of the Group's single area multiple base stations network and the operation of such network:



Notes:

(1) Core network is connected with different base stations which can centralise the control and management in multi-base-station and provide a platform for interconnection and external network. It enables continuous calling and exchange and integration of sound, visual and digital data and provides various multi-media communication methods.

(2) Base station is connected to the core network by microwave.

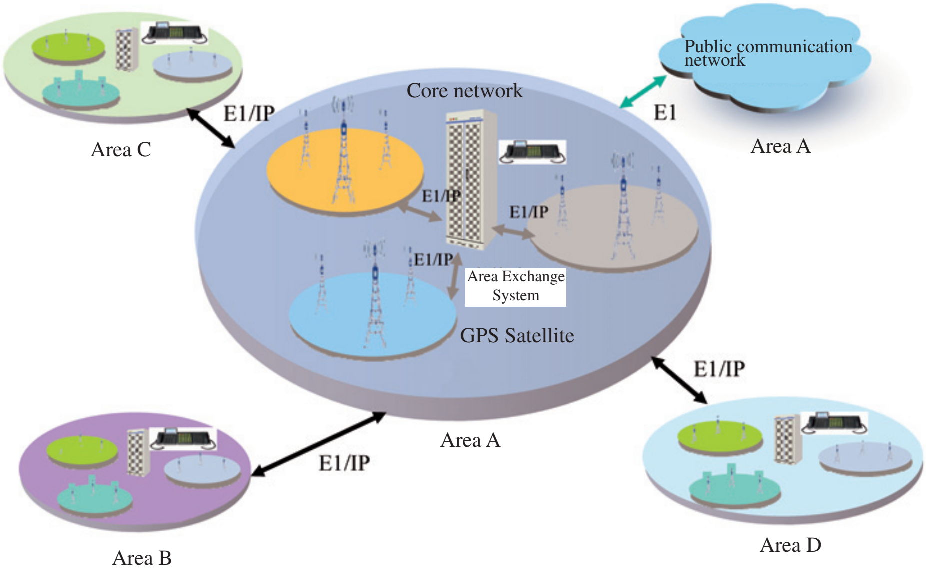
(3) Base station is connected to the core network by fibres.

(4) Base station is connected to the core network by satellite.

(e) *Multi-area network (多區網路)*

Multi-area network is a large scale trunking communication system which has extensive geographic coverage based on the needs of the users. The products and technologies involved in a multi-area network are similar to that of single area multiple base stations network except it is in a larger scale.

The following diagram illustrates the core products of the Group's multi-area network and the operation of such network:



Note: Core network or exchange system connects the networks in various areas to form one large network.

Applications

CITONE digital trunking mobile communication system

The Group developed and launched to the market its CITONE trunking mobile communication system and CITONE digital trunking mobile communication system in 2003 and 2005, respectively. The CITONE digital trunking mobile communication system mainly comprises of area exchange system, fixed base station, movable base station, repeater, transmission station, handheld terminals, and vehicle-carried terminals. It allows two directions communication and supports transmission of digital voice data, short message and static picture. The system is a wireless digital communication system with wide geographic coverage. During the Track Record Period, the CITONE system were demanded by the government sector such as police, national security, and enterprises in the mining, and logistic industry.

WITONE digital trunking mobile communication system

In 2008, based on the CITONE digital trunking mobile communication system, the Group developed its WITONE digital trunking mobile communication system. Compared to the CITONE system, the WITONE system allows network switch and is featured with improved digital error-correction function. Furthermore, the WITONE system is compatible with all IP transportation which laid a foundation for the linkage and communication among different specialised communication standards. The WITONE system mainly comprises terminals, base stations, core network, transmission and network management. The Group has commenced sales of core components for the WITONE system in the market in 2008.

DITONE digital trunking mobile communication system

Committed to improve and further develop the range of products offered by the Group, the Group has developed DITONE digital trunking mobile communication system, the third generation of digital trunking mobile communication system. Apart from the functions available in CITONE and WITONE generations, the DITONE system allows several users to share the same frequency channel. Its allows simultaneous communication between users with low speed programmable voice encoder and improved digital auto-correction function. The Group has commenced initial sales of core components for the DITONE system in the market in 2010.

(ii) ***VSAT satellite system***

In 2007, the Group developed and launched to the market its VSAT satellite system. Satellite antenna is a major component of the VSAT satellite system which enables and maintains communication under in-motion mode. With different models of satellite antenna, the Group offers different VSAT satellite systems including (a) VSAT low speed satellite transmission system; (b) VSAT high speed dynamic digital satellite system and (c) VSAT high speed stationary digital satellite system.

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the turnover derived from the sales of the VSAT satellite system amounted to approximately HK$48.0 million, HK$100.1 million, HK$38.3 million and HK$13.8 million, representing approximately 29.7%, 46.7%, 17.5% and 13.5% of the turnover of the Group during the relevant years, respectively.

VSAT low speed satellite transmission system

The VSAT low speed satellite transmission system comprises of low speed dynamic satellite antenna, dispatching centre, data management software, network management centre, GPS and user display terminal. Core components provided by the Group are low speed dynamic satellite antenna terminal facilities designed and developed by the Group which contains antenna control unit acquired from the ACU Provider which can be installed onto vehicles provided by customers. The system supports multi-satellite operation and has data transmission, broadcasting and positioning management functions. It is small in size and easy to install. Its operation does not require technical staff. It is generally designed for low speed moving data traffic and positions confirmation service.

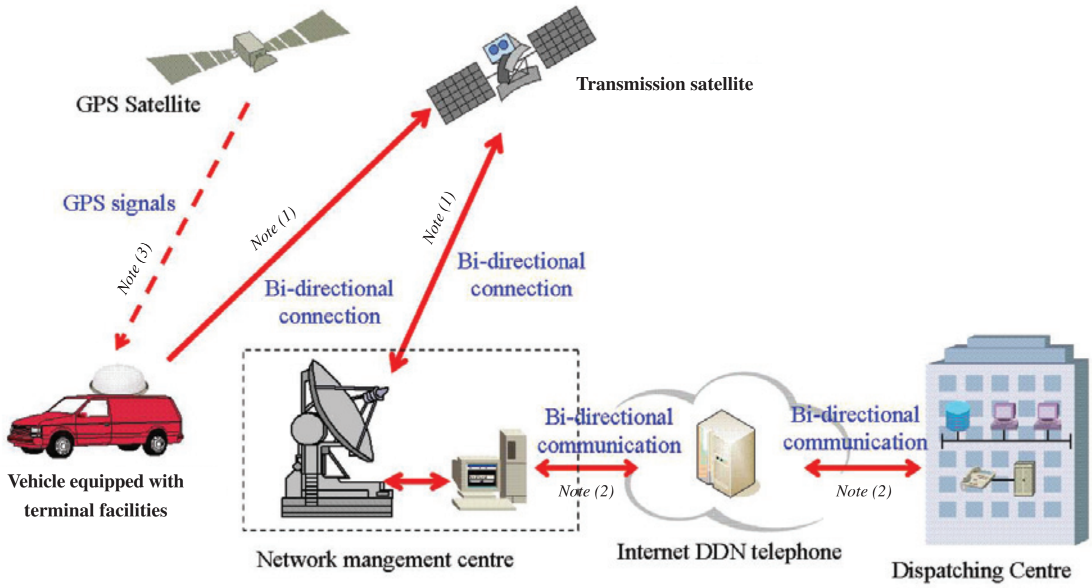
The following picture shows the low speed satellite antenna and user display terminal:

Low speed dynamic satellite antenna

User display terminal

During the Track Record Period, the core components for VSAT low speed satellite transmission system were applied by users in traffic management and for surveillance on the operation of and locations management of vehicles and ships. They were also demanded by government bodies for public security and public utilities institutions.

The following diagram illustrates the core components of the VSAT low speed satellite transmission system and the operation of such system:



Notes:

(1) The vehicle mounted with the low speed dynamic satellite antenna is connected to the transmission satellite and then to the antenna of the terrestrial satellite at network management centre.

(2) Bi-directional communication link can be established by linking with Internet DDN telephone to the vehicle through step 1. Information of user display terminal at dispatching centre can be transmitted to the vehicle through the VSAT low speed satellite transmission system.

(3) The low speed dynamic satellite antenna is featured with GPS function, which allows automatic position confirmation through GPS satellite.

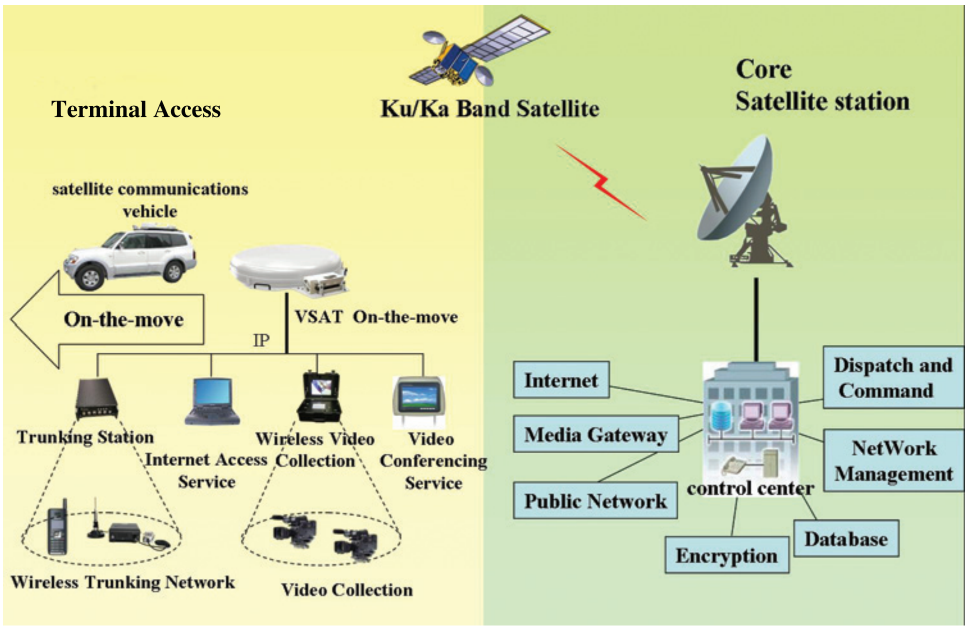
VSAT high speed dynamic digital satellite system

The VSAT high speed dynamic digital satellite system mainly consists of terrestrial satellite antenna, satellite transmitter and satellite receiver. Core components for the VSAT high speed dynamic digital satellite system provided by the Group includes satellite antenna procured from the US Satellite Antenna Supplier and the Israel Satellite Antenna Provider. Land radio satellite communication and satellite tracking products can be mounted onto vehicle supplied by the customers. Further details of the cooperation between the US Satellite Antenna Supplier and the Group are set out in the paragraphs headed "Principal Business — Products of the Group — VSAT satellite system — Collaborations with key market players" in this section.

The system is easy to install and simple to operate. No technical staff is required for its operation. The system enables extensive geographical coverage of transmission of data, voice and videos between the relevant vehicle and the control centre. The VSAT high speed dynamic digital satellite antenna can be installed on movable object such as vehicles and vessels.

The following picture shows the VSAT high speed dynamic digital satellite antenna:

The following diagram illustrates the core components and the operation of the VSAT high speed dynamic digital satellite system:



Notes

1. The satellite antenna installed on vehicle connects to the satellite so that linkage is established between the vehicle and the satellite and data from the vehicle is transmitted to the satellite.

2. The satellite transmits data received by the vehicle to the terrestrial satellite receiver and thus to the command dispatching centre.

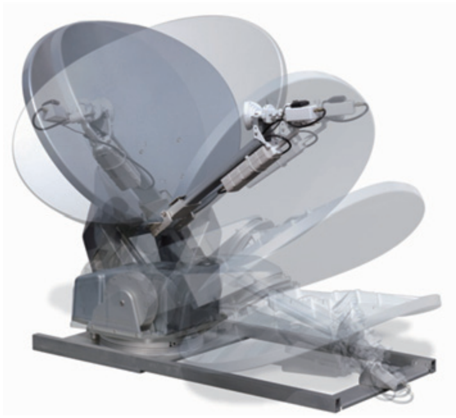
3. The digital trunking system and other components connect to the command dispatching centre for real time audio, video data exchange and internet communication.

During the Track Record Period, the core components for the VSAT high speed dynamic digital satellite system were demanded by governmental bodies including public security, police and armed police and business enterprises which requires movable communication and transmission network.

VSAT high speed stationary digital satellite system

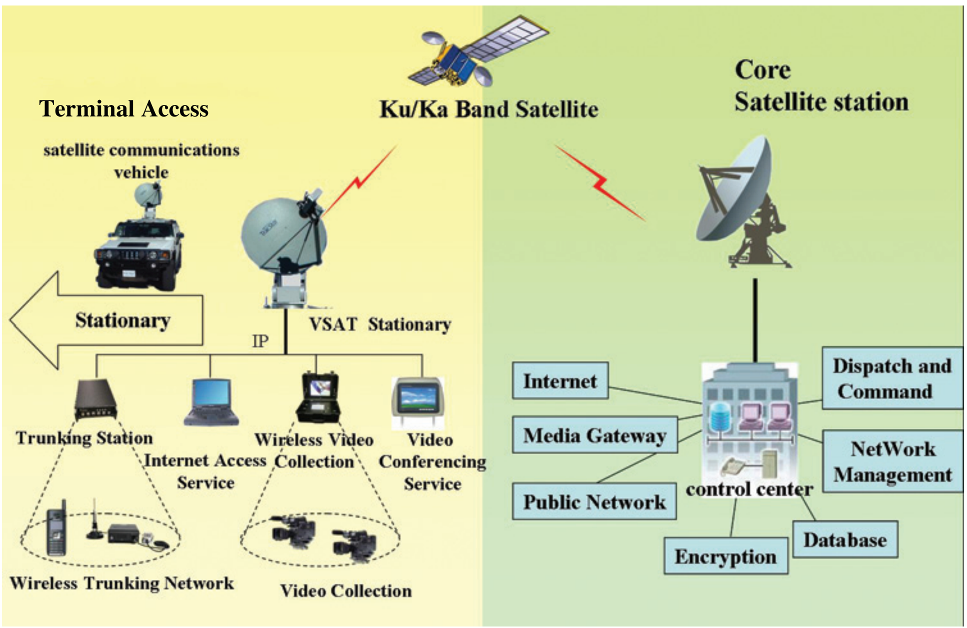
The VSAT high speed stationary digital satellite system consists of terrestrial satellite antenna, satellite transmitter, satellite receiver. Core components for such system include terrestrial satellite antenna sourced from US Satellite Antenna Supplier which can be installed onto vehicles supplied by the customers. The functions and features of the VSAT high speed stationary digital satellite system are similar to those of the VSAT high speed dynamic digital satellite system but only in stationary mode.

The following picture shows the VSAT high speed stationary digital satellite antenna:-



During the Track Record Period, core components for the VSAT high speed stationary digital satellite system and products were demanded by government bodies for public security.

The following diagram demonstrates the core components and the operation of the VSAT high speed stationary digital satellite system:-



Notes

1. The terrestrial satellite antenna installed on the vehicle connects to the satellite when the vehicle is in static mode. Linkage is established between the vehicle and the satellite and data from the vehicle is transmitted to the satellite.

2. The satellite transmits data received by the vehicle to the terrestrial satellite receiver and thus to the direction dispatching centre.

3. The digital trunking system and other components connect to the direction dispatching centre for real time audio, video data exchange and internet communication.

Collaborations with key market players

The Group has close collaborations with key players in the satellite market. Apart from being the sales agent for some of the market players, the Group also further processes and assembles the products procured from the market players with products of the Group or for operation system integration and sells the components as a package to the Group's customers.

Sales and marketing collaboration with the US Satellite Antenna Supplier

The Group has a strategic co-operation with the US Satellite Antenna Supplier. Pursuant to the sales and service agreement entered into between the Group and the US Satellite Antenna Supplier in 2008, the Group was engaged as a non-exclusive agent for the US Satellite Antenna Supplier in marketing and servicing the US Satellite Antenna Supplier's satellite products in APAC. There is no minimum sales requirement under the sales and service agreement. The term is one year from 18 August 2008 and will be automatically renewed on each anniversary unless terminated by either party by mutual agreement or by either party with sixty days written notification. During the Track Record Period, products from the US Satellite Antenna Supplier were sold by the Group to its customers without modification. Some of these products were sold without integration by the Group, while others were integrated with other products developed by the Group before sale. Turnover derived from resale of the US Satellite Antenna Supplier's products for the three years ended 31 March 2011 and the seven months ended 31 October 2011 amounted to approximately HK$45.9 million, HK$77.9 million, HK$28.8 million and HK$5.1 million and accounted for approximately 28.4%, 36.3%, 13.2% and 5.0% of the total turnover of the Group during the relevant years/period, respectively.

Sales and marketing collaboration with the Block Up-converter Supplier

In December 2009, the Group entered into an international representative agreement (the "initial international representative agreement") with the Block Up-converter Supplier pursuant to which the Group agreed to (i) sell the products of the Block Up-converter Supplier including block up-converters and other accessories on a non-exclusive basis in the PRC and other regions where the Group has business operation; and (ii) provide technical assistance to customers, testing of products, administrative and marketing support and customer training. Block up-converter is one of the major components of the VSAT satellite system offered by the Group, which forms part of the satellite transmitter. Pursuant to the initial international representative agreement, the Group agreed to provide marketing assistance to the Block Up-converter Supplier to establish access to and maintain continuous liaison with customer decision makers; assist the customer concerning selection of products and services; advise the Block Up-converter Supplier concerning specific customer decision criteria; advise the Block Up-converter Supplier in formulating its marketing strategies and action plans for products and services in the designated territory and report information concerning the activities of the Block Up-converter Supplier's competitors; whereas the Block Up-converter Supplier agreed to, *inter alia*, keep the Group advised of the Block Up-converter Supplier's sales plans and objectives for products and services for the designated territory, provide to the Group informational materials concerning the Block Up-converter Supplier's business practices and provide briefings to the Group on products and services. The Group shall order products from the Block Up-converter Supplier exclusively whenever the products are available from the Block Up-converter Supplier. An annual sales commitment of 400 units for block up-converters was agreed and, in the event that such should be met, the Group would be entitled to receive an additional retroactive discount delivered by way of a discount of products. There was no specific provision in the initial international representative agreement in the event that the committed sales target is not met by the Group. The Directors confirmed that during the Track Record Period, the Group distributed 21 units of the Block Up-converter Supplier's products in the PRC and APAC.

In order to clarify the effect of the relevant contractual provisions, the Group entered into a new international representative agreement with the Block Up-converter Supplier on 8 April 2011 on similar commercial terms as those stipulated in the previous agreement for a term of two years from 8 April 2011. The new agreement also provides that (i) it supersedes the initial international representative agreement between the parties and the Group shall be released from all of its obligations under such agreement and shall not be liable to the Block Up-converter Supplier for any fees or expenses payable by the Group under such agreement; and (ii) the Block Up-converter Supplier waives all of its rights and remedies to claim against the Group for any compensation whatsoever arising from the initial international representative agreement. Under the new agreement, the Group continues to commit to an annual sales commitment of 400 units for block up-converters and, in the event that such an annual sales target should be met, the Group shall be entitled to receive an additional retroactive discount delivered by way of a discount of products. Any failure of the Group to achieve such committed annual sales target shall not be considered a breach of agreement by the Group. The new agreement may be terminated by either party upon thirty days written notice or may be terminated without cause at any time without prior notice by either party upon, *inter alia*, (i) a party's insolvency or bankruptcy; (ii) failure to comply with the warranties as set out in the agreement; (iii) failure to perform the duties as set out in the agreement; (iv) material breach of the agreement; (v) any false or misleading information provided by the Group to the other party and (vi) a determination that any provision of the agreement violates any applicable law. During the Track Record Period, products from the Block Up-converter Supplier were sold by the Group without modification. Some of these products were sold without integration by the Group, while others were integrated with satellite antenna and other products by the Group before sale. Turnover derived from sale of the Block Up-converter Supplier's products for the three years ended 31 March 2011 and the seven months ended 31 October 2011 amounted to approximately nil, nil, HK$2.8 million and HK$0.1 million and accounted for nil, nil, 1.3% and 0.1% of the total turnover of the Group during the relevant years, respectively.

Sales and marketing collaboration with the Israel Satellite Antenna Provider

During the Track Record Period, the Group has established strategic co-operation with the Israel Satellite Antenna Provider. The satellite antenna of the Israel Satellite Antenna Provider can be incorporated in the VSAT high speed dynamic digital satellite system offered by the Group. In December 2009, the Group and the Israel Satellite Antenna Provider entered into a non-exclusive distribution agreement, pursuant to which, the Group is entitled to distribute and sell certain in-motion, 2-way terrestrial satellite antenna of the Israel Satellite Antenna Provider in APAC. Pursuant to the non-exclusive distribution agreement, for a period of five years, the Group agrees not to sell any such terrestrial satellite antenna outside APAC without the written consent of the Israel Satellite Antenna Provider. This restriction does not extend to sales of in-motion 2-way satellite antenna from other suppliers (such as the US Satellite Antenna Supplier). The initial term of the non-exclusive distribution agreement is for a period of one year from 19 December 2009 and, unless earlier terminated, shall automatically be renewed for successive one year period, unless either party provides an at least thirty days prior written termination notice to the other party. Under the non-exclusive distribution agreement, the Group shall not modify the in-motion, two-way satellite antenna from the Israel Satellite Antenna Provider without the latter's prior written approval.

Subsequently, in February 2010, the Group entered into an exclusive distribution agreement with the Israel Satellite Antenna Provider whereby the Group obtained the exclusive right to manufacture and distribute terrestrial satellite antenna and related products jointly developed by the Group and the Israel Satellite Antenna Provider in APAC. In addition, the Group was also granted exclusive distributorship in respect of certain in-motion, two-way terrestrial satellite antenna products from the Israel Satellite Antenna Provider that are modified by the Group with approval from the Israel Satellite Antenna Provider. The initial term of the exclusive distribution agreement is for a period of one year from 1 February 2010 and, unless earlier terminated, shall automatically be renewed for successive one year periods. No products were sold by the Group procured under the exclusive distribution agreement during the Track Record Period. Turnover derived from direct resale of the Israel Satellite Antenna Provider's products for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 amounted to approximately nil, HK$4.1 million, HK$6.0 million and HK$6.7 million and accounted for approximately nil, 1.9%, 2.7% and 6.5% of the total turnover of the Group during the relevant years/period, respectively.

To enhance collaboration with the Israel Satellite Antenna Provider, pursuant to the Commercial and Technical Agreement, the Group agreed with the Israel Satellite Antenna Provider to purchase 50 units of Co-developed Satellite Antenna from the Israel Satellite Antenna Provider by installments before 30 September 2012. In addition to the sale of Co-developed Satellite Antenna to the Group, the

Israel Satellite Antenna Provider will, amongst other things, provide assistance to the Group in manufacture of the Co-developed Satellite Antenna pursuant to the Commercial and Technical Agreement. In providing assistance to the Group, the Israel Satellite Antenna Provider shall transfer to the Group the applicable assembly drawings, bill of materials, test equipment list and other material and information relevant to the manufacture of the Co-developed Satellite Antenna after full payment by the Group for the first installment of purchase for 16 units of Co-developed Satellite Antenna. Such material and information enable the Group to manufacture the Co-developed Satellite Antenna (including the major component parts) independently from the Israel Satellite Antenna Provider.

The Group and the Israel Satellite Antenna Provider agreed under the Commercial and Technical Agreement that the Co-developed Satellite Antenna purchased from Israel Satellite Antenna Provider or manufactured solely by the Group are covered by warranty from Israel Satellite Antenna Provider. Such warranty to be provided extends beyond the Group to intermediary purchasers and end-users of such Co-developed Satellite Antenna.

In the event that the Group does not purchase the Co-developed Satellite Antenna at the first installment in accordance with the agreement, the Commercial and Technical Agreement shall lapse and parties will be released from all obligations thereunder.

Sales and marketing collaboration with the ACU Provider

In 2007, the Group entered into the technology license and equipment import contract (the "Technology License and Equipment Import Contract") with the ACU Provider pursuant to which the Group agreed to import, distribute and sell the products of the ACU Provider from the United States to the PRC. Such contract was subsequent supplemented in 2010 and its term would have ended in September 2011. The products to be imported by the Group under the Technology License and Equipment Import Contract included antenna control unit and the operating software. The antenna control unit was to be incorporated in the VSAT low speed satellite transmission system of the Group. Pursuant to the Technology License and Equipment Import Contract (as supplemented in 2010), the ACU Provider agreed to provide the Group with standard upgrades, new features or enhancements to the products as the ACU Provider generally makes available to its other international customers operating similar systems. Products from the ACU Provider were to be sold by the Group without modification. During the Track Record Period, products from the ACU Provider were sold by the Group together with other terminal products developed by the Group to its own customers. Turnover derived from resale of the ACU Provider's product for the three years ended 31 March 2011 and the seven months ended 31 October 2011 amounted to approximately nil, HK$15.5 million, nil and nil and accounted for approximately nil, 7.2%, nil and nil of the total revenue of the Group during the relevant years/period, respectively.

Owing to the fact that, during the Track Record Period, market demand for VSAT low speed satellite transmission system had been decreasing and become relatively low compared to the VSAT high speed dynamic digital satellite system, the Group's demand for antenna control unit from the ACU Provider dropped. The Technology License and Equipment Import Contract was terminated in

July 2011. The Group considered that it was in its interest to devote more of its resources to the sale and possible further development of the VSAT high speed dynamic digital satellite system. Upon termination of the Technology License and Equipment Import Contract, the Group does not have any other agreement or collaboration arrangement with the ACU Provider.

Technology and development collaboration with the ACU Provider and the Israel Satellite Antenna Provider

The Group and the Israel Satellite Antenna Provider entered into the Framework Development Agreement in November 2009 to provide research and development of the Co-developed Satellite Antenna. Details of the co-development under the Framework Development Agreement are set out in the paragraph headed "Research and Development" in this section of this prospectus.

Other than the sales and marketing collaboration as described, the Group has also entered into licensing agreements with the ACU Provider and the Israel Satellite Antenna Provider pursuant to which the Group either co-develop related technology with the suppliers or is granted right to use products or software of the suppliers for development of new technology or products.

Details of the licensing agreements of the Group with the key players for the use of products or software are set out in the table below:

Name of Signing Party	Name of Agreement	Key Terms	Duration	Amount	Committed Sales	Renewal	Termination Clause
ACU Provider	Technology License and Equipment Import Contract	(i) Granting the Group the right to use certain equipment and software specified in the agreement (ii) Engaging the Group to import, distribute and resell certain products of the ACU Provider from the United States to the PRC	10 years from 30 July 1999, extended by mutual agreement for 1 more year from 15 September 2010 It was terminated in July 2011	Gradual reduction at regular intervals of twelve months from US$15 per month per product for the first twelve months down to US$7.50 per month per product for the 49th to 60th months. Thereafter from the 61st month onwards amount charged at no less than US$5.00 per month per product	20,000 sets of certain products in 10 years from the effective date of the agreement	nil	Termination upon: (i) Expiry of the agreement; or (ii) Breach of any terms of the agreement

Name of Signing Party	Name of Agreement	Key Terms	Duration	Amount	Committed Sales	Renewal	Termination Clause
Israel Satellite Antenna Provider	Software License Agreement	(i) Granting the Group the license to use the products and software specified in the agreement (ii) Title of the licensed software shall remain vested in the Israel Satellite Antenna Provider	Continue until terminated as provided in the termination clauses	US$25,000 per product	nil	nil	Termination upon: (i) Default of payment; (ii) Breach of any terms of the Agreement; (iii) Licensee becomes insolvent; or (iv) The Group gets into collaboration with the competitors of the Israel Satellite Antenna Provider

For the Technology Licence and Equipment Import Contract with the ACU Provider which was terminated in July 2011, the Group was no longer bound by the committed sales volume since 1 August 2009. However, during the Track Record Period before 1 August 2009, the Group failed to meet the committed sales volume under such contract. The committed sales volume in 2008 and 2009 were 3,000 antenna control units. During the Track Record Period, the Group sold approximately nil, 300, nil and nil units of antenna control units, representing approximately nil, 10%, nil and nil of the total sales of the Group for the corresponding years/period. Pursuant to a waiver given by the ACU Provider in June 2011, the ACU Provider has agreed that it waived all rights or claims against the Group for any loss, damages or compensation whatsoever arising from or resulting in the failure of the Group to meet the committed sales volume under the Technology Licence and Equipment Import Contract.

Pursuant to the Software License Agreement between the Group and the Israel Satellite Antenna Provider, any termination as a consequence of any breach of terms by the Group may result in the Group not being able to continue using the products and software specified therein. The Israel Satellite Antenna Provider shall further have the right to demand for return of products and software or destruction of any such copies in the possession of the Group.

The previous collaboration with the ACU Provider and the subsisting collaborations with the US Satellite Antenna Supplier, the Block Up-converter Supplier and the Israel Satellite Antenna Provider have been important to the Group's business operation as the products sourced from them, including satellite antenna, are some of the major part components forming the VSAT satellite system. To reduce the reliance, the Group plans to focus more on technological development of its existing product and enhancement of the research and development capability of its own research and development department. The Group has developed its own satellite antenna. Details of the Group's development of satellite antenna are set out in subsection headed "Research and Development" in this section. There are no restrictions in the Group's agreements with the Israel Satellite Antenna Provider or with the US Satellite Antenna Supplier for the Group to research and develop its own satellite antenna.

(iii) ***operation integrated system***

To solve the linkage problem and to better cope with emergency situations, the Group designed the operation integrated system which involve refitting of vehicle and installation of digital trunking system and VSAT satellite system onto the vehicle serving as a command centre. The system relies on the communication chain of satellite and enables the wireless and wireline communication among the users within the system.

In 2008, the Group installed the specialised communication system products to vehicles mainly for emergency command and control during urgent rescue. The refitted vehicle is able to operate at outskirts of cities with no telecommunication network coverage. It enables communication between the vehicle and command headquarters. The Group offers customerised design proposal of refitting different vehicles to meet customer's specific needs and requirements. As a package, the Group also provides vehicle re-fitting service for the installation of the operation integrated system.

The Group has principally engaged independent sub-contractors, Guangdong Comwin Traffic Facilities Co., Ltd (廣東康盈交通設備製造有限公司) ("Guangdong Comwin") and Beijing BDK Electronics Co., Ltd (北京北電科林電子有限公司) ("Beijing BDK"), to facilitate the refitting of vehicles. Guangdong Comwin was established in 2000, principally engaged in the manufacture of specialised vehicles. The business relationship between Guangdong Comwin and the Group commenced in 2008 for initial technical and design of vehicle refitting and negotiation while the first co-operation on vehicle refitting was in early 2009. No long-term co-operation contract has been entered into between the Group and Guangdong Comwin. Guangdong Comwin was engaged by the Group on case by case basis. Apart from the core components provided by the Group such as digital trunking system, Guangdong Comwin sourced for the requisite materials and other equipment for the refitting from other suppliers as agreed with the Group. The total fee charged by Guangdong Comwin for each refitting contract is determined on a case by case basis after arm's length negotiation between the Group and Guangdong Comwin. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the fees paid to Guangdong Comwin by the Group for the refitting services provided amounted to approximately nil, HK$0.6 million, nil and nil, representing approximately nil, 0.7%, nil and nil of the total cost of sales of the Group during the Track Record Period, respectively. Beijing BDK is a company established in the PRC principally engaged in manufacture and refitting of television broadcasting equipment, digital satellite communication equipment, broadcasting vehicles and other specialised vehicle. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the fee paid to Beijing BDK for the refitting services amounted to approximately nil, nil, HK$0.4 million and nil, representing approximately nil, nil, 0.6% and nil of the total cost of sales of the Group during the Track Record Period, respectively.

The Directors consider that the Group does not rely on any of the sub-contractors for provision of refitting services because the Group is able to engage other subcontractors for vehicle refitting should any of the sub-contractors does not have the capacity to or fail to provide services. The Directors consider that it is relatively easy for the Group to engage other sub-contractor to provide vehicle refitting services in Guangdong Province in case the co-operation with the sub-contractors engaged by the Group deteriorates.

During the Track Record Period, the operation integrated system was demanded by government for public security, natural disaster and in particular used in Sichuan earthquake rescue in 2008 and the security protection during the hosting of Beijing Olympic Games in 2008. Such system was also applied in the World Expo 2010 and the 16th Asian Game for security protection.

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the turnover derived from sales of operation integrated system amounted to approximately HK$10.0 million, HK$1.9 million, nil and nil, representing approximately 6.2%, 0.9%, nil and nil of the total turnover of the Group during the Track Record Period, respectively. Since April 2010, the Group has no sales derived from the operation integrated system as a result of adjustment of sales strategy. The Group did not proceed with certain orders for operation integrated system as the profit to be derived from sales of operation integrated system was expected to be low as a result of a combination of the lowered selling price of VSAT satellite system due to increased competition and the increasing costs for provision of after sale services and maintenance for the operation integrated system.

The following pictures show a few types of vehicle fitted with the specialised communication products of the Group:

Executive direction vehicle

Medium scale VSAT high speed dynamic satellite system communication vehicle

Large scale VSAT high speed dynamic satellite system communication vehicle

Trunking communication vehicle

(iv) ***Systems technologies***

During the Track Record Period, based on market demands and the product development plans of the Group, the Group developed a wide varieties of technical know-how and technologies relating to the core components of specialised communication system. Apart from purchasing the end products/systems from the Group, the Group's customers also paid to the Group licensing fees for the use of certain technical know-how and technology on a non-exclusive or exclusive basis. Such technical know-how and technology include audio code for movable communication system and programmes DQPSK skills and network and GMSK software for movable communication network. Notwithstanding the payment of licensing fee by its customers, the Group remains the intellectual property owner of such technical know-how and technologies that are influential to the technologies of the Group and development of its products.

Further, leveraging on its research and development capability, the Group provides systems technologies to its customers at costs. The Group has been commissioned to conduct research and development and to design and develop particular products/technical know-how for some customers. Engagement fees were paid by the customers for the research and development on project basis. The intellectual property rights of the commissioned work belong to the Group while the Group's customers have the right to apply such intellectual property rights in further testing, research and development of new products. The proprietary right to such new products shall belong to the customers. The technology and know-how the Group was commissioned to develop and design includes digital trunking safety technology, electronic devices temperature design data base, TCR-155/B location of base stations modification.

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the turnover generated by provision of systems technologies by the Group amounted to approximately HK$8.6 million, HK$7.3 million, HK$5.8 million and nil, representing approximately 5.4%, 3.4%, 2.7% and nil of the total turnover of the Group during the Track Record Period, respectively. Since April 2011, the Group has no sales derived from the systems technologies due to the nature of the sales of systems technologies. The sales of systems technologies depend largely on the demand of research requests from customers, mainly in the course of setting up a specialised communication system, which arise on an irregular or emergency basis. The Group had not been requested to sell or license or, commissioned to conduct research and development for any technical know-how and technologies during the respective period.

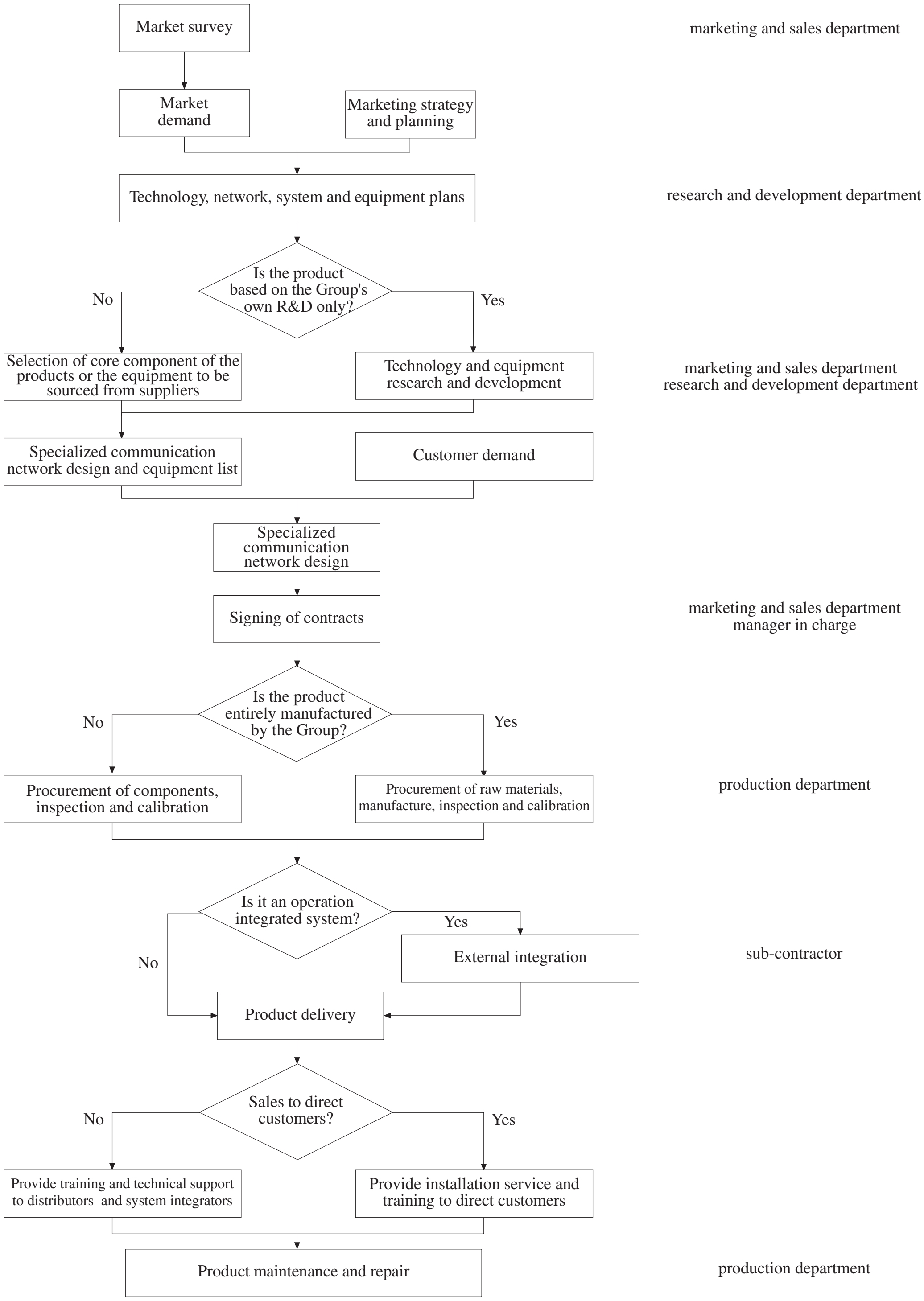
Further details of the Group's research and development are set out in the paragraphs headed "Research and Development" in this section of this prospectus.

(v) ***other accessory parts and components***

As the Group is principally engaged in production and sales of core components of specialised communication system, the Group has access to a network of reputable suppliers for the supply of equipment and accessory parts and components of communication system. The accessory parts and components designed and manufactured by the Group are water-proof, anti-explosive, able to operate under extreme conditions. As such, the Group is able to provide certain electronic accessory parts and components for the specialised communication system such as generator, handheld terminal, accessory to satellite antenna.

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the turnover generated by the sales of other accessory parts and components amounted to approximately HK$0.02 million, HK$0.38 million, HK$0.17 million and HK$1.0 million respectively, representing approximately 0.01%, 0.17%, 0.08% and 1.0% of the total turnover of the Group during the Track Record Period, respectively.

BUSINESS AND WORK FLOW



1. Market Research and Preliminary Product Design

The marketing and sales department ascertains market technology and product demand of the industry through market surveys, market analysis reports, direct communication with customers, collecting information on users' needs through system integrators and distributors, and attending various seminars, and utilizes the information gathered as the basis for the Group's technology network, system and equipment plans, and strategic plans to determine the direction of development of the Group.

2. Product Research and Development and Design Customerised Network

Product research and development

Different length of stages of product research and development are required for different types of products. For the digital trunking system, three stages of development are involved, including set up of demo platform for feasibility study which typically takes approximately three to four years, establishment of product prototype which typically takes approximately three to four years and the testing and development of original products which typically takes approximately one to two years. The whole product research and development process of digital trunking system requires approximately seven years. Deviation and adjustment on the original product based on customers' request or market demand takes approximately one to two years. For VSAT satellite system, testing and development of original products based on the part components sourced by the Group from suppliers is involved, which typically takes approximately two to three years.

Design Customerised Network

If the products demanded by customers are developed mainly based on the research and development and technologies developed by the Group, the research and development department applies their developed technologies and know-how to develop products and network. If the major components of equipment or equipment forming the communication network designed for the customers are well developed in the market by other market players, the Group will source such components or equipment from suppliers. The marketing and sales department will analyze customers' demand on their own or together with the system integrators and distributors, complete equipment planning and formulate standard proposals of various specialised communication system with equipment list. If the Group can meet the customers' demand by rearranging and simple adjustment of the existing components forming the digital trunking system or VSAT satellite system, customerised network can be designed and implemented within six months. If new component or equipment is required to be developed or improved from the existing components or equipment offered by the Group, customerised network can be designed and implemented within approximately two to three years.

The proposals will be provided to system integrators and distributors or direct customers. Customers' feedback on the products and network will be collected to ascertain and if customers' requirements cannot be met, the sales representatives will deliver to the marketing and sales department the detailed specifications of the customers. The marketing and sales management department together with the research and development department will make the necessary modification and enhancement on the technology, network, system and product design so that customized specialised communication network design can be provided to direct customers, system integrators or distributors. Upon confirmation by the respective customers, formal contract will be entered into.

3. Component Procurement, Manufacture and Quality Control

If the subject of the contract is subcomponents forming the core components for the specialised communication system to be manufactured by the Group or core component to be manufactured by the Group, the purchasing team of the production department will procure the requisite raw materials, while the production team of the production department will carry out manufacturing and assembling of products. The quality control team of the production department will then conduct tests and quality inspection on the finished products before delivery. Typical example of products are digital trunking system and VSAT low speed satellite transmission system.

If the subject of the contract is for product mainly comprising core components to be sourced from suppliers, the purchasing team of the production department will procure the requisite parts and components from suppliers, while the production team of the production department will carry out assembling of products if necessary. The quality control team of the production department will conduct tests and quality inspection on the finished products before delivery. Typical example of products are VSAT high speed dynamic digital satellite system, VSAT high speed stationary digital satellite system and operation integrated system.

For digital trunking system and VSAT satellite system, the procurement process takes approximately 90 days, the assembling and manufacturing process takes approximately 17 days while the quality control process takes approximately three days. Therefore, the whole production cycle for digital trunking system and VSAT satellite system is estimated to take approximately 110 days.

4. Operation System Integration and Delivery

Pursuant to the terms of the contract, if operation system integration is required, a sub-contractor will be engaged by the Group to perform the external integration and the operation integrated system products will be delivered to the customers after the Group's internal inspection and testing.

For operation integrated system, if the operation integrated system only involves core components sourced from suppliers, the procurement process takes approximately 50 days, the system integration process takes approximately 15 days while the quality control process takes approximately five days. The whole production cycle is estimated to take approximately 70 days. If the operation integrated system involves core components sourced from suppliers as well as to be manufactured by the Group, the procurement and manufacturing process takes approximately 110 days, the system integration process takes approximately 15 days while the quality control process takes five days. The whole production cycle takes approximately 130 days.

If no operation system integration is required, the finished products will be delivered to the customer after passing the Group's internal quality inspections as set out in paragraph 3 above.

5. Installation, Training and Technical Support

Pursuant to the terms of the contract between the Group and the direct customers, installation services and user training will be provided by the Group to direct customers.

If the contract is between the Group and the distributors or system integrators, the Group will provide training and technical support to the system integrators and distributors.

Product maintenance and repair will be provided to direct customers or system integrators and distributors according to the terms of the contract.

6. After-sales Services and Warranty

The Group provides a warranty ranging from nil to three years for the products supplied by the Group and up to five years for system software upgrading services, pursuant to the terms of the contracts. During the warranty period, the Group provides maintenance and after-sales services to customers, which include technical support, system and network resting, equipment repair and maintenance. The Group also provide technical training to its customers. Upon expiry of the warranty period, the retention money (if any), which normally ranges from 0% to 5% of the contract amount, will be paid by the customers pursuant to the terms of the contract.

Change of business model

Prior to 1 January 2009, products of the Group were first exported to Synertone Wireless, the Hong Kong subsidiary of the Group, which then carried out further sales and distribution as a trading hub of the Group.

Since 2002, two trading agents of the Group in Hong Kong introduced to the Group some end-users in the PRC for purchase of modules for core components of the CITONE system. The PRC end-users requested the Group to export such modules to Hong Kong to the two trading agents. The two trading agents then sold the modules to the PRC system integrators which conducted system integration and packaging to the modules and delivered the integrated products to end-users in the PRC. The PRC subsidiaries of the Group were responsible for hardware manufacturing and partial installation of the required software for the Group's products, whilst the further software installation and pre-sale product testing were conducted by the Hong Kong subsidiary of the Group. The trading arrangement with the two trading agents came to an end in 2005. However the Group did not adjust its business model as the Hong Kong subsidiary of the Group possessed the necessary experience and technique for software installation and pre-sale product testing service and such business model continued until the end of December 2008. By the end of 2008, in view of unifying the production process, the Group completed the improvement of the production facilities in the PRC and training of the production team in the PRC to handle software installation. The software installation and pre-sale product testing conducted by the Hong Kong subsidiary were transferred to the PRC subsidiaries. There was no legal impediment for the Group to sell its products in domestic market prior to such a change.

Aiming to better exploit the potential of the domestic market, the Group began to sell its products in the form of modules and component parts through Synertone Smartend and Synertone Soontend in the PRC since 1 January 2009. The Group registered its software products and obtained software certificates pursuant to which the Group is entitled to sell the software products separately from the communication system products in the PRC.

As confirmed by the Directors, there is no significant impact on operational and financial performance of the Group as a result of such change of the business model.

Also, during the Track Record Period, the Group has procured raw materials and parts and components from overseas suppliers through the subsidiaries in Hong Kong and still continue to procure raw materials and parts and components through such subsidiaries in Hong Kong.

PRODUCTION

Production facilities

The Group's production facilities are located at its leased properties situated in the Lo Wu District in Shenzhen, the PRC. As advised by the PRC Legal Advisers, the Group has leased such property since December 2008 for a rental amount of approximately RMB26,400 per month. The lease of the property numbered 3 in the valuation report under Appendix III to this prospectus will expire on 31 March 2012. There is no renewal term provided in the lease while the lease will be terminated upon (i) any events or series of events in the nature of force majeure which render the lease unenforceable; (ii) government confiscation, acquisition or demolishment of the leased property; or (iii) mutual consent to terminate between two parties. Due to the development of the business operation of the Group, the Group entered into an agreement dated 7 April 2011 regarding its relocation of production facilities to a new premise located in Ching Shui District in Shenzhen, of which the lease will expire on 10 April 2021. The new premise is currently under renovation. The Group plans to commence relocation in March 2012 and expects to complete relocation by May 2012. The Group is negotiating with the landlord for a temporary extension of lease of the property numbered 3 in the property valuation report under Appendix III to this prospectus to allow the Group time for relocation. Approximately 20% of the net proceeds is planned to be used for the relocation of production base and purchase and installation of machinery and equipment. The Directors are of the view that the relocation of production facilities will not have an impact on the Company's business operation and financial performance. Details of such leased properties are set out in Appendix III of this prospectus.

The production base houses two major production lines. One production line is mainly for the manufacture of major products of the Group including core components of digital trunking system and VSAT low speed satellite transmission system while another production line is mainly for accessory parts and components including generators and the shells of handheld terminal. The production lines mainly comprise of three production steps, including surface-mount, welding and testing and adjustment.

The Group manufactures and assembles the core components of the digital trunking system and low speed satellite transmission system at its production facilities in Shenzhen, while having the satellite antenna of the VSAT satellite system being sourced from suppliers. The key production process for VSAT satellite system is the assembling of parts and components manufactured by the Group.

The assembling and refitting of vehicles for operation integrated system are outsourced to a subcontractor. Except for the testing of the refitted vehicles, the production process of operation integrated system is not performed at the production facilities of the Group. For operation integrated system, after network formation testing of the equipment manufactured by the Group or sourced from suppliers, the Group will contact vehicle refitting subcontractor for refitting proposal and agree on the refitting details. The products of the Group will be delivered to the subcontractor for refitting services. The Group and the subcontractor will agree on the raw materials to be used in the refitting process and the subcontractor will source the requisite raw materials according to the agreement. The Group will follow up the progress of the refitting and conduct testing of the refitted vehicle before delivery to the customers.

Production capacity and utilization rate

The Group has improved the production process technology through continuous research and development efforts to meet the ongoing demand of its customers and maximise the benefit of economies of scale.

The following table sets forth the production capacity, the production volume and the average utilization rate of the Company's production lines for each of the Company's product types during the Track Record Period:

	For the year ended 31 March									For the seven months ended 31 October		
	2009			2010			2011			2011		
Products	Production capacity (1)	Production volume	Utilization rate (2) (%)	Production capacity (1)	Production volume	Utilization rate (2) (%)	Production capacity (1)	Production volume	Utillization rate(2)	Production capacity (1)	Production volume	Utillization rate(2) (%)
Digital trunking system												
- base station	426	210	49.28	426	182	42.71	439(4)	340	77.43	256	128	49.97
- terminal	25,140	12,755	50.74	25,140	12,580	50.04	25,907	13,050	50.37	15,112	14,200	93.96
VSAT satellite system(3)	648	400	61.75	648	400	61.75	164(5)	50	30.51	96	0	0

Notes:

(1) The base station, terminal and component for VSAT satellite system involve similar production steps and the production lines of the Group are shared among these products. The production capacity is calculated based on the estimated production time in a calendar year that the production facility and the staff is expected to operate, product mix ratio and standard production time for manufacturing each product. However, production volume may differ from the estimated capacity due to variation in product mix and other factors.

(2) The average utilization rate is derived on the basis of the actual production volume for such period divided by the production capacity of the production facility for the respective period.

(3) The VSAT satellite system refers to the VSAT low speed satellite transmission system. The production capacity and volume does not include other VSAT satellite systems which were assembled by the Group at the customers' designated locations with the core components sourced from suppliers and other parts and components.

(4) In view of the decreasing demand of the VSAT low speed satellite transmission system, production facilities have been re-allocated for production of base stations of the digital trunking system which result in the increase of production capacity in base stations.

(5) In view of the decreasing demand of the VSAT low speed satellite transmission system, production facilities have been re-allocated for production of base stations of the digital trunking system which result in the decrease of production capacity in the VSAT satellite system.

The Group recorded increase in production volume of base station from the year ended 31 March 2010 to the year ended 31 March 2011 and an increase in production volume of terminal for the seven months ended 31 October 2011 mainly attributable to the increase in sales volume of base stations and terminals in the respective periods.

The production facilities were designed and planned for the current production scale of the Group and the future growth of production needs for the next three to five years. The production of the Group is directly linked to the sales order received from the Company. Currently the production facilities that are in operation are mainly for the production of components of digital trunking system and the VSAT low speed satellite transmission system. The decrease in the utilization rate for the production of terminals and VSAT low speed satellite transmission system was mainly because during the Track Record Period, the demand for VSAT low speed satellite transmission system has been decreasing and become relatively low compared to the VSAT high speed dynamic digital satellite system, therefore production of VSAT low speed satellite transmission system was reduced.

The Directors, the Sole Sponsor and the Reporting Accountants are of the view that no impairment of plant and equipment is applicable to the production even the demand of VSAT low speed satellite transmission system has been decreasing as no production facilities were specifically used only for the production of components of VSAT low speed satellite transmission system and that such production facilities can be readily re-allocated and used in producing components of the digital trunking system to meet its increase in demand. Therefore, no production facilities is idle due to the deceasing demand for VSAT low speed satellite transmission system and require impairment.

QUALITY CONTROL

The Group stresses the importance of quality control in every aspect of its business. The Group produces its products in accordance with its strict quality control system and quality standards. From sourcing of raw materials, production, delivery and installation, each stage of the production process is subject to the Group's quality control procedures. The Group has implemented various quality-control standards into its production process including GB/T 19001-2008 quality management system requirements. The Group was accredited with ISO9001:2000 quality management system certificate with respect to its research and development, manufacture and service of Trunking Radio System in 2005 and ISO9001:2008 quality management system certificate in 2011 which indicates that the Group's research and development, manufacture and service standards meet the international standards.

Quality control team

As at the Latest Practicable Date, the Group's quality control team consisted of approximately 10 employees who were based at the Group's production facilities in Shenzhen, China. The team is reporting to the Group's production department and is led by the Group's quality control supervisor. The quality control team is mainly responsible for monitoring the quality of procurement of raw materials, production process, finished products and the after-sales services and supervising the product engineering and testing.

Raw materials and product parts and components quality control

The Group implements stringent selection criteria for raw materials suppliers and product parts and components suppliers to maintain the quality of its products. The Group only procures raw materials and parts and components from suppliers who have passed its quality and reliability tests. The Group randomly inspects test samples of raw materials and product parts from its suppliers and return these that do not pass the inspection.

Production quality control

The Group has its own on-site quality control staff to inspect each stage of its production process. The quality control staff inspects semi-finished products at various stages of the production process to ensure their compliance with its internal quality control standards and measures. Such inspection process enables the Group to detect defects during the production process and take steps to rectify those defects, where appropriate.

Delivery and installation quality control

The Group conducts final inspections on the products before their delivery to its customers to ensure the products meet the specifications and requirements of its customers. Upon delivery and installation, the Group conducts on-site testing at customers or end-users site.

The Group provides maintenance and after-sales service of the Group's products to its customers.

During the Track Record Period, the Group did not experience any instance of goods return or received complaints due to quality or other issues attributable to the Group.

RESEARCH AND DEVELOPMENT

The Group places strong emphasis on research and development of its products in order to meet with the changing requirements and needs of its customers with competitive costs and efficiency. The Directors consider the research and development capability of the Group is crucial to the Group's success and its ability to provide high quality products and develop new products to meet the requirements of customers and to upgrade the Group's existing products.

As at the Latest Practicable Date, the Group's research and development department had 171 staff, 159 of whom received tertiary education. The staff of research and development department of the Group on average has approximately seven years of experience in specialised communication system industry. The research and development centres are located in Shenzhen and Nanjing respectively, which is overseen by the general manager of the Company and the vice general manager of research and development department. The research and development department is sub-divided into five teams, including products and technology management team, trunking system research centre, satellite products research centre, communication technology research centre and network technology research centre. Before a research project commences, the research team is required to prepare a feasibility report setting out the research subjects and preliminary testing. The products and technology management team will consider the proposal based on the resources available and the expected market for the products. If the research project plan is approved, the relevant research centre will set up case study, build production analysis and confirm the design of the products. After the prototype is produced, the relevant research centre will continue to test, review and improve the products.

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the research and development expenses incurred by the Group were approximately HK$9.9 million, HK$10.7 million, HK$17.4 million and HK$9.3 million, respectively, representing approximately 6.2%, 5.0%, 7.9% and 9.1% of the Group's turnover during the relevant periods, respectively.

The Group's own research capability

During the Track Record Period, the Group's research works were focused on the core components of specialised communication systems including upgrading of the digital trunking system, the VSAT satellite system and the operation integrated system. During the Track Record Period, the Group invented and registered four patents and 65 softwares with Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) and had applied for the registration of another two patents in China. For details, please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix V of this prospectus. The Group's research and development capability was highly regarded and its subsidiaries have gained the recognition as a "Advanced Technology Enterprise" in 2008, 2010 and 2011.

In 2003, the Group developed CITONE trunking mobile communication system. In 2005, the Group enhanced its CITONE system and digitalized it to CITONE digital trunking mobile communication system. Various technologies have been developed to support the CITONE digital trunking mobile communication system such as digital encryption, digital exchange, data transmission and short message. Technology has been adopted to simplify control and lower customers' cost of operation. Repeater and transmission station have been added to enhance transmission distance and network coverage. The Group commenced to develop WITONE digital trunking mobile communication system in 2006 and launched it to the market in 2008. Compared to the CITONE system, the WITONE system allows network switch (channel associated signaling) and is featured with improved digital error-correction function. Furthermore, the WITONE system is compatible with IP transportation which laid a foundation for the linkage and communication among different specialised communication standards. The DITONE digital trunking mobile communication system which allows several users to share the same frequency channel with simultaneous communication between users, was launched to the market in 2010. The Group plans to develop the FITONE digital trunking mobile communication system based on the DITONE system with advanced high broadband adaptation frequency hopping technology so as to allow assembling network and dividing frequency. The Group has also developed or improved certain technologies, which include audio code for movable communication system and programmes BJH000201A, AKZ0004, DQPSK skills and network, GMSK software for movable communication network and open-ended protocol and integrated development for Composite Movable Communication Network.

The Group's development of its own satellite antenna

The Group has developed its own satellite antenna for the VSAT satellite system with reference to the technologies of the Co-developed Satellite Antenna. The Israel Satellite Antenna Provider granted a license to the Group under the Commercial and Technical Agreement to use the software applied in the Co-developed Satellite Antenna for the purpose of manufacturing the Co-developed Satellite Antenna or other antenna by the Group (the "**License**"). The License shall not be revoked or terminated by Israel Satellite Antenna Provider except in the instances of default on the part of the Group in fulfilling the Group's obligations to acquire 50 units of Co-developed Satellite Antenna from Israel Satellite Antenna Provider under the Commercial and Technical Agreement. The License will become irrevocable, unconditional and perpetual immediately upon full performance of all such obligations. Furthermore, the Israel Satellite Antenna Provider agreed with the Group under the Commercial and Technical Agreement that, in consideration of US$1 given by the Group, the Group is authorised to reproduce, modify and enhance without restrictions any software, know-how and technologies of the Co-developed Satellite Antenna and to sell or utilize such reproduced, modified and/or enhanced software and technologies of the Co-developed Satellite Antenna with any antenna to be manufactured by the Group. Other than the abovementioned and participation in the exchange of knowledge and experience with the technicians of the Group on the manufacture of satellite antenna, the Israel Satellite Antenna Provider did not involve in the development of the satellite antenna of the Group. There is no term in the agreements between the Group and its existing suppliers of satellite antenna which restricts the Group from developing its own satellite antenna. The satellite antenna developed by the Group has been tested by the Microwave Engineering Laboratory, School of Electronic Information Engineering, Beijing University of Aeronautics & Astronautics for its performance. The test results indicated that the Group's self developed intelligent antenna is of wider elevation angle, higher antenna gain and better sensitivity when compared with the specification data of the satellite antenna procured from its supplier.

The average unit cost of manufacturing the Group's own satellite antenna is anticipated to be lower than the average unit cost of satellite antenna sourced from the Group's suppliers. With lower production cost, it is expected that the selling price of the satellite antenna products of the Group will be reduced. Based on the above, the Directors believe that if the Group is able to produce its own satellite antenna for VSAT satellite system, it will lower the production cost and thus increase the profit margin of VSAT satellite system. With a view to launch the satellite antenna to the market, the Group plans to acquire and install new equipment, as well as to recruit extra manpower for the production and testing of the satellite antenna. The total investment amount for the development of the self-developed satellite antenna is estimated to be approximately HK$23.6 million which will be funded by the net proceeds from the Global Offering. For details please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. The testing of the satellite antenna was completed and the Group had commenced trial sales of the self-developed satellite antenna to its customers. It is anticipated that the satellite antenna will be officially marketed to the customers of the Group in the first half of 2012.

As at the Latest Practicable Date, the Group had not submitted any application for registration of intellectual property rights for the technologies of the self-developed satellite antenna as the Group does not wish to make the specifications of the self-developed satellite antenna available to public records and searches.

Research and development of specialised integrated circuits

Currently, the Group manufactures terminals, being one of the core components comprising the digital trunking system, by applying motherboard manufactured by the Group. The Group plans to develop specialised integrated circuits based on the technology of baseband of the Group to replace the motherboard. It is the plan of the Group to sub-contract the manufacture of the specialised integrated circuits to external manufacturers so as to focus the resources of the Group on development and enhancement of core technologies. The development of specialised integrated circuits will involve design of specialised integrated circuits, hardware setup, testing, trial production and marketing. It is the plan of the Group to re-assign existing engineers of the Group as well as employ additional technicians for the development and testing of specialised integrated circuits. The Group possess certain testing equipment for the specialised integrated circuits and plans to acquire additional specialised equipment when the development commences. The Group has not yet commenced the research and development of specialised integrated circuits. The Group will apply a portion of the proceeds from the Global Offering to the development. Further details are set out in the section headed "Future Plans and Use of Proceeds" of this prospectus.

Joint research and development

In order to further strengthen its research and development capability, the Group has engaged itself in joint research and development projects with some academic institutions such as universities and colleges and other industry players such as the Israel Satellite Antenna Provider with a view to combining the respective technological resources to jointly develop new technologies and/or products. Amongst all research and development projects the Group has undertaken with academic institutions and other industry players include (i) moveable antenna analysis; (ii) development of handheld radio chip; (iii) research of digital voice compression technology; and (iv) development of encoding and decoding technology. In the joint research and development projects, the Group is generally responsible for laying out specific research requirements and payment of research fee by installment in accordance with the progress of research development. In return, the academic institutions will be responsible for estimating time and costs of the scope of work, providing updates on progress of research, ultimate collaboration outcome and technical assistance. In most of the joint research and development projects, intellectual property rights of collaboration outcomes are vested with the Group but subject to the request of the academic institutions, the Group may have to grant an exclusive, perpetual, royalty-free and irrevocable licence to the academic institutions.

Technology and development collaboration with the Israel Satellite Antenna Provider

On 25 November 2009, the Group entered into the Framework Development Agreement with the Israel Satellite Antenna Provider for the co-development of Co-developed Satellite Antenna. According to the information provided by the Israel Satellite Antenna Provider, the Israel Satellite Antenna Provider was incorporated in 1997 and is specialised in the research and development of satellite antenna products and is the first antenna manufacturer which provided two-way satellite communication system.

Pursuant to the Framework Development Agreement, the parties thereto shall develop and deliver the end-products in accordance with statements of work as agreed by the parties from time to time. A statement of work shall contain terms on specification requirements and solutions for the end-product concerned, responsibilities for each party, time schedule, costs of design or development and payment schedule. The parties shall cooperate in order to perform their respective undertakings and milestones in accordance with the statement of work agreed and each party shall devote the resources, personnel and time needed and shall perform its obligations to its best commercial ability in accordance with the agreed statement of work in order to timely perform the project as specified in the statement of work. Under the Framework Development Agreement, the Israel Satellite Antenna Provider shall (i) disclose to the Group and its subcontractors the relevant background intellectual property rights for use in connection with the project specified in the agreed statement of work; (ii) grant the Group and its subcontractors a non-exclusive, non-transferable, terminable, limited right to use such background intellectual property so disclosed to them or any portion thereof, for the purpose of the project specified in the statement of work as agreed and for no other purpose, which license shall expire automatically upon the expiration or termination of the Framework Development Agreement. The entire right, title and interest in the intellectual property provided by one party pursuant to the Framework Development Agreement shall remain with such party while any intellectual property jointly developed by the parties under the respective agreed statement of works pursuant to the Framework Development Agreement shall be shared by the parties.

In consideration of the duties and obligations of the parties under the Framework Development Agreement, the Group shall pay the Israel Satellite Antenna Provider in accordance with the payment terms, specification, and milestones as set out in the statement of work for the end-product concerned. As at Latest Practicable Date, the Group had paid the Israel Satellite Antenna Provider a total sum of approximately US$400,000. The term of the Framework Development Agreement shall be five years from the date of the Framework Development Agreement and may be terminated by the parties thereto (i) upon written notice to the other if the other party breaches the terms of the Framework Development Agreement and the defaulting party has not cured the default within 30 days after receiving the written notice thereof; or (ii) upon notice given to the other party upon the occurrence of (a) appointment of receiver and such appointment is not dismissed or stayed within 60 days thereafter; (b) a party makes a general assignment for the benefit of its creditor; (c) a party commences, or has commenced against it, proceedings under any bankruptcy, insolvency or debtor's relief law, which proceedings are not dismissed or stayed within 60 days; (d) a party is liquidated, dissolved or ceases business operations; or (e) upon disclosure by a party of confidential information to any third party without prior written approval by the other party. Pursuant to the Framework Development Agreement and statement of work, the Group and the Israel Satellite Antenna Provider jointly developed the Co-developed Satellite Antenna. Pursuant to the Commercial and Technical Agreement, the Group and the Israel Satellite Antenna Provider agreed that both parties have the same right to manufacture and sell the Co-developed Antenna and further agreed that in consideration of US$1 given by the Group, the Group is entitled to reproduce, modify and enhance without restrictions any software, know-how and technologies of the Co-developed Satellite Antenna and to sell or utilize such reproduced, modified and/or enhanced software and technologies of the Co-developed Satellite Antenna with any other antenna manufactured by the Group.

While the Group entered into the Framework Development Agreement and Commercial and Technical Agreement to strengthen its research and development capability, its technology and product development strategy is to develop its own core technologies with independent intellectual property rights with a view to minimizing its reliance on external parties for their core intellectual property rights or technical support. There is no profit sharing arrangement between the Group and the Israel Satellite Antenna Provider in the Framework Development Agreement, any statement of work entered into pursuant to the Framework Development Agreement and the Commercial and Technical Agreement in relation to the future sales of any products co-developed by the parties.

Engaging third parties for research and development

In addition, it is the practice of the Group to engage third parties, such as technology research companies, to develop and research on certain non-core technologies for the Group's products such as antenna for handheld radio. In engaging third parties to conduct the requisite research and development for non-core technologies, the Group paid an initial research and development fee, then an additional development fee for each of the products successfully developed and tested by the Group as functional and up to the quality standard as agreed thereof. The proprietary right of the products developed under such engagements belongs to the Group while the engaged third parties shall have no right to use the result of the research and development.

Acquisition of third parties' technologies

During the Track Record Period, the Group also acquired certain non-core technologies for the Group's products from technology research and development companies. The Group acquired the ownership of the relevant know-how or technology and the right to apply for patent thereafter at a consideration. The Group conducted testing of the know-how or technology upon transfer of all data, reports, specification thereof. After the transfer, the research and development companies shall have no right to use, apply, conduct further research and further develop such know-how or technology and any products applying such know-how or technology at any time and in any territory. The Directors believe that the engagement of and the acquisition from such research and development companies would enable the Group's research and development department to focus on its core research and development work such as upgrading of digital trunking system, establishing techniques management mechanism, enhancement of satellite system and core network and further enhancing efficiency and effectiveness.

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the Group expended approximately HK$4.0 million, HK$16.0 million, HK$5.0 million and nil respectively on engaging third parties for research and development and acquiring non-core technologies and know-how from third parties, representing approximately 2.5%, 7.4%, 2.3% and nil of the turnover of the Group during the relevant periods, respectively.

The Directors believe that in order to sustain the Group's reputation for quality and innovative products, increased research, design and development efforts will be required. To achieve this goal, the Group intends to undertake various research projects which will cover aspects including improving the existing WITONE system by enhancing its system capacity and error identification capability, the development of TDMA technologies and products. As at the Latest Practicable Date, the Group was in the process of research and development to upgrade its digital trunking system. The Group plans to conduct market and feasibility research on FITONE digital trunking mobile communication system, an upgraded version of WITONE and DITONE digital trunking mobile communication systems.

SALES, MARKETING AND KEY CUSTOMERS

Sales

The Group's products are mainly sold in the PRC under the brand name "SYNERTONE". The Group sold its products through three channels, namely (i) sales to system integrators; (ii) sales to distributors; and (iii) sales to direct customers, who are mainly end-users. It is the business model of the Group to engage system integrators and distributors who are experienced in the industry and project engineering, possess the necessary qualifications, (in the case for system integrators) and have a strong business network as its major sales channels so that more resources could be allocated by the Group on its research and development work. As at the Latest Practicable Date, the Group had established one year to nine years and five years of business relationships with its system integrators and distributors, respectively.

In selecting new system integrators and distributors, the Group takes into account factors including:

- the industry sectors the system integrators and distributors specialise in sales and promotion; and

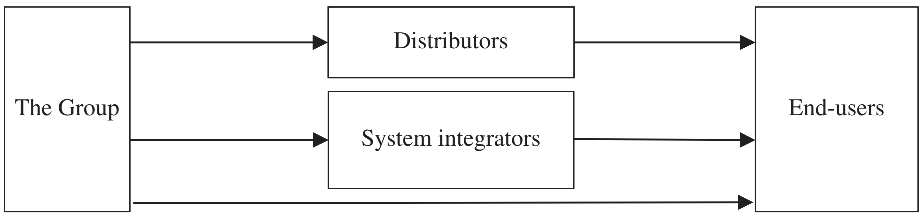
- customer network and resources and experience in specialised communication industry.

The Group conducts market research and regular visits to the existing system integrators and distributors to evaluate their performance. In evaluating the performance of the existing system integrators and distributors, the Group considers:

- whether there is any litigation against the system integrators and distributors which may have material adverse effect;
- the length of period for settlement of sales amount;
- any breach of the terms of co-operation agreement between the Group and the respective system integrators and distributors; and
- whether the system integrators and distributors compete with the Group for the existing or potential direct customers of the Group.

The Group entered into co-operation agreements with its major system integrators and distributors to secure stable business relationships. The Group does not have control over the business operation of the system integrators and distributors. However, the Group will monitor their performance, their clientele, and whether they have observed the terms of the co-operation agreements entered into with them. The Group also provides technical support and training to the system integrators and distributors to enhance their knowledge of the Group's products. System integrators acquire communication system components from the Group and assemble them with different system components the system integrators sourced from other suppliers, and sell the final integrated systems to end-user(s), who include governmental authorities and departments while distributors purchase products of the Group and resell the products to their respective end-user(s).

The following diagram illustrates the Group's sales channels during the Track Record Period:



The Group is allowed to visit the end-users with the consent of the system integrators and distributors to provide customerized network design, training and technical assistance to the end-users or conduct customer research, and hence is able to get the feedback from the end-users on their satisfactoriness of the usage and application of the products of the Group.

According to the accounting policies on revenue recognition for the sales of the Group, revenue is recognised when goods are delivered to the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. For sales return, if the product inspection from customer is not satisfied, sales recognised previously will be deducted from revenue. The accounting policies on revenue recognition and sales return for both system integrators and distributors are the same.

System Integrators

System integrators engaged by the Group include PRC domestic enterprises principally engaged in design, development and sales of electronic products and telecommunication products, with whom the Group has maintained one to nine years of business relationship. As at the Latest Practicable Date, the Group co-operated with three major system integrators under co-operation agreements, while traded with other system integrators by sales order on case by case basis.

The summary below sets forth the typical matters set out in the co-operation agreements between the system integrators and the Group:

- the Group to provide basic proposals for specialised communication system, list of standard components and equipment and free training to the staff of the system integrators relating to set up and use of the specialised communication system;

- if there are any specifications demanded by the end-users of the products which are not covered by the basic proposals for specialised communication system, upon request by the system integrators, the Group will design customerised specialised communication system proposals addressing those particular needs;

- the Group to provide administration, repair, upgrade of specialised communication system and free upgrade of software;

- no minimum sales or purchase commitment on the Group or the system integrators;

- the term of the co-operation agreements (which varies from five years to 10 years), parties are entitled to negotiate for renewal of the co-operation upon the expiry of the co-operation agreement;

- the Group is prohibited from promoting, selling any of its products and providing technical services directly to the customers of the system integrators, unless express consent from the system integrators has been obtained;

- any breach of such restriction shall be considered as breach of contract and the system integrators are entitled to terminate the co-operation unilaterally; and

- separate sales agreements will be entered into by the system integrators and the Group for each transaction.

To ensure that the Group would not inadvertently contact or promote and sell products to the end-user clients of the system integrators, the Group will conduct background check against the system integrators, including the types of end-user clients who engaged the system integrators before signing of the co-operation agreements. After signing of the co-operation agreements, the Group will request the system integrators to provide background update whenever the system integrators are engaged by new clients. If the Group suspects that its potential direct customer may also be the end-user client of its system integrators with whom the Group has already entered co-operation agreement, the Group will consult with the system integrators before accepting engagement by such direct customer. Save as being requested by the system integrators to provide technical services to the customers of the system integrators or otherwise disclosed in this prospectus, the Group did not attempt to promote, sell any of its products and provide technical services directly to the customers of the system integrators during the Track Record Period. During the Track Record Period, the Group was not aware of any breach of terms of the co-operation agreement by the system integrators and did not experience any material sales return from the system integrators.

For the three years ended 31 March 2011, and the seven months ended 31 October 2011, the Group had eight, 14, 15 and seven customers who were system integrators and the turnover derived from sales to system integrators amounted to approximately HK$118.9 million, HK$175.2 million, HK$141.7 million and HK$63.1 million, respectively, representing approximately 73.6%, 81.7%, 64.8% and 61.6% of the total turnover of the Group during the Track Record Period while the turnover derived from sales to the three major system integrators with whom the Group signed co-operation agreements amounted to approximately HK$112.8 million, HK$157.5 million, HK$126.6 million and HK$63.0 million, respectively, representing approximately 69.8%, 73.5%, 57.8% and 61.5% of the total turnover of the Group during the Track Record Period. The decrease in sales to system integrators for the year ended 31 March 2011 was due to the combined effect of increase in direct sales to direct customers of the Group and the decrease in sales of VSAT satellite system.

To the best knowledge of the Company, during the Track Record Period and up to the Latest Practicable Date, there were two common customers between the Group and Techtone Communication, one of the system integrators engaged by the Group. These two common customers were system integrators first engaged by the Group in 2008 before they also became customers of Techtone Communication in 2009. Reasons for having these common customers with Techtone Communication are set out in the section headed “Relationship with Techtone Communication and Synertone Telecom” of this prospectus.

Distributors

Distributors engaged by the Group include PRC domestic enterprises principally engaged in import and sales of communication network products and maintained an average of five years of business relationship with the Group. As at the Latest Practicable Date, the Group co-operated with one major distributor under co-operation agreement. Pursuant to the co-operation agreement, the Group develops and produces core components of specialised communication systems based on the demands and specifications of the end-user(s) and distributor. The final product will be delivered to the end-user(s) by the distributor. During the Track Record Period, the Group was not aware of any breach of terms of the co-operation agreement by the distributor and did not experience any material sales return from the distributors. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the Group had two, one, two and two customers who were distributors and the turnover derived from sales to distributors amounted to approximately HK$20.2 million, HK$19.3 million, HK$16.0 million and HK$6.4 million, respectively, representing approximately 12.5%, 9.0%, 7.3% and 6.3% of the total turnover of the Group during the Track Record Period. The decrease in sales to distributors for the year ended 31 March 2011 was due to the combined effect of increase in direct sales to direct customers of the Group and the decrease in sales of VSAT satellite system.

The Group plans to continue to expand its sales distribution network through its system integrators and distributors in order to continue to increase its market share in the PRC. The Group intends to engage new system integrators and distributors who have strong network and experience in the specialised communications industry and stable customers base.

Direct Sales to customers

The Group enters into sales agreement or pilot agreement with direct customers of the Group and are mainly end-users. Direct customers of the Group include PRC domestic enterprises principally engaged in infrastructure services. The Group researches, develops and manufactures products strictly in accordance with the specifications and technical requirements as agreed in the sales or pilot agreement(s). At the request of the direct customers, the Group also carries out network planning, system, equipment and technical design and engineering, assists them to build their own specialised communication network and develop their own network standard or basis.

The Group may market the network specifications or new products designed and manufactured for its direct customers to its system integrators and distributors, thus creating more sales for indirect sales channel.

During the Track Record Period, the Group had nine, 10, 15 and 11 direct customers, among which two, three, seven and four are governmental bodies. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the turnover derived from direct sales amounted to approximately HK$22.5 million, HK$19.9 million, HK$61.1 million and HK$32.9 million, respectively, representing approximately 13.9%, 9.3%, 27.9% and 32.1% of the total turnover of the Group during the Track Record Period. The substantial increase in the direct sales for the year ended 31 March 2011 was mainly as a result of a sales contract with a new direct customer for CITONE digital trunking mobile communication system in the amount of approximately HK$41.9 million. To the best knowledge of the Company, the direct customers of the Group are not the direct customers of the system integrators.

Revenue breakdown

The table below shows the breakdown of turnover contributed by the types of sales channels adopted by the Group during the Track Record Period:-

	For the year ended 31 March						For the seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*
							(Unaudited)			
Sales to system integrators	118,861	73.6	175,194	81.7	141,720	64.8	79,030	68.0	63,066	61.6
Sales to distributors	20,230	12.5	19,339	9.0	16,000	7.3	1,250	1.1	6,432	6.3
Direct sales	22,467	13.9	19,914	9.3	61,104	27.9	35,917	30.9	32,873	32.1
Total	161,558	100.0	214,447	100.0	218,824	100.0	116,197	100.0	102,371	100.0

Number of system integrators and distributors

The table below shows the number of system integrators and distributors which have entered into co-operation agreement and/or purchase order or otherwise co-operated with the Group during the Track Record Period:-

	For the year ended 31 March			For the seven months ended 31 October
	2009	**2010**	**2011**	**2011**
System integrators[1]	8	14	15	7
System integrators who are under co-operation agreement with the Group	2	3	2	2
Addition of new system integrators	6	10	10	1
Distributors[1]	2	1	2	2
Distributors who are under co-operation agreement with the Group	1	1	—	—
Addition of new distributors	1	—	2	1

(1) The number of system integrators and distributors refers to the system integrators and distributors which placed purchase orders with the Group or otherwise co-operated with the Group during the relevant period.

Numbers of system integrators ordering from the Group fluctuated because the orders from system integrators depend on the demand of their end-users for specialised communication system. Specialised communication systems are durable products which involve higher investment amount compared to consumer goods, change is only required when new technologies are developed or the product providers promote existing systems upgrade.

Comparison

The table below sets out a comparison among the three distribution channels adopted by the Group:-

	Sales to system integrators	**Sales to distributors**	**Direct sales**
Pricing	The Group mainly sells modules forming the core components of the specialised communication system to system integrators for their further assembling and manufacturing	The Group sells both modules forming the core components of the specialised communication system as well as assembled core components to distributors for their further assembling or direct sale to their own end-users	The Group provides full range of services including specialised communication network design and proposal, assembled core components, installation and testing of equipment and setting up the communication system
	The modules are sold at unit prices	The modules and the core components are sold at unit prices	The price includes the unit prices of the assembled components and the service fees for provision of full range of services
Risks involved	Lower	Medium	Higher
	As the Group sells mainly modules to system integrators, the Group is not responsible for the provision of warranty and after sales services to end-users	As the Group provides modules and core components to distributors, the Group is not responsible for the provision of warranty and after sales services to end-users	As the Group provides the whole set of communication system to customers, the Group provides for warranty and after sales services to the customers.

	Sales to system integrators	Sales to distributors	Direct sales
Costs	Lower	Lower	Higher
	Co-operation relationship with system integrators can be established with introductory sessions relating to the functionality of products, and negotiation between the Group and the system integrators. As system integrators provide their own after sale services to their own customers, the Group will only provide initial training to the staff of system integrators at the outset of the co-operation and updates relating to the products from time to time.	Co-operation relationship with distributors can be established with introductory sessions relating to the functionality of products, and negotiation between the Group and the distributors. As distributors provide their own after sale services to their own customers, the Group will only provide initial training to the staff of distributors at the outset of the co-operation and continuing updates relating to products from time to time.	To solicit orders from direct customers, extensive marketing and industry research, substantive communications and negotiation with customers as to their requirements and the selling price of the products are required. More resources will be necessary to maintain the customer relationship such as providing long term after sale services and constant visits to the direct customers for updating the use and the operating condition of the products.
Product types	CITONE and DITONE digital trunking mobile communication systems	VSAT high speed dynamic digital satellite system	CITONE and WITONE digital trunking mobile communication systems
	VSAT low speed satellite transmission system		VSAT high speed dynamic digital satellite system
	VSAT high speed dynamic digital satellite system		VSAT high speed stationary digital satellite system

	Sales to system integrators	Sales to distributors	Direct sales
Sales return policies	Unless otherwise agreed in the sales contract, products with material quality defects can be returned to the Group for refund within 30 days from receipt of the products by the system integrators	Unless otherwise agreed in the sales contract, products with material quality defects can be returned to the Group for refund within 90 days from receipt of the products by the distributors	Unless otherwise agreed in the sales contract, products with material quality defects can be returned to the Group for refund within 90 days from receipt of the products by the direct customers
	Unless otherwise agreed, products with defects can be returned to the Group for exchange within 30 days from from receipt of the products by the system integrators	Unless otherwise agreed, products with defects can be returned to the Group for exchange within 30 days from receipt of the products by the distributors	Unless otherwise agreed, products with defects can be returned to the Group for exchange within 30 days from from receipt of the products by the direct customers

Marketing

The Group's major marketing activity is through direct contacts with system integrators and distributors and end-users for potential business opportunities. The Group provides new products or software to system integrators and distributors for free trial use and also provides updates of new products of the Group regularly to system integrators and distributors. The Group also regularly participated in exhibitions and seminar to showcase and promote its products. Further, from time to time, the Group places advertisements in magazines and journals which target readers who are potential customers. As of the Latest Practicable Date, there were 26 staff in the Group's marketing and sales management department.

Pricing

The prices of the Group's products are, to a large extent, subject to the market forces. The Group determines the prices of its products after considering the cost of production, the amount that customers are willing to pay for the Group's products, the technological contents of its products, the market conditions, the competition faced by the Group and the benefits of the system integrators in relation to its products.

Key customers

The customers of the Group's products include (i) system integrators and distributors who re-sell the products, to the best knowledge and belief of the Directors, to the end-users which include (a) government sectors including governmental departments, police, defence force, public security and disaster rescuers; and (b) large scale enterprises including enterprises engaging in mining and logistics; and (ii) governmental bodies and commercial corporations under direct sales.

For the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the five largest customers of the Group, in aggregate, accounted for approximately 85.8%, 86.4%, 82.4% and 96.5%, respectively, of the Group's total sales and the largest customer accounted for approximately 62.3%, 50.0%, 39.0% and 43.0%, respectively, of the Group's total sales during the Track Record Period.

The largest customer of the Group during the Track Record Period was Techtone Communication. Prior to 26 February 2008, Techtone Communication was a connected person. Details of the previous connected relationship and business relationship between Techtone Communication and the Group are set out in the section headed "Relationship with Techtone Communication and Synertone Telecom" in this prospectus. Save as disclosed in this prospectus, none of the Directors, their respective associates, or to the knowledge of the Directors, Shareholders who will own more than 5% of the Company's issued share capital immediately following the Global Offering had any interests in any of the five largest customers of the Group during the Track Record Period.

CREDIT POLICY

The Group has laid down, in principle, the maximum contractual credit period to be offered to each type of customers (comprising system integrators, distributors and direct customers). Each sales representative, when negotiating payment terms with each type of customers, is required to ensure that the credit period to be agreed shall not exceed the maximum contractual credit period applicable to such type of customers and is encouraged to negotiate and agree on a shorter credit period than the applicable maximum contractual credit period, so as to minimize the credit risk exposed to the Group.

The following table sets forth the maximum contractual credit period for each type of customers and the basis of determination:-

Type of Customers	Applicable Maximum Contractual Credit Period	Basis
System integrators	180 days	• Long term business relationship • Proven credit history • Reputable background
	90 days	• Not frequently transacts with the Group
Distributors	180 days	• Reputable background • Sizeable enterprises
	120 days	• Any other distributors
Direct customers	90 days	• Governmental bodies or enterprises with government related background
	60 days(1)	• Large scale enterprises with reputable background

Note:

(1) The Group may allow a credit period of longer than 60 days for direct customers who have reputable background and with relatively large transactional amounts.

During the contract negotiation process, in addition to meeting the requirements that the credit period to be agreed shall not exceed the applicable maximum contractual credit period, each sales representative is required to determine the actual contractual credit period, on a case by case basis, with reference to, among other things, each customer's business nature, reputation, financial background, credit history, on-going relationship, product type and corporate background. During the Track Record Period, except for the retention money which will only be payable upon expiry of warranty period, actual contractual credit periods ranging from five days to 180 days following the date of delivery or the date of completion for system testing were agreed with system integrators, distributors and direct customers. Generally, longer contractual credit periods were agreed with customers that required the setting-up and testing for the integration of the core components of the specialised communication system while shorter contractual credit periods were agreed with new customers or with customers who were willing to accept short credit periods to minimize credit risk exposed to the Group.

Certain contracts provide for an amount of purchase price as retention money payable by customers only upon expiry of warranty period, mostly for one year, with some cases up to three years. During the Track Record Period, nil, one, two and two customers had warranty of three years with retention money.

The following table sets forth the retention money and its percentage to the trade receivables as at the respective dates indicated:

	As at 31 March						As at 31 October	
	2009		2010		2011		2011	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Retention Money	66	0.07	1,005	0.45	308	0.24	508	0.44

An extension beyond the contractual credit period would be granted by the Group to certain customers upon consideration of factors such as the maximum contractual credit period already granted, their length of business relationship with the Group, frequency of transactions with the Group, potential to develop stable business relationship, whether their technical expertise is valuable to the Group's development, or whether they are governmental bodies or has government-related background. When considering any extension of credit period, the Group takes into account the maximum contractual credit periods applicable to each type of customers. Trade receivables past due (i.e. outstanding beyond the contractual credit period) but not impaired accounted for approximately 9.1%, 42.3%, 12.1% and 7.0% of the total trade receivables outstanding as at the end of each reporting period. Extension of credit period was required by the Group's customers during the Track Record Period due to reasons including: (i) such customers experienced delay in receiving final payment of project fee from their respective end customers as (a) the setting-up projects of their respective end customers had not been completed; or (b) the end customers had not completed the final testing; or (ii) such customers or the end customers were subject to strictly regulated governmental annual budgeting process and payment approval procedures, which prolonged the settlement time of such customers.

The following table sets forth the maximum extension of credit period granted by the Group to each type of customers in relation to sales contracts entered into during the Track Record Period:

Type of Customers	Maximum Extension of Credit Period
System integrators	24 months
Distributors	7 months
Direct customers	27 months

With respect to the overdue trade receivables, the Group has implemented the following measures to facilitate the collection of payment from the customers during the Track Record Period:

- designated staff of the marketing and sales department to follow up with and collect overdue trade receivables and enhanced communications with customers with overdue trade receivables by regular phone calls to expedite payment;
- issued overdue payment warnings to customers with overdue trade receivables;
- if the delay in payment was due to delayed completion of system set up or testing, engaged in discussion with such customers to verify project progress;
- discussed with customers for revised payment schedule and entered into repayment plans with customers with overdue trade receivables. As advised by the PRC Legal Advisers, the repayment plans are legally binding under the PRC laws and regulations; and
- monitored repayment progress of customers who entered into repayment plans to expedite repayment.

During the Track Record Period, no legal actions were taken by the Group for debt collection.

As at 31 March 2011 and 31 October 2011, the Group's trade receivables amounted to approximately HK$130.5 million and HK$115.0 million and accounted for approximately 55.8% and 45.6% of the Group's total current assets, respectively.

The following table sets forth the trade receivables turnover days during the respective reporting periods:

	Years ended 31 March			Seven months ended 31 October
	2009	**2010**	**2011**	**2011**
Trade receivables turnover days	174	274	294	255

The increase in trade receivables turnover days from 174 days to 294 days from the year ended 31 March 2009 to the year ended 31 March 2011 was mainly due to the increase in turnover, and the majority of the balances of trade receivables were due from system integrators. The end customers of the system integrators were subject to strictly regulated governmental annual budgeting process and payment approval procedures. This slowed down the settlement by the system integrators of the amounts due to the Group. The decrease in trade receivables turnover days from 294 days to 255 days from the year ended 31 March 2011 to the period ended 31 October 2011 was mainly due to the improved credit control of the Group.

The following table sets out the ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 March			As at 31 October
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	91,283	128,006	114,772	106,944
Less than 1 month past due	1,096	5,662	—	190
1 to 3 months past due	4,114	37,357	12,032	6,109
More than 3 months but less than 6 months	—	10,841	2,444	—
More than 6 months but less than 12 months	3,897	36,366	1,252	—
More than 12 months past due	—	3,498	—	1,782
	9,107	93,724	15,728	8,081
Total trade receivables	100,390	221,730	130,500	115,025

All the trade receivables of the customers outstanding beyond the contractual credit period were treated as past due.

The outstanding balance of the trade receivables beyond contractual credit periods that were past due but not impaired as at 31 March 2009, 2010 and 2011 and 31 October 2011 were due from mainly system integrators and direct customers for various reasons as set out in the tables under the paragraphs headed "Analysis of trade receivables past due but not impaired at the end of each reporting period" in this section. For any significant amount past due, the Group would actively seek repayment from the customers and the Group would enforce its legal right to the contractually due amount when the management of the Group considered necessary. Since there have been no disputes over the balances due from the system integrators whose customers are, to the best knowledge of the Directors, government organizations, the Directors considered such balances fully recoverable. The Group does not hold any collateral over these outstanding balance of trade receivables.

The outstanding balance of the trade receivables beyond contractual credit periods that were past due but not impaired has decreased by approximately 83.2% from approximately HK$93.7 million as at 31 March 2010 to approximately HK$15.7 million as at 31 March 2011 and further reduced to approximately HK$8.1 million as at 31 October 2011. The decrease in trade receivables beyond the contractual credit period was mainly attributable to the combined effect of the implementation of stringent control against customers with overdue balance of trade receivables and decrease in the number of urgent purchases which fell outside the regulated budgeting plans of the governmental organizations.

The table below sets forth the number of customers who placed purchase orders with the Group and the number of customers having their credit period extended as at the end of each reporting period and the turnover of the Group contributed by such customers during the Track Record Period.

	For the year ended 31 March			For the period ended 31 October
	2009	**2010**	**2011**	**2011**
No. of customers	19	25	32	20
	As at 31 March			**As at 31 October**
	2009	**2010**	**2011**	**2011**
No. of customers whose credit periods were extended[(1)]	2	4	8	8

	For the year ended 31 March						For the period ended 31 October	
	2009		**2010**		**2011**		**2011**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Total turnover contributed by customers with extended credit period as at the end of each reporting period	104,990	65.0	116,534	58.4	96,511	44.1	44,348	43.3

Note:

(1) Number of customers whose credit periods were extended were counted based on the number of customers who had overdue outstanding receivables as at the end of each reporting period.

As at 31 March 2009, 2010 and 2011 and 31 October 2011, two, four, eight and eight customers had credit periods extended, ranging from five months to 27 months.

Analysis of trade receivables past due but not impaired at the end of each reporting period

The following tables set out the customers who had credit periods extended, the turnover contributed by such customers, the years of their business relationship with the Group, the original credit period granted to such customers, the aging analysis of the Group's outstanding balance of trade receivables of the customers who had credit period extended as at 31 March 2009, 2010 and 2011 and 31 October 2011 and the reasons of granting credit period extension to such customers. All the outstanding balance of trade receivables of the customers beyond the contractual credit period were treated as past due.

As at 31 March 2009, two customers had their credit periods extended.

Customers	Commencement of business relationship in	Type	Turnover for the year ended 31 March 2009		Balance as at 31 March 2009: Total trade receivables due from such customer	Within the original credit period (Neither past due nor impaired)	Sales in relation to past due incurred in	Contractual credit period of the sales in relation to past due	Extended credit period (past due but not impaired)						Reasons considered by the Group for extending credit period and duration of extension
				% of total turnover					<=30 days	>30 days & <=90 days	>90 days & <=180 days	>180 days & <=1 year	Over 1 year	Subtotal	
			HK$'000	*(%)*	*HK$'000*	*HK$'000*			*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
A	2002	System Integrator	100,668	62.3	88,081	82,871	throughout the whole year	180 days	1,096	4,114	—	—	—	5,210	• Long and stable business relationship • Frequent transactions with the Group • Verbally agreed repayment schedule and outstanding trade receivables as at 31 March 2009 was fully settled subsequently
B	2008	Direct Sales	4,322	2.7	3,897	—	Apr 2008	5 days	—	—	—	3,897	—	3,897	• In order to enjoy preferential tax benefits, sales contract for systems technologies was submitted to governmental authority for approval. Invoice was not issued to customer until October 2009 when the relevant approval has been obtained. The Group considered that this is an isolated case and therefore granted an extension of credit period.
			104,990	65.0	91,978	82,871			1,096	4,114	—	3,897	—	9,107	

As at 31 March 2010, four customers had their credit periods extended.

Customers	Commencement of business relationship in	Type	Turnover for the year ended 31 March 2010		Balance as at 31 March 2010: Total trade receivables due from such customer	Within the original credit period (Neither past due nor impaired)	Sales in relation to past due incurred in	Contractual credit period of the sales in relation to past due	Extended credit period (past due but not impaired)						Reasons considered by the Group for extending credit period and duration of extension
				% of total turnover					<=30 days	>30 days & <=90 days	>90 days & <=180 days	>180 days & <=1 year	Over 1 year	Subtotal	
			HK$'000	*(%)*	*HK$'000*	*HK$'000*			*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
A	2002	System Integrator	107,167	50.0	131,508	49,390	throughout the whole year	180 days	5,662	36,810	7,421	32,215	10	82,118	• Long and stable business relationship • Frequent transactions with the Group • Verbally agreed repayment schedule and outstanding trade receivables as at 31 March 2010 was fully settled subsequently
B	2008	Direct Sales	—[1]	—	3,488	—	Apr 2008	5 days	—	—	—	—	3,488[1]	3,488	• Invoice was issued and the customer conducted testing on system integration and reconciliation and encountered problems. As such, customer require for the Group's assistance and the Group agreed to grant an extension of nine months and was fully settled in July 2010
C	2009	System Integrator	8,394	3.9	8,306	735	May-Dec 2009	Nil-10 days	—	—	3,420	4,151	—	7,571	• The sales comprised of four sales contracts entered into from May to December 2009 • The Group considered the background, corporate size, qualification and principal business of the customer, which is relating to water resources, and was interested in maintaining long term business relationship with such customer • As the products sold were core components of VSAT satellite system and systems technologies, longer time is required for system integration and testing • Taking into account of the above factors, the Group granted an extension of six months for all sales contracts and was fully settled in June 2010

Customers	Commencement of business relationship in	Type	Turnover for the year ended 31 March 2010		Balance as at 31 March 2010: Total trade receivables due from such customer	Within the original credit period (Neither past due nor impaired)	Sales in relation to past due incurred in	Contractual credit period of the sales in relation to past due	Extended credit period (past due but not impaired)						Reasons considered by the Group for extending credit period and duration of extension
				% of total turnover					<=30 days	>30 days & <=90 days	>90 days & <=180 days	>180 days & <=1 year	Over 1 year	Subtotal	
			HK$'000	*(%)*	*HK$'000*	*HK$'000*			*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
E	2009	System Integrator	973	4.5	570	23	Dec 2009	10 days		547				547	• Products sold were core components of VSAT satellite system • The Group understood from the customer that its end-customer could not settle the payment due to internal budgeting arrangement and such end-customer could only obtain funding at the end of 2010. The Group granted an extension of 12 months.
			116,534	58.4	143,872	50,148			5,662	37,357	10,841	36,366	3,498	93,724	

Note:

(1) The relevant sales of such customer was recorded in the previous financial year.

As at ended 31 March 2011, eight customers had their credit periods extended.

Customers	Commencement of business relationship in	Type	Turnover for the year ended 31 March 2011		Balance as at 31 March 2011: Total trade receivables due from such customer	Within the original credit period (Neither past due nor impaired)	Sales in relation to past due incurred in	Contractual credit period of the sales in relation to past due	Extended credit period (past due but not impaired)						Reasons considered by the Group for extending credit period and duration of extension
				% of total turnover					<=30 days	>30 days & <=90 days	>90 days & <=180 days	>180 days & <= 1 year	Over 1 year	Subtotal	
			HK$'000	(%)	HK$'000	HK$'000			HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	
A	2002	System Integrator	85,247	39.0	70,176	56,727	throughout the whole year	180 days	—	12,032	1,417	—	—	13,449	• Long and stable business relationship • Frequent transactions with the Group • Verbal and written payment schedule agreed and outstanding trade receivables as at 31 March 2011 was fully settled subsequently
E	2009	System Integrator	—(1)	—	596	24	Dec 2009	10 days	—	—	—	572(1)	—	572	• Products sold were core components of VSAT satellite system • Since the customer encountered quality issue in respect of the products and requested the Group to rectify the quality issue, the Group granted re-extension of five months
F	2009	Direct Sales	—(1)	—	554	139	Mar 2010	10 days	—	—	—	415(1)	—	415	• Products sold were operation integrated system • The Group understood from the customer that they could not obtain the necessary component for installment of the operation integrated system, and therefore the testing could not be completed. As such the amount would be settled upon completion of testing.
G	2009	Direct Sales	288	0.1	60	—	Jan 2010	10 days	—	—	—	60(2)	—	60	• Warranty has expired in January 2011 and the Group considered that the customer is governmental organization, lower financial risk is involved and granted an extension of eight months and the outstanding balance was settled in September 2011
H	2010	System Integrator	4,105	1.9	205	—	Apr 2010	15 days	—	—	—	205	—	205	• Products sold were core components of VSAT satellite system • As the sales contract provided a maintenance period of 18 months, considering majority of the contract amount was settled by this customer, the Group agreed with the customer verbally that 5% of the contract amount could be retained during the maintenance period, and would be required to be settled only after the end of the maintenance period in October 2011
I	2010	System Integrator	1,944	0.9	246	—	Dec 2010	30 days	—	—	246	—	—	246	• Considering the track record of settlement of the customer, the technology expertise being beneficial to the Group's technology advancement, with a view to maintaining business relationship, the Group granted an extension of six months and the outstanding balance was settled in July 2011

Customers	Commencement of business relationship in	Type	Turnover for the year ended 31 March 2011		Balance as at 31 March 2011: Total trade receivables due from such customer	Within the original credit period (Neither past due nor impaired)	Sales in relation to past due incurred in	Contractual credit period of the sales in relation to past due	Extended credit period (past due but not impaired)						Reasons considered by the Group for extending credit period and duration of extension
				% of total turnover					<=30 days	>30 days & <=90 days	>90 days & <=180 days	>180 days & <= 1 year	Over 1 year	Subtotal	
			HK$'000	(%)	HK$'000	HK$'000			HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	
J	2009	Direct Sales	1,348	0.6	662	—	Sep 2010	15 days	—	—	662	—	—	662	• Products sold were core components of digital trunking system. Since the customer requested for systems technologies upgrade and products modification, and the customer is a governmental body, the Group considered lower financial risk is involved and taking into account of the estimated time required for systems technologies upgrade and products modification as well as delivery and testing, the Group granted an extension of 12 months
N	2009	Direct sales	3,579	1.6	119	—	Oct 2010	10 days	—	—	119	—	—	119	• The customer is a governmental body and requested for a retention money to be retained by them for the warranty period, the Group agreed with the customer to retain 3% of sales amount for the 24 months warranty period until October 2012
			96,511	44.1	72,618	56,890			—	12,032	2,444	1,252	—	15,728	

Note:

(1) The relevant sales of such customers were recorded in the previous financial year.

(2) This is retention money for warranty and the warranty period was one year.

As at 31 October 2011, eight customers had their credit period extended.

Customers	Commencement of business relationship in	Type	Turnover for the seven months ended 31 October 2011		Balance as at 31 October 2011: Total trade receivables due from such customer	Within the original credit period (Neither past due nor impaired)	Sales in relation to past due incurred in	Contractual credit period of the sales in relation to past due	Extended credit period (past due but not impaired)						Reasons considered by the Group for extending credit period and duration of extension
				% of total turnover					<=30 days	>30 days & <=90 days	>90 days & <=180 days	>180 days & <= 1 year	Over 1 year	Subtotal	
			HK$'000	(%)	HK$'000	HK$'000			HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	
A	2002	System Integrators	44,057	43.0	55,781	50,251	throughout the whole year	180 days	—	5,530	—	—	—	5,530	• Long and stable business relationship • Frequent transactions with the Group • Verbal and written repayment schedule agreed As at the Latest Practicable Date, all the past due trade receivables as at 31 October 2011 was settled.
E	2009	System Integrators	—[1]	—	368	25	Dec 2009	10 days	—	—	—	—	343[1]	343	• Products sold were core components of VSAT satellite system • The Group agreed to the extension of further three months and upon the expiry of which, the Group would take legal action if the outstanding amount remained unsettled. The outstanding past due amount was fully settled in November 2011
F	2009	Direct Sales	291	0.3	867	142	Aug 2011	10 days	—	296	—	—	429	725	• Products sold were operation integrated system • As customer is governmental organization, the Group considered lower financial risk is involved • The Group understood from the customer that the budgeting arrangement of the customer was revised and the customer awaited the provision of new funding, which was expected to be obtained in November 2011. The Group agreed to the extension to December 2011. Past due trade receivables of approximately HK$581,000 were settled at February 2012. Further extension to March 2012 was agreed by the Group because of the payment approval procedures of the governmental organisation
H	2010	System Integrators	—[1]	—	205	—	Apr 2010	15 days	—	—	—	—	205[1]	205	• Products sold were core components of VSAT satellite system • Upon expiry of the first extension of 18 months, the Group verbally agreed with the customer to grant a further extension of 5 months due to the potential to develop stable relationship and was settled in March 2012

Customers	Commencement of business relationship in	Type	Turnover for the seven months ended 31 October 2011		Balance as at 31 October 2011: Total trade receivables due from such customer	Within the original credit period (Neither past due nor impaired)	Sales in relation to past due incurred in	Contractual credit period of the sales in relation to past due	Extended credit period (past due but not impaired)						Reasons considered by the Group for extending credit period and duration of extension
				% of total turnover					<=30 days	>30 days & <=90 days	>90 days & <=180 days	>180 days & <= 1 year	Over 1 year	Subtotal	
			HK$'000	*(%)*	*HK$'000*	*HK$'000*			*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
J	2009	Direct Sales	—(1)	—	682	—	Sep 2010	15 days	—	—	—	—	682(1)	682	• The group understood from the customer that they planned to expand the current specialised communication system and thus longer time was required for system reconciliation. On the basis of the lead time for system reconciliation and given the customer is a governmental body, the Group considered lower financial risk is involved and further agreed with the customer for another extension of 6 months to April 2012.
L	2010	Direct Sales	—(1)	—	405	122	Mar 2011	30 days	—	283(1)	—	—	—	283	• Products sold were core components for VSAT satellite system • The Group understood from the customer that the setup of the specialised communication system was not completed, thus testing could not be performed. Also, the customer is a governmental body, the Group considered lower financial risk is involved and agreed with the customer for extension of 12 months to April 2012 for the remaining overdue balance
M	2009	Direct Sales	—(1)	—	190	—	Oct 2010	7 days	190(1)	—	—	—	—	190	• Products sold were core components for digital trunking system. • The customer requested for the payment of retention money to be extended after warranty period had expired. The Group considered such customer has a government-related background and lower financial risk is involved, the Group agreed with the customer verbally for an extension of five months to March 2012
N	2009	Direct Sales	—(1)	—	123	—	Oct 2010	10 days	—	—	—	—	123(1)	123	• The customer is a governmental body and requested for a retention money to be retained by them for the warranty period, the Group agreed with the customer to retain 3% of sales amount for the 24 months warranty period until October 2012
			44,348	43.3	58,621	50,540			190	6,109	—	—	1,782	8,081	

Note:

(1) The relevant sales of such customers were record in previous financial years.

No trade receivables of the Group as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively were individually determined to be impaired. The following table sets forth the settlement of the trade receivables that are neither individually nor collectively considered to be impaired:

	As at 31 March 2009	Settlement as at the Latest Practicable Date	As at 31 March 2010	Settlement as at the Latest Practicable Date	As at 31 March 2011	Settlement as at the Latest Practicable Date	As at 31 October 2011	Settlement as at the Latest Practicable Date
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Trade receivables neither past due nor impaired	91,283	100	128,006	100	114,772	99.5	106,944	28.7
Trade receivables past due but not impaired	9,107	100	93,724	100	15,728	94.9	8,081	82.4
Total trade receivables	**100,390**	**100**	**221,730**	**100**	**130,500**	**99.0**	**115,025**	**32.5**

Based on the payment history of the customers during the Track Record Period and the subsequent settlement of the overdue trade receivables as at 31 October 2011, the Sole Sponsor considers that the measures adopted during the Track Record Period to facilitate the collection of overdue payment from the customers are effective.

To enhance the Group's credit policy and the collection of trade receivables, the Group has recently revised and updated its credit policy measures and established internal control procedures in trade receivables collection comprising the following:

Contractual credit period:

(i) Based on factors including the respective customers' corporate background, financial background and the Group's intention to develop future cooperation, each customer is rated and categorised into three levels of ranking.

- corporate background comprises factors including business nature, overall image, corporate legal qualification, other qualification, number of staff, research and development ability and production capacity;

- financial background comprises of factors including corporate registered capital and annual turnover; and

- the Group's intention to develop future cooperation include factors depending on length of business relationship, nature of business relationship and estimated contractual amount.

The contractual credit period of each customer is thus determined in accordance with their respective ranking and is subject to review and approval by the general manager of marketing and sales department and the chief executive officer of the Group. Prior approval from the general manager of finance and accounts department shall also be obtained. The table below sets forth the credit rating of the customers under different sales channels and their respective approval procedures:

Type of customers	**Credit rating**	**Credit amount per contract** *(RMB)*	**Contractual credit period** *(Days)*	**Approval**	**Remark**
System Integrators	A[1]	Less than 5 million	180	General manager of marketing and sales department	Prior approval from general manager of finance and accounts department
		More than 5 million	180	Chief executive officer	Prior approval from general manager of finance and accounts department
	B	Less than 5 million	90	General manager of marketing and sales department	Prior approval from general manager of finance and accounts department
		More than 5 million	90	Chief executive officer	Prior approval from general manager of finance and accounts department
	C	Less than 5 million	—	—	No approval can be obtained at this ranking
		More than 5 million	—	—	No approval can be obtained at this ranking
Distributors	A[1]	Less than 5 million	180	General manager of marketing and sales department	Prior approval from general manager of finance and accounts department
		More than 5 million	180	Chief executive officer	Prior approval from general manager of finance and accounts department

Type of customers	Credit rating	Credit amount per contract *(RMB)*	Contractual credit period *(Days)*	Approval	Remark
	B	Less than 5 million	120	General manager of marketing and sales department	Prior approval from general manager of finance and accounts department
		More than 5 million	120	Chief executive officer	Prior approval from general manager of finance and accounts department
	C	Less than 5 million	—	—	No approval can be obtained at this ranking
		More than 5 million	—	—	No approval can be obtained at this ranking
Direct Customers	A(1)	Less than 5 million	90	General manager of marketing and sales department	Prior approval from general manager of finance and accounts department
		More than 5 million	90	Chief executive officer	Prior approval from general manager of finance and accounts department
	B	Less than 5 million	60	General manager of marketing and sales department	Prior approval from general manager of finance and accounts department
		More than 5 million	60	Chief executive officer	Prior approval from general manager of finance and accounts department
	C	Less than 5 million	30	General manager of marketing and sales department	Prior approval from general manager of finance and accounts department
		More than 5 million	30	Chief executive officer	Prior approval from general manager of finance and accounts department

Notes:

(1) Customers with government-related background will normally be classified as Grade A.

(ii) The marketing and sales department shall check the contractual credit period agreed with customers pursuant to the sales contracts on a monthly basis, and the relevant sales representatives shall send payment reminders five working days before expiry of the contractual credit period to the customers. The finance and accounts department is responsible for approving contractual credit period agreed between the marketing and sales department and customers and supervising the implementation of credit policy.

Extension of credit period:

(iii) An extension of credit period may be granted according to risk of default of the respective customers based on five levels of ranking. Taking into account of factors including length of business relationship, frequency of transactions with the Group, reputation and background of customers, the Group would evaluate and review the customers' risk of default of settling overdue payment and rank each customer by five levels. The table below sets forth the credit amount, extension of credit period and respective approval procedures for customers with lower risk of default (level three or below):

Credit amount per contract *(RMB)*	**Extension of credit period**	**Approval**
Less than 1 million	Within 30 days	General manager of marketing and sales department
	31-90 days	General manager of marketing and sales department
	91-180 days	Chief executive officer
	More than 180 days	Chief executive officer
1 million — 20 million	Within 30 days	Chief executive officer
	31-90 days	Chief executive officer
	91-180 days	Chief executive officer
	More than 180 days	Chief executive officer
More than 20 million	Within 30 days	Chief executive officer
	31-90 days	Chief executive officer
	91-180 days	Chief executive officer
	More than 180 days	Board of Directors

The table below sets forth the credit amount, extension of credit period and respective approval procedures for customers with higher risk of default (level four or above):

Credit amount per contract *(RMB)*	Extension of credit period	Approval
Less than 0.2 million	Within 30 days	General manager of marketing and sales department
	31-90 days	General manager of marketing and sales department
	91-180 days	Chief executive officer
	More than 180 days	Chief executive officer
0.2 million - 5 million	Within 30 days	Chief executive officer
	31-90 days	Chief executive officer
	91-180 days	Chief executive officer
	More than 180 days	Chief executive officer
More than 5 million	Within 30 days	Chief executive officer
	31-90 days	Chief executive officer
	91-180 days	Chief executive officer
	More than 180 days	Board of Directors

A list of customers with overdue trade receivables for the previous month will be consolidated by sales representatives before the 5th day of each month. The list will be reviewed and assessed by the general manager of marketing and sales department on monthly basis. Sales representatives will analyze the overdue trade receivables by the requested delivery time, actual delivery time, agreed payment term, actual settlement of contract amount, reasons for customers delaying the settlement, history of settlement and will compile a status report to the general manager of marketing and sales department for review. The report will then be submitted to the general manager of finance and accounts department and chief executive officer of the Group for approval.

(iv) The marketing and sales department will follow up on collection of overdue trade receivables by issuing overdue payment warning and by maintaining close communication with all such customers.

(v) The Group will discuss with customers for revised payment schedule, and subject to the review and approval by the general manager of marketing and sales department, chief executive officer or the board of Directors based on the customers' respective level of risk of default. The Group will agree with customers with overdue trade receivables on repayment plans to expedite repayment. Typically, repayment plans contain planned repayment schedule, amount of overdue and reason(s) of overdue payment. Repayment plans or settlement undertakings obtained from customers with higher risk of default who are ranked level four or above would be submitted by the sales representatives within 10 days to the general manager of marketing and sales department and within 15 days to the general manager of marketing and sales department regarding customers with lower level of risk who are ranked at level three or below. As advised by the PRC Legal Advisers, the repayment plans are legally binding under the PRC laws and regulations. The finance and accounts department monitors the progress of the collection.

Re-extension of credit period:

(vi) For customers who do not settle materially long overdue trade receivables or in accordance with the term of the repayment plans, re-extension of credit period will only be granted when (i) customers or their respective end-customers were subject to strictly regulated governmental annual budgeting process and payment approval procedures; or (ii) problems are caused by quality of products or natural disasters and other circumstances beyond their control. Re-extension for credit amount of less than RMB 5 million and more than RMB 5 million would require approval from the chief executive officer of the Group and the board of Directors, respectively. The chief executive officer of the Group and the board of Directors would consider a number of factors for re-extension of credit period, including but not limited to the percentage of trade receivables out of turnover of the respective customer, risk of default, rationality of the repayment plan and the impact to the Company's cash flow, historical repayment record and other possible means. For the same customer, respective credit period could not be extended or re-extended for more than three times and no more than 18 months under the same contract. Otherwise, for the customers who do not settle those materially long overdue trade receivables or in accordance with the term of the repayment plans with reasonable grounds, legal actions may be taken for debt collection.

(vii) After carrying out legal actions for materially long overdue trade receivables and all other actions for debt collection, the Company will consider the overdue trade receivables as bad debt incurred after approval obtained from the chief executive officer for outstanding amount of less than RMB 1 million and board of Directors for outstanding amount of more than RMB 1 million, respectively.

PROCUREMENT AND SUPPLIERS

Raw materials, parts and components

The Group procures raw materials, parts and components required for its products from third parties. These include electronic components, metal cases for modules, electronic cables, packaging materials, vehicles for communication vehicles, PCB, and other accessories such as handheld terminal antenna. During the three years ended 31 March 2011, and the seven months ended 31 October 2011 the Group's procurement costs for raw materials, parts and components represented approximately 68.7%, 76.1%, 61.8% and 60.0% of the Group's cost of sales during the Track Record Period, respectively.

As the Group sources raw materials and components according to confirmed purchase orders of system integrators, distributors, or direct customers, the Group does not keep a large amount of inventory of raw materials and components. The purchase arrangements entered into between the suppliers and the Group are carried out by way of purchase orders following determination of the schedule of the production activities of the Group.

The Group has implemented stringent quality control standards for the procurement of raw materials and only procures raw materials and parts and components from suppliers who have passed its quality and reliability tests.

Suppliers

The suppliers of the Group include raw material suppliers in the PRC as well as overseas including US Satellite Antenna Supplier. Typically, the Group enjoys a credit term of 30 to 180 days. The Group has established stable business relationship for two years to seven years with most of its major suppliers. During the years ended 31 March 2009, 2010 and 2011, and the seven months ended 31 October 2011 the Group did not experience any difficulties in procuring raw materials and components. For the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the Group had not experienced any shortage or delays in delivery of raw materials, parts and components from its suppliers. During the Track Record Period, purchases from the Group's top five suppliers together accounted for approximately 70.8%, 66.5%, 37.7% and 41.3% of the total amount of purchases during the Track Record Period, respectively, while the largest supplier accounted for approximately 60.8%, 57.3%, 24.1% and 25.1% of the total amount of purchases during the Track Record Period, respectively.

None of the Directors, their respective associates, or to the knowledge of the Directors, Shareholders who will own more than 5% of the issued share capital of the Company immediately following the Global Offering had any interests in any of the five largest suppliers of the Group during the Track Record Period.

COMPETITION

According to CCID, owing to the increase in the market demand and expansion of the customer base, it is expected that the existing market players will develop a wider variety of products and more new competitors will be attracted to enter into the specialised communication system market. However, the Directors consider the technical know-how and capital requirements involved in the industry are entry barriers to new entrants.

The Directors believe that customers consider a number of factors when choosing a specialised communication system supplier, such as the provider's overall capabilities, whether integrated services will be offered by the provider, quality of products, functional scope and varieties of products available for selection, after-sales service, pricing and financial strength, research and development capability, reputation and customers' previous experience with the provider. The Group strives to maintain and enhance its competitiveness on these aspects.

The Directors consider that the Group competes with both international and PRC market players. Most of the international companies in the market are multinational companies domiciled in the United States, Europe and Japan which are generally regarded as having longer history of operation and possession of more advanced technology, resources and experiences when compared with local market players. Compared with the international market players, the Directors consider that the Group has the advantages of its competitive cost structure, more comprehensive coverage of services, individualization of products and services such as bilingual control system, better understanding of the needs of the PRC customers, the structure and policies of PRC governmental bodies and local marketing personnel. According to CCID, for local market, there are a few dominant players in the market such as ZTE Corporation and Motorola which are regarded to have larger capital resources and longer history of operation, as compared to the Group, which may enable them to commit high levels of capital to projects and allow them opportunities for quick business growth.

According to CCID, Motorola is an international enterprise providing specialised communication network products and in a leading position in terms of the market for digital trunking system. Motorola is the only provider for both Tetra and iDen technological resolution which is developed based on the MIRS system with additional functions such as duplex communication, data and messaging services. In terms of application, it has actively participated in formulating Tetra's standard requirement and development. Motorola has successfully operated in more than 100 Tetra projects in approximately 40 countries in the world including the PRC. It has emphasized on integration of public communication network and specialised communication network by studying trends and conceptualize them into research and development. By strengthening its image of elegance and stressing stability, maturity and safety of its products, Motorola has achieved significant collaborations with institutions in the PRC and thus gained technological advantages. Its products have been provided to public security and transportation sectors which demonstrates its strong market position in the market for digital trunking system. Motorola has competitive advantages in its established brand name, advanced technology and lower cost in operation as a result of economies of scale.

According to CCID, ZTE Corporation was established in 1985 with its issued shares listed in Shenzhen Stock Exchange in 1997 and in Hong Kong Stock Exchange (stock code: 00763) in 2004. After years of development, it has a global customer base and has become one of the leading international communication resolution provider. ZTE Corporation provides a range of products including core network, wireless products and terminals. Global Open Trunking Architecture (GoTa) is a key development of digital trunking system by ZTE Corporation and based on the CDMA technology. GoTa system has been widely applied in more than 40 countries globally and entered into collaboration with more than ten provinces' communication network in the PRC, which has gradually become one of the main specialised communication systems in the PRC. Products of ZTE Corporation have been provided to governmental bureau and applied in national events such as Tsingdao Olympic Surfing Games and Beijing Olympic Games. ZTE Corporation has enjoyed its competitive advantages by lowering market prices when compared to international service provider, utilizing its market position in the public network to increase branding competitiveness and making use of its wide range of products to integrate communication system advantages. However, the Directors believe that such competitors mainly operate as basic operator of telecommunication services, and their products are mainly public communication products and significant capital and time investment are necessary for them to compete with the Group in the same operating business.

Leveraging on the research and development capability of the Group and its competitive cost structure, the Group has achieved significant growth in the recent years. Further, the Group has developed its own standards of specialised communication system by combining the technologies of the digital trunking system, VSAT satellite system and operation integrated system which enables the Group to provide one-stop comprehensive coverage of services to meet its customers' requirements at a more competitive price. In addition, the Group launched to the market its WITONE standards based on its intellectual property rights in 2008, the functions and features of which are customized for the use by government departments and enable linkage, communication, control, application of various standards which distinguish it from other players in the market. According to CCID, the WITONE standards of the Group have built a solid foundation for the linkage and communication among different specialised communication standards. Whilst it is expected that there will be significant competition forward, the Directors believe that the Group will remain competitive in the market.

AWARDS AND CERTIFICATES

The following table sets forth some of the significant awards/certificates granted to the Group during the Track Record Period:

Awards/Certificates	Awarded by	Awarded to	Date of Award	Expiry
Quality Control System Accreditation Certificate (質量管理體系認證證書)(1)	Universal Certification Service Co., Ltd. (環通認證中心有限公司)(2)	Synertone Smartend	23 June 2011	22 June 2014
Quality Control System Accreditation Certificate (質量管理體系認證證書)(1)	Universal Certification Service Co., Ltd. (環通認證中心有限公司)(2)	Synertone Soontend	23 June 2011	22 June 2014

Awards/Certificates	Awarded by	Awarded to	Date of Award	Expiry
Software Enterprise Accreditation Certification (軟件企業認定證書)[3]	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2008	June 2012
	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	28 November 2008	December 2012
Advanced Technology Enterprise Certificate (高新技術企業證書)	Shenzhen Bureau of Science Technology & Information (深圳市科技工貿信息化委員會)	Synertone Smartend	16 December 2008	16 December 2011
	Shenzhen Ministry of Commence (深圳市財政委員會)	Synertone Smartend	31 October 2011	31 October 2014
	Shenzhen National Inland Revenue Bureau (深圳市國家税務局)	Synertone Soontend	6 September 2010	6 September 2013
	Shenzhen Local Taxation Bureau (深圳市地方税務局)			
無綫電發射設備型號核准證 (Radio Transmission Equipment Type Approval Certificate)	Ministry of Information Industry of the PRC (中華人民共和國信息產業部)	Synertone Smartend	24 December 2008	24 December 2013

Notes:

(1) The Quality Control System Accreditation is a voluntary accreditation applied by the Group to enhance its quality control system.

(2) Universal Certification Service Company Limited (UCS) is established by the Shenzhen Quality Certification Centre on 15 January 2001, which is directly under the Shenzhen Quality and Technology Supervision Unit. It is a specialised organization which provides accreditation services on certification and the registered name is Shenzhen Universal Certification Service Company Limited.

(3) Enterprises awarded with Software Enterprise Accreditation Certification are able to enjoy preferential treatments under the Encouraging Policies. Details of preferential treatments under the Encouraging Policies are set out in the subsection headed "Regulations in relation to intellectual property rights" in the section headed "Regulations" in this prospectus.

PROPERTY

Property interests leased and occupied by the Group in the PRC and Hong Kong

As at the Latest Practicable Date, the Group has leased three properties at various areas in Shenzhen and Nanjing, the PRC for office and production purposes. Details of such leased properties are set out in Appendix III of this prospectus.

As at the Latest Practicable Date, the Group also leased an office unit in Hong Kong. Details of such leased property are set out in Appendix III of this prospectus.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued the property interests of the Group as at 31 January 2012. Details of the valuation and the text of the letter, summary of values and valuation certificate from Jones Lang LaSalle Corporate Appraisal and Advisory Limited are set forth in Appendix III to this prospectus.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Company had registered one trademark both in the PRC and in Hong Kong under two classes and four patents in the PRC. The Group held 65 softwares registration certificates from the Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC. The Group had submitted another two patent applications in China. Details of the intellectual property rights are set out in the paragraph headed "Intellectual property rights of the Group" in Appendix V to this prospectus.

The Group relies on a combination of copyright, trademark, patent and proprietary technology and contractual restrictions on disclosure to protect its intellectual property rights.

During the Track Record Period, the Group has entered into relevant confidentiality agreements/provisions with its employees and certain customers and rely on such confidentiality agreements/provisions and other protection of its technical know-how to maintain its technical advantages in its products and specialised communication network design.

As at the Latest Practicable Date, the Group has not been sued for infringement of intellectual property rights by any third party. Owing to the fact that a large proportion of the operation and sales of the Group's products and services are conducted in the PRC, save as to the trademark registered with the Intellectual Property Department in Hong Kong, the Group has not taken any measures to protect its intellectual property rights outside the PRC.

INSURANCE

During the Track Record Period, the Group did not maintain any product liability insurance for its products and has no current plan to effect product liability insurance in the near future, which is not compulsory under the PRC laws. As at the Latest Practicable Date, the Group has not received any material claims from its customers regarding any of its products and services.

EMPLOYEES

As of the Latest Practicable Date, the Group had 344 employees. The table below sets forth the number of the Group's employees by department:

Department	Number of employees
Management	15
Research and Development	171
Marketing and Sales	26
Production	91
Finance and Accounting	15
Administration and Human Resources	26
TOTAL:	**344**

In order to maintain the quality, knowledge and skills of the employees of the Group, the Group appreciates the importance of training to employees. The Group provides regular trainings to its employees, which include orientation training for new employees, on-job training for existing employees such as technical training, professional and management training and safety training.

Remuneration

The remuneration payable to the Group's employees includes salaries and allowances. The Group determines its employees' remuneration based on factors including qualifications, contributions and years of experience. As part of the Group's remuneration policies for its employees, the Group has in place a Share Option Scheme. This scheme is designed to provide incentives and rewards to the Group's employees. Further details on the principal terms of the Share Option Scheme are set forth in the paragraph headed "Share Option Scheme" under Appendix V to this prospectus. The Directors believe that by offering the Group's key employees a shareholding stake in the Company, the Group is aligning their interests with the Group's interests, thereby providing the Group's key employees with additional incentives to improve their performance.

Welfare contributions

Save as disclosed, the Group contributes to social insurance as well as housing fund for the Group's employees.

In April 1999, the State Council of PRC promulgated the regulation for the housing fund management (住房公積金管理條例), which was supplemented in March 2002. Employers are required by the regulation to register with the housing fund management centre (住房公積金管理中心). If any entity fails to complete the registration within a prescribed period, a fine ranging from RMB 10,000 to RMB 50,000 will be imposed on those entities.

According to the Regulation on the Administration of Housing Accumulation Funds, housing funds shall be jointly contributed by the employees and the employers and the percentage of contribution of housing fund shall be set by the housing fund management committee and approved by the local government authorities of city level or above.

Only in 2009, Shenzhen Municipality government promulgated the relevant legislation for the purpose of setting up compulsory contribution system of housing fund for employees and commenced the establishment of the Shenzhen Municipality housing fund management centre (深圳市住房公積金管理中心) and management committee.

The regulation for the housing fund management had not been fully implemented in Shenzhen Municipality until December 2010 when Shenzhen Municipality government on 24 November 2010 promulgated the interim administrative rules for the housing fund management in Shenzhen Municipality (《深圳市住房公積金管理暫行辦法》) and the interim administrative rules for payment of the housing fund in Shenzhen Municipality (《深圳市住房公積金繳存管理暫行規定(試行)》) which took effect on 20 December 2010 and 23 December 2010 respectively, pursuant to which enterprises in Shenzhen established prior to the relevant rules shall register with Shenzhen Municipality housing fund management centre to pay housing funds for their employees from 20 December 2010 to 20 June 2011.

Since Shenzhen Municipality housing fund management centre and management committee had not been established by Shenzhen Municipality government before December 2010, the Group had contributed housing funds for its employees to Shenzhen Social Insurance Fund Management Bureau (深圳市社會保險基金管理局) since June 2010.

The PRC Legal Advisers advised that the contribution system of housing fund in Shenzhen Municipality was only compulsorily implemented by the Shenzhen Municipality government on 20 December 2010 and the Group could not register and contribute housing funds for its employees as the housing funds management organizations of Shenzhen Municipality government had not been established. As a result, Shenzhen Municipality government and its housing funds management organization did not impose any penalty or fine on Synertone Smartend and Synertone Soontend in this regard. As at the Latest Practicable Date, the Group had not received any penalty notice from the Shenzhen Municipality management centre for housing funds.

According to the PRC Legal Advisers, based on the interview with the staff of Shenzhen Social Insurance Fund Management Bureau, as long as the Group has registered and contributed housing funds for all of its employees payable since December 2010 and before 20 June 2011 in accordance with the interim administrative rules for the housing fund management in Shenzhen Municipality, the Shenzhen Municipality housing fund management centre will not require the Group to pay the outstanding contribution.

To strengthen its internal control, the human resources department of the Group, which is responsible for overseeing the contribution of housing fund, will from time to time seek advice from the PRC Legal Advisers on the latest requirements of applicable laws and regulations in the PRC in this regard and will implement measures to ensure continuous compliance.

In Hong Kong, the Group has participated in a mandatory provident fund scheme for the Group's employees and has made contribution in accordance with the applicable Hong Kong laws and regulations.

The total amount of contributions the Group made for its welfare contributions for the Track Record Period was approximately HK$0.9 million, HK$1.3 million, HK$0.9 million and HK$1.4 million, respectively.

ENVIRONMENT AND SAFETY

The Group is subject to certain national and local environmental and safety related laws and regulations including the PRC Environmental Protection Law《中華人民共和國環境保護法》, the PRC Environmental Impact Assessment Law《中華人民共和國環境影響評價法》, Shenzhen Environmental Protection Law《深圳經濟特區環境保護條例》and the PRC Production Safety Law《中華人民共和國安全生產法》.

The Group's business activities and operations, including the production of specialised communication products, assembly and testing of products, generally do not generate industrial pollutants and do not give rise to any material safety or health concerns.

During the Track Record Period, the Group has adopted and implemented various systems and measures to ensure that its operation and production activities comply with the applicable laws and regulations.

As at the Latest Practicable Date, the Group had not come across any non-compliance issues of material importance in respect of any applicable laws and regulations on environmental protection and safety or any complaints from its customers or the public in respect of safety and health issues relating to the use of, or any incidents arising from, the use of the Group's products and services.

As confirmed by PRC Legal Advisers and the Hong Kong Legal Advisers as at the Latest Practicable Date, the Group had complied with the applicable environmental and safety laws and regulations in the PRC and Hong Kong respectively.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, the Group was not a party to any litigation, arbitration or claim of material importance, and the Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance.

As advised by the PRC Legal Advisers (i) the Group has obtained all licenses, permits or certificates necessary to conduct its business; (ii) the Group has complied in its operations with all relevant laws and regulations of the PRC and the terms and conditions set out in the relevant approvals or licenses the Group has been granted; and (iii) the employment contract terms are in accordance with the relevant PRC laws and regulations and maintained social insurance security contributions in accordance with the PRC labour laws.

The Directors have confirmed and the Hong Kong Legal Advisers are of the view that, the Group has (i) obtained the licenses, permits or certificates necessary to conduct its business; (ii) complied in its operations with all relevant laws and regulations of the Hong Kong and the terms and conditions set out in the relevant approvals or licenses the Group has been granted; and (iii) complied in all material aspects with the Hong Kong environmental protection laws and, in respect of employment contract terms and the Hong Kong employment laws and mandatory provident funds laws.

1. RELATIONSHIP WITH TECHTONE COMMUNICATION

Co-operation Framework Agreement

On 26 December 2002, the Group entered into a co-operation framework agreement (合作框架協議) with Techtone Communication (the "Techtone Co-operation Agreement"), the Group's largest customer during the Track Record Period, for a period of ten years. The Techtone Co-operation Agreement provides that the Group and Techtone Communication may negotiate for renewal upon its expiry. Under the Techtone Co-operation Agreement, as supplemented by a supplemental agreement made in December 2005, the Group agrees to give Techtone Communication a credit period of 180 days. Unless specifically requested by Techtone Communication, the Group must not contact the customers of Techtone Communication or the end-users of the products sold through Techtone Communication. Should the Group be in breach of this term, Techtone Communication may unilaterally terminate the Techtone Co-operation Agreement.

Prior to 26 February 2008, Techtone Communication was a connected person of the Company. Ms. Ni was a director for two holding companies of Techtone Communication, namely Shenzhen City Xietong Xunda Industry Company Limited (深圳市協同迅達實業有限公司) ("Shenzhen Xietong Xunda") and Shenzhen City Daiyou Communication Limited (深圳市大有通訊有限公司) ("Shenzhen Daiyou"), and held 40% interest in Shenzhen Xietong Xunda. Ms. Ni disposed her indirect interests in Techtone Communication and registered such transfer on 1 February 2008, and resigned as a director of Shenzhen Xietong Xunda and Shenzhen Daiyou on 1 February 2008 and 26 February 2008 respectively. Thus Techtone Communication ceased to be a connected person of the Company.

To the best knowledge of the Group, the current shareholders of Techtone Communication are Shenzhen Xietong Xunda holding 95.28% equity interest, Shenzhen City Techtone Information Communication Company Limited (深圳市天恒通信息通信有限公司) ("Shenzhen Techtone") holding 4.55% equity interest, and China Electronic Technology Group Company The Seventh Research Center (中國電子科技集團公司第七研究所) ("Electronic Research Center") holding 0.17% equity interest. All of the existing shareholders of Techtone Communication and their respective ultimate beneficial owners are Independent Third Parties. During the Track Record Period, Techtone Communication has been a system integrator and the largest customer of the Group, the principal business of which includes manufacture and supply of tele-communication equipment and electronic products.

The Directors consider that the transactions between the Group and Techtone Communication during the Track Record Period were on normal commercial terms and pricing terms offered to Techtone Communication were the same as those offered to other customers during the period.

During the Track Record Period after 26 February 2008, the date on which Techtone Communication became Independent Third Party, the turnover contributed by the sales to Techtone Communication amounted to approximately HK$6.3 million, HK$100.7 million, HK$107.2 million, HK$85.2 million and HK$44.1 million, representing approximately 56.4%, 62.3%, 50.0%, 39.0% and 43.0% of the turnover for the period from 26 February 2008 to 31 March 2008 and for the three years ended 31 March 2011 and the seven months ended 31 October 2011. The revenue contributed by the sales to Techtone Communication decreased for approximately 20.5% comparing the year ended 31

March 2010 and 31 March 2011 as Techtone Communication has ordered core components for digital trunking system and VSAT satellite system supplied by the Group for Techtone Communication's own end-user clients during the years ended 31 March 2008 and 2009, in particular for VSAT satellite system in the year 2009 when the Group first launched it to market, therefore resulted in a decrease in demand by the end-user clients of Techtone Communication in the two years ended 31 March 2010 and 2011. Aiming at reducing reliance on Techtone Communication in its sales, the Group is also committed to explore business co-operation with new system integrators, which resulted in increasing sales to system integrators other than Techtone Communication. Meanwhile negotiation has taken place between the Group and Techtone Communication for renewal of the Techtone Co-operation Agreement upon its expiry by the end of 2012. A memorandum of intention has been signed by the Group and Techtone Communication in March 2012 indicating the intention of both the Group and Techtone Communication to extend the Co-operation Framework Agreement for a further period of not less than five years.

Common customers with Techtone Communication

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of the Company, there were two common customers between the Group and Techtone Communication and the two common customers were system integrators first engaged by the Group in 2008 and referred to Techtone Communication by the Group. The reason for the referral by the Group to Techtone Communication was that these two system integrators had to order certain modules forming part of the core components of specialised communication products for public security use from suppliers with confidentiality qualification (保密資格) at their clients' requests pursuant to the relevant PRC regulations. The modules purchased by these two common customers comprised satellite antenna and block up-converters. Under the relevant PRC regulations, enterprises involving in the manufacture and provision of specialised communication system like Techtone Communication and these two system integrators for public security use must first obtain approval and licences which includes the confidentiality qualification. Further, pursuant to such regulations, certain purchasing government authorities may at their discretion require holders of confidentiality qualification to procure core components from enterprises with confidential qualification when such modules or core components are to be used in the specialised communication systems for public security use.

The Group does not possess the confidentiality qualification and is not qualified under the PRC laws and regulations to obtain the confidentiality qualification. With a view to further strengthening customers' relationships and knowing that Techtone Communication possessed the relevant approval and licences, including the confidentiality qualification, for supplying specialised communication system and related products for public security use to certain government authorities, the Group referred Techtone Communication to these two system integrators. In return, Techtone Communication agreed to serve the Group written notice before entering into any transaction with these two system integrators. During the Track Record Period, Techtone Communication had served the required notices on the Group before entering into transactions with these two system integrators. As confirmed by Techtone Communication, during the Track Record Period, Techtone Communication did not sell to these two system integrators any products other than modules comprising satellite antenna and block up-converters procured for their own manufacture and provision of specialised communication systems for public security use to certain purchasing government authorities with specific procurement requirement. The Company is of the view that there is no competition between the Group and Techtone Communication in serving these two system integrators as customers, as the Group did not obtain the licences including confidentiality qualification to manufacture and provide specialised communication system for government authorities or to supply modules or core components to system integrators who are subject to procurement restrictions. Thus neither of them will compete with each other. No confidentiality qualification is required for the Group to sell modules forming the core components of specialised communication systems to its system integrators including Techtone Communication, if the system integrators concerned are not subject to procurement restrictions.

The turnover generated from the sales to one of the two system integrators who is also customers of Techtone Communication amounted to approximately HK$1.7 million, HK$0.9 million, nil and nil, amounting to approximately 1.1%, 0.4%, nil and nil of the total turnover of the Group for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011. The revenue generated from the sales to another system integrator amounted to approximately HK$0.9 million, HK$1.8 million, HK$0.9 million and nil, amounting to approximately 0.5%, 0.8%, 0.4% and nil of the total revenue of the Group for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, respectively.

Products

Pursuant to the Techtone Co-operation Agreement, the Group shall provide specialised communication technology solutions and related equipment and products as well as system management, maintenance and upgrading services to Techtone Communication. The precise products and technologies used, quantities to be bought or sold, price, payment method, intellectual property rights and some other terms will be determined in the sales contract to be entered into between the Group and Techtone Communication pursuant to the Techtone Co-operation Agreement.

Products provided to Techtone Communication during the Track Record Period included but not limited to products/solutions relating to the Group's digital trunking system and VSAT satellite system. Based on the Techtone Co-operation Agreement, the parties also entered into various sales contracts, sales confirmations and development engagement agreements which set out the particulars such as products and technologies details, quantities, price and payment method of the transactions from time to time. The Group supplies modules to Techtone Communication which comprise parts of the final products of Techtone Communication to be sold to its customers. To the best knowledge of the Directors, Techtone Communication integrates modules supplied by the Group together with other parts purchased from other suppliers to form its own final products through further assembly and manufacture or modification to the components of the specialised communication system supplied by the Group. As such, final products of Techtone Communication involve products from other suppliers and modified by Techtone Communication.

Termination of connected relationship with Techtone Communication

Since the establishment of Techtone Communication, Ms. Ni held 40% equity interest in Shenzhen Xietong Xunda, one of the holding companies of Techtone Communication and was a director of Shenzhen Xietong Xunda and Shenzhen Daiyou, another holding company of Techtone Communication. Mr. Wong Chit On, was the legal representative and a director of Techtone

Communication and the legal representative and director of Shenzhen Xietong Xunda. He was also the legal representative and a director of Shenzhen Techtone and the supervisor of Shenzhen Daiyou. Techtone Communication was a connected person as defined under Rule 14A.11(4) of the Listing Rules.

Mr. Wong Chit On ceased to be both the legal representative and a director of each of Techtone Communication, Shenzhen Xietong Xunda and Shenzhen Techtone on 18 April 2006, 1 February 2008 and 18 December 2007, respectively. Mr. Wong Chit On also ceased to be the supervisor of Shenzhen Daiyou on 26 February 2008. Ms. Ni disposed of her equity interest in Shenzhen Xietong Xunda to Mr. Wang Guan San, an Independent Third Party, and registered the transfer on 1 February 2008. Ms. Ni also resigned from directorship in Shenzhen Xietong Xunda and Shenzhen Daiyou on 1 February 2008 and 26 February 2008 respectively. Techtone Communication ceased to be a connected person from 26 February 2008 and the transactions between the Group and Techtone Communication were no longer connected transactions.

Ms. Ni transferred 40% of the equity interest in Shenzhen Xietong Xunda, one of the holding companies of Techtone Communication, to Mr. Wang Guan San at a consideration of RMB1.6 million and registered the transfer on 1 February 2008. The said consideration was negotiated between the parties at arm's length, which equals to the initial amount invested by Ms. Ni and represents approximately 40% of the book value of the net assets of Shenzhen Xietong Xunda of approximately RMB3.9 million as at 31 January 2008. Payment of the consideration was made by Mr. Wang Guan San by way of cash in three installments upon execution of the agreement for transfer of equity interest; notarization of the said agreement; and registration of the transfer with the Market Supervision Administration of Shenzhen Municipality, formerly known as the Administration for Industry and Commerce (深圳市市場監督管理局，前稱深圳市工商行政管理局), respectively. Save as disclosed, Shenzhen Xietong Xunda and any of its existing shareholders and directors (including Mr. Wang Guan San), do not have any past or present relationships (including, without limitation, family, employment, shareholding, trust or business relationships) with the Group, its shareholders (including Mr. Wong Chit On, formerly known as Wang Gang Jun) and Mr. Wang Min Zhong (the beneficial owner of the issued share capital of Yusman, which was a former shareholder of Synertone Group prior to Reorganisation), directors, senior management and any of their respective associates.

Ms. Ni decided to dispose of her indirect stake in Techtone Communication and to resign from the directorship in the indirect holding company because of (i) the limited customer base of Techtone Communication and that she believed would have little potential for business expansion of the Group; and (ii) the business plan of Techtone Communication to obtain a confidentiality qualification in order to be engaged as a direct supplier of products for public security use to governmental authorities and certain other end-users. Government authorities and certain end-users shall only procure such products from enterprises with confidentiality qualification. Application for confidentiality qualification had been made by Techtone Communication in 2006 and was not granted before the resignation of Ms. Ni as its director and her disposal of her indirect stake, even though it was then not expressly required under the law and regulations of the PRC for all holders of confidentiality qualification to be wholly-owned by PRC nationals. It was subsequently made express requirements under the Administration Measures for the Certification of Confidentiality Qualification for Entities Engaging in the Research and Manufacture of Weapons and Related Equipment (武器裝備科研生產單位保密資格審查認證管理辦法) in January 2009 that, among other things, enterprises involving in the production and direct sale of equipment for public security use shall be wholly-owned by PRC residents (for the purpose of the measures, excluding Hong Kong, Macau and Taiwan residents) in order to be eligible for grant of a confidentiality qualification. Therefore, Techtone Communication would have failed to obtain such confidentiality qualification if Ms. Ni continued to be an indirect shareholder of Techtone Communication. Techtone Communication was subsequently granted the Confidentiality qualification in July 2008 after the departure of Ms. Ni. Should Techtone Communication fail to secure its confidentiality qualification or having it revoked, it would be unable to supply products to governmental authorities.

Mr. Wang Guan San is an Independent Third Party. Prior to Mr. Wang Guan San becoming interested in the equity interest in Techtone Communication, he had engaged in the business of wireless telecommunication and had closely cooperated with China Electronic Technology Group Company The Seventh Research Centre (中國電子科技集團公司第七研究所) ("Electronic Research Centre"). As confirmed by Mr. Wang Guan San, he had also developed contacts with customers with military background. Through Electronic Research Centre, Mr. Wang Guan San came to know about the business of Techtone Communication and Ms. Ni. Mr. Wang Guan San was interested in acquiring equity interest in Techtone Communication, as Techtone Communication had the relevant approvals (other than the confidentiality qualification) for the development and sale of products designed to be further modified or improved upon for ultimate public security use as well as the necessary experience and business connection. Therefore, when Mr. Wang Guan San was aware of Ms. Ni's intention to dispose of her indirect interest in Techtone Communication, Mr. Wang Guan San started negotiation with Ms. Ni and ultimately acquired her indirect stake in Techtone Communication.

The remaining 60% indirect stake in Techtone Communication was held by Mr. Wang Ying Xin, an Independent Third Party. Mr. Wang Ying Xin also transferred his 60% equity interest in Shenzhen Xietong Xunda to Mr. Zheng Xian, an Independent Third Party, on 1 February 2008 at a consideration of RMB2.4 million.

The Directors confirm that the Company, its Controlling Shareholders, the Directors, and their respective associates did not, directly or indirectly, provide assistance in any form to finance Mr. Wang Guan San's acquisition of Ms. Ni's indirect interest in Techtone Communication.

During the Track Record Period, Techtone Communication was one of the Group's system integrators. If the Group acquired the interest in Techtone Communication from Ms. Ni, Techtone Communication would not be qualified for confidentiality qualification to supply certain products for public security use to some specified users including governmental authorities, as the Group is controlled by non-PRC entities. Furthermore, it is the strategy of the Group to focus on research and development, manufacture and setting of industry standard protocols in the specialised communication system market. Therefore, the Group did not acquire Ms Ni's indirect stake in Techtone Communication.

Under the framework agreement, for the period from 1 April 2007 to 26 February 2008, during the Track Record Period, the amount paid by Techtone Communication to the Group amounted to HK$88.6 million.

Use of Chinese characters "協同" in the name of Shenzhen Xietong Xunda, the shareholder of Techtone Communication

Shenzhen Xietong Xunda is a domestic-funded enterprise and according to the PRC laws, no registration of English name is mandatory for domestic-funded enterprise. Shenzhen Xietong Xunda has no registered name in English. The registered name of Shenzhen Xietong Xunda is 深圳市協同迅達實業有限公司, which include the Chinese characters of the word "Synertone" (協同 in Chinese). As confirmed by the PRC Legal Advisers, Shenzhen Xietong Xunda does not require consent of the Group to use "Synertone" or "Xietong" in Chinese as their company names under the PRC laws.

As the Company understands from the PRC Legal Advisers, the PRC laws do not provide any company with the right to restrict other companies from using a particular word as part of their names and therefore the Company does not have the right to control the use of the Chinese characters "協同" as part of the legal names or trading names by other companies in the PRC including Shenzhen Xietong Xunda. As confirmed by the PRC Legal Advisers, there is no breach of any PRC laws or regulations or infringement of any intellectual property rights by the Group in having identical or similar names with Shenzhen Xietong Xunda. The respective Chinese legal names of Shenzhen Xietong Xunda, Synertone Soontend and Synertone Smartend were all approved for registration by Shenzhen Administration Bureau of Industry and Commerce (深圳市工商行政管理局) pursuant to Provisions on Administration of Enterprise Name Regulation (企業名稱登記管理規定) and Measures for the Implementation of Administration of Enterprise Name Registration (企業名稱登記管理實施辦法).

As per the business licence of Shenzhen Xietong Xunda, the business scope of Shenzhen Xietong Xunda covers development of business, domestic business and supply of resources. The Company understands that Shenzhen Xietong Xunda is principally an investment holding company without business operation and therefore the Directors and the PRC Legal Advisers are of the view that Shenzhen Xietong Xunda does not compete with the business of the Group.

2. RELATIONSHIP WITH SYNERTONE TELECOM

(a) *Merchandising Agreement*

On 16 March 2010, Synertone Smartend entered into an merchandising agreement (委託採購協議) (the "Merchandising Agreement") with Synertone Telecom, whereby it was agreed, among other things, as follows: (i) Synertone Smartend agreed to purchase certain raw materials needed by Synertone Telecom on its behalf; (ii) the amount of purchase should not exceed RMB500,000; (iii) the arrangement contemplated by the agreement was expected to end when Synertone Telecom was fully established and able to make the purchase itself; (iv) Synertone Telecom had to bear the costs of such purchases made on its behalf as well as the indirect costs including appropriate management fees incurred by Synertone Smartend at around 15% of the amount of purchase. The raw materials needed by Synertone Telecom include PDE9214 main board, E-USB storage card, PDE9214 main board overlay, optical module, SMD resistor, ceramics capacitor, magnetic pearl, crystal oscillator, row resistor, integrated circuit Chip, PCB of data packet detection board, tantalum capacitor and light-emitting diode (LED).

Synertone Telecom is a limited liability company incorporated in the PRC in May 2010 and principally engages in the business related to CDMA packet data serving node. Mr. Wong Chit On was a director and the ultimate beneficial owner of the entire equity interest in Synertone Telecom. Mr. Wong Chit On was also the legal representative of Synertone Telecom.

Synertone Telecom required Synertone Smartend to provide such contractual services as at that time Synertone Telecom had not fully completed its incorporation procedures and other governmental and banking related formalities while such raw materials were urgently needed for the operation of the business which Synertone Telecom had acquired.

Pursuant to the Merchandising Agreement, Synertone Smartend purchased such raw materials from Independent Third Parties and re-sold the same to Synertone Telecom when Synertone Telecom completed its incorporation procedures and other governmental and banking related formality. All transactions under the said agreement were completed before the end of October 2010, and all payments due from Synertone Telecom to Synertone Smartend were subsequently fully settled in February 2011. The total amount paid by Synertone Telecom to the Group under the transactions pursuant to the Merchandising Agreement is approximately RMB0.5 million.

(b) *Sale and Purchase Contract*

On 30 July 2010, Synertone Telecom signed a sale and purchase contract with Synertone Soontend pursuant to which Synertone Telecom purchased from Synertone Soontend certain products produced by the Group at a total purchase price of RMB2.3 million. The products have been delivered and the purchase price has been fully settled in February 2011. This was a one-off transaction and the parties do not expect to have further sale and purchase between them. The products purchased by Synertone Telecom were channel control board, power amplifier control board, base station control board, signal processing board for transceiver, handover control board, control board for media gateway, vocoder interface for media gateway, ethernet switch board, control board for data server and control board for call server.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the Company will be owned as to 67.5% by Excel Time, the entire issued share capital of which is owned by Mr. Wong Chit On. As Excel Time and Mr. Wong Chit On are, directly or indirectly, individually or together with others, entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of the Company, each of Excel Time and Mr. Wong Chit On is regarded as a Controlling Shareholder under the Listing Rules.

The Directors consider that the Group is capable of carrying on its business independent of and without financial reliance on the Controlling Shareholders and their respective associates for the following reasons and the Group satisfies the relevant requirements under the Listing Rules.

Operational independence

The Group has full control of its assets and its business, and the Group has operated as at the Latest Practicable Date, as a business group which is separate from and fully independent of the Controlling Shareholders. The Group's operations are independent of and not connected with any of the Controlling Shareholders. The organisation structure of the Group is made up of various departments and divisions, each with specific areas of responsibility. The Group's senior management is also independent from the Controlling Shareholders.

The Group has been able to secure the necessary resources for its operation. It has its own research and development, marketing, technical and engineering teams. It also owns various assets, such as patents, trademarks and equipment that are significant to its business and operations.

The Group has independent access to its suppliers and contractors, and none of the Controlling Shareholders is currently a supplier or intermediary for the Group's suppliers. The Group is able to supply products and services to its end customers independently.

As disclosed in the section headed "Relationship with Techtone Communication and Synertone Telecom" of this prospectus, the Group entered into contracts with Techtone Communication, which was a connected person prior to 28 February 2008. Details of the past connected relationship with Techtone Communication are set out in the section headed "Relationship with Techtone Communication and Synertone Telecom" of this prospectus.

As disclosed in the section headed "Relationship with Techtone Communication and Synertone Telecom" of this prospectus, the Group entered into contracts with Synertone Telecom, a company which was indirectly wholly owned and controlled by Mr. Wong Chit On. To the best knowledge of the Directors, Synertone Telecom is engaged in PDSN, and its services and products are catered for the telecommunications and telecommunication integration market in the PRC. It provides PDSN total solutions and core telecommunication products to the major telecommunications operators in the PRC. To the best knowledge of the Directors, Synertone Telecom does not compete and is not likely to compete, directly or indirectly, with that of the Group for the following reasons : (i) different business nature; (ii) different types of services; (iii) different customer targets; (iv) different technologies required in the provision of services and for the products sold; and (v) different ways and methods in levying charges.

Comparison	**The Group**	**Synertone Telecom**
Business Nature	To design, research and develop, produce and sell equipment and related technologies used in specialised communication network and systems	To provide PDSN total solutions and core telecommunication products to certain telecommunications operators in the PRC
Types of Services:		
(a) Network structure and targeted services	• Provide various network solutions to satisfy the communication needs of different customers: direct communication network, transitionary network, single base station network; regional network with single communication network; regional network with multiple communication networks • Service focus: applications of multiple network topology and structure	• Provide PDSN solutions based on industry standards • Service focus: subscriber management, session management, gateway functions (between Telco Access Network and Data Service Network (Internet, etc.), and network monitoring and management
(b) Products	• network • equipment • software • professional services	• equipment • software • professional services

Comparison	The Group	Synertone Telecom
Targeted Customers	Customers requiring specialised communication network and systems: including government departments, infrastructure companies, and other large industrial enterprises	Telecommunications operators providing services to the general public
Technologies required for the provision of services	Core technologies for specialised communication network solutions • Radio frequency and air-interface • Voice codec and voice processing • Base-band • Modulation • Error correction • Synchronization • IP and softswitching • Equipment portability • Satellite communication • Wireless network planning and optimization	Core technologies for PDSN used in general mobile network solutions • Large Scale and high scalability • High Availability and manageability • Data compression and Acceleration
Ways and methods in levying charges	Based on negotiation with the customers concerned	Based on the proposal as contained in the tender document submitted to the telecommunications operators concerned

Mr. Wong Chit On does not have any interest in business which competes or is likely to compete, directly or indirectly, with the businesses of the Group.

On the basis of the above, the Directors are of the view that the operation of the Group does not unduly rely on the Controlling Shareholders and/or their respective associates and the Group is able to operate its own business independently from its Controlling Shareholders and/or their respective associates.

Financial independence

Save as disclosed below, in the section headed "Financial Information" of this prospectus, and in the accountants' report in Appendix I to this prospectus, during the Track Record Period, no other financial assistance had been provided by any connected person to any member of the Group or the Group to any connected person.

An amount of approximately HK$15.0 million was due from Synertone Group to Yusman, a former shareholder of Synertone Group, representing dividend payable to Yusman as at 31 March 2008. Pursuant to a debt assignment declaration dated 20 January 2009 executed by Yusman, Yusman agreed to transfer the right to the said dividend to Excel Time. Accordingly, the dividend amount was due and payable to Excel Time as from 20 January 2009 onwards. Such dividend amount was paid from Synertone Group to Excel Time before 31 March 2009.

As at 31 March 2009, 31 March 2010, 31 March 2011 and 31 October 2011, banking facilities granted to the Group amounted to approximately HK$20.0 million, HK$32.0 million, HK$37.8 million and HK$52.8 million, respectively. The banking facilities were partly secured by personal guarantees given by Mr. Wong Chit On, an executive Director and the Controlling Shareholder. One of the personal guarantees was released on 17 February 2011 upon termination of the relevant banking facility. All the other banking facilities secured by personal guarantees of Mr. Wong Chit On were terminated on 22 March 2012.

Save as disclosed, the Directors confirm that the Controlling Shareholders have not provided any further personal guarantee to secure bank loans or banking facilities to the Group, and the Group will not rely on Controlling Shareholders for financing after Listing.

The Group has its own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing and makes financial decisions according to its business needs. The Group has been able to satisfy the working capital requirements from internal resources, loans and bank borrowings. The Directors confirm that any amount due to/from the Controlling Shareholders has been settled prior to the Listing.

On the basis of the above, the Directors are of the view that the Group is financially independent from the Controlling Shareholders and/or their respective associates.

Management independence

The Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. One of the executive Directors, namely Mr. Wong Chit On, is the Controlling Shareholder, the chairman of the Board and the chief executive officer of the Company, whereas Ms. Ni, an executive Director, is an associate of Mr. Wong Chit On. Each of the Directors is fully aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or her acts for the benefit and in the best interests of the Group and does not allow any conflict between his or her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

In addition, members of the Group's senior management are also independent from the Controlling Shareholders and their respective associates.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders and Directors has confirmed that none of them is engaged in, or interested in any business (other than that of the Group) which, directly or indirectly, competes or is likely to compete with the business of the Group. The Controlling Shareholders have executed a deed of non-competition undertaking on 25 March 2012 in favour of the Company (the "Deed"), pursuant to which the Controlling Shareholders have irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that he/it would not, and would procure that his/its associates would not, during the restricted period, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, carry on, participate, invest in or provide other support, financial or otherwise or be interested or engaged in or acquire or hold any right or interest in (in each case whether as a shareholder, partner, agent, employee or otherwise) or render any services to or otherwise be involved in any business which is or may be in direct or indirect competition with the business of any member of the Group from time to time (the "Restricted Business").

The restricted period stated in the Deed refers to the period during which (i) the Shares remain listed on the Stock Exchange; and (ii) the Controlling Shareholders and/or their respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of the Company.

Such non-competition undertaking is conditional upon Listing and does not apply to:

(a) any interests in the shares of any other member of the Group; or

(b) interests in the shares of a company other than the Group which shares are listed on a recognised stock exchange provided that:

  (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts which are prepared according to the applicable accounting principles and standards; or

  (ii) the total number of the shares held by the Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of the company in question and the Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholders and/or their respective associates in aggregate.

Each of the Controlling Shareholders has undertaken that if he or it plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the Restricted

Business (the "Business Opportunity"), he or it shall give the Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless the prior written consent of the Company has been obtained (based on an affirmative vote of a majority of the members of the independent board committee who do not have, and are not deemed to have, a material interest in the relevant matter).

Each of the Controlling Shareholders has further undertaken that he or it (i) will provide to the Company all information necessary for the enforcement of the undertakings contained in the Deed; (ii) will confirm to the Company on an annual basis as to whether it or he or it has complied with such undertakings; and (iii) agrees that their compliance of the terms in the Deed will be reported in the annual reports of the Company in which details of the Business Opportunity (if any) and the basis on which the independent board committee took any decision to pursue the Business Opportunity or to decline a Business Opportunity (if any) subsequently engaged by the Controlling Shareholders will be disclosed; and (iv) agrees that any non-compliance by them of the terms in the Deed will be disclosed in the annual report of the Company.

CORPORATE GOVERNANCE MEASURES

In order to properly manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-competition undertaking, the Group has adopted the following corporate governance measures:

(a) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-competition undertaking by the Controlling Shareholders;

(b) the Company will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking either through its annual report or by way of announcement;

(c) the Company will disclose in the corporate governance report of its annual report on how the terms of the non-competition undertaking have been complied with and enforced; and

(d) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the non-competition undertaking, regardless of their respective percentages of interest in the issued share capital of the Company or voting rights, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

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

DIRECTORS

Name	Age	Position in the Group	Date of appointment	Time of joining the Group
Wong Chit On (王浙安) (formerly known as Wang Gang Jun (王鋼軍))	53	Chairman and Executive Director	11 October 2006	April 2002
Ni Yun Zi (倪蘊姿) (formerly known as Ni Xiaochen (倪曉晨))	42	Executive Director	11 October 2006	April 2004
Lu Zhijie (律智杰)	53	Executive Director	28 February 2011	December 2010
Han Weining (韓衛寧)	50	Executive Director	28 February 2011	January 2010
Lam Ying Hung Andy (林英鴻)	47	Independent non-executive Director	28 February 2011	February 2011
Mao Zhigang (毛志剛)	50	Independent non-executive Director	28 February 2011	February 2011
Hu Yunlin (胡雲林)	50	Independent non-executive Director	28 February 2011	February 2011

Executive Directors

Wong Chit On (王浙安), (formerly known as Wang Gang Jun (王鋼軍)) aged 53, was appointed as the chairman of the Group in 2002. He is the founder and chief executive officer of the Group and primarily responsible for overall corporate strategy, management and operation of the Group. Mr. Wong founded the Group in 2001 and has over 12 years of experience in the specialised communication industry. He was an executive director and the chairman of China Public Healthcare (Holding) Limited (中國公共醫療(控股)有限公司) (formerly known as Neolink Cyber Technology (Holding) Limited and Global Resources Development (Holding) Limited (大地資源發展(控股)有限公司)) from 1999 to 2001, a company listed on the Growth Enterprise Market board of the Stock Exchange (Stock Code: 8116). In 2004, Mr. Wong was appointed as an adjunct professor of Harbin Institute of Technology Shenzhen Graduate School (哈爾濱工業大學深圳研究生院). From 2005 to 2009, he 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. Mr. Wong is the spouse of Ms. Ni Yun Zi, an executive Director. Save as disclosed herein, Mr. Wong did not hold any directorship in any listed companies in the past three years.

Ni Yun Zi (倪蘊姿), (formerly known as Ni Xiaochen (倪曉晨)), aged 42, was appointed as an executive Director of the Group in 2006. She is primarily responsible for the overall management of business operation of the Group. She has over seven years of experience in management. Prior to joining the Group, she worked as an inspector of Zhejiang Province Commodity Inspection Bureau (浙江省商檢局) from 1988 to 1994. From 1995 to 1999, she worked as a marketing executive of

Shenzhen Zhong Hang Advertising Co., Ltd (深圳中航廣告有限公司). Ms. Ni received her education in Party School of the Zhejiang Committee of The CCP, Zhejiang School of Administration, major in executive management in 1993. Ms. Ni is the spouse of Mr. Wong Chit On, the chairman of the Group and an executive Director. Save as disclosed herein, Ms. Ni did not hold any directorship in any listed companies in the past three years.

Lu Zhijie (律智杰), aged 53, was appointed as an executive Director in February 2011. Mr. Lu has been the legal representative of Guangzhou You Yang Golf Management Consultant Co., Ltd (廣州優揚高爾夫管理顧問有限公司) from 2003 to 2009. He was also the legal representative and director of Bonson Technology Co., Ltd (廣州市邦訊科技有限公司) from 1994 to 2001, and 1998 to 2002, respectively. He graduated from Guilin University of Electronic Technology (formerly known as Guilin Institute of Electronics) (桂林電子科技大學,前稱桂林電子工業學院中專部) in 1981, major in communication machine manufacturing. He further received education at Guangxi Radio and TV University (廣西廣播電視大學), specialised in engineering management in 1987. Save as disclosed herein, Mr. Lu did not hold any directorship in any listed companies in the past three years.

Han Weining (韓衛寧), aged 50, was appointed as an executive Director in February 2011. 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 listed companies in the past three years.

Independent non-executive Directors

Lam Ying Hung Andy (林英鴻), aged 47, was appointed as an independent non-executive Director in February 2011. Mr. Lam has over 20 years of experience in logistics, accounting, banking and finance industry. He is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in E-commerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. Mr. Lam is currently the managing consultant of Lontreprise Consulting Limited, and has been the finance director and administrative accountant in two logistics companies. Mr. Lam is currently an independent non-executive director of Sino-Life Group Limited (Stock Code: 8296), a company listed on the Growth Enterprise Market board of the Stock Exchange, Xingfa Aluminum Holdings Limited (Stock Code: 0098), and Brilliant Circle Holdings International Limited (Stock Code: 1008), both are companies listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Lam did not hold any directorship in any listed companies in the past three years.

Mao Zhigang (毛志剛), aged 50, was appointed as an independent non-executive Director in February 2011. Mr. Mao served as a professor at Harbin Institute of Technology (哈爾濱工業大學), responsible for scientific research, from 1992 to 2006. Mr. Mao has worked at Shanghai JiaoTong University (上海交通大學) School of Microelectronics, as vice-dean and Professor since 2009 and is mainly responsible for academic research and scientific management. Mr. Mao graduated from Tsinghua University (清華大學) with a bachelor degree in 1986 and from University of Rennes I (France) in 1992 with a Ph.D degree in signal management and communication. Save as disclosed herein, Mr. Mao does not hold any directorship in any listed companies in the past three years.

Hu Yunlin (胡雲林), aged 50, was appointed as an independent non-executive Director in February 2011. He graduated from People's Liberation Army Air Force Electronic Communication Engineering Institute (中國人民解放軍空軍電訊工程學院) in 1986, major in wireless electronic engineering. He has served as chief manager in Zhuhai Ji Di Te Communication Utilities Company Limited (珠海吉迪特通信器材有限公司) since 1995. He has also served as director in Zhuhai Gao Ling Information Technology Company Limited (珠海高凌信息科技有限公司) since 2000. Save as disclosed herein, Mr. Hu does not hold any directorship in any listed companies in the past three years.

COMPANY SECRETARY

Lam Mei Shan (林美姍), aged 43, has been appointed as the Company Secretary of the Group since 2008. Ms. Lam has over 15 years of experience in auditing including performing statutory audit and handling internal control reviews for various companies. Prior to joining the Group, Ms. Lam has worked for various companies in Hong Kong, including Stanley So & Co., Russell Bedford Hong Kong Limited and Seven Sea Chemicals (Holdings) Limited. Ms. Lam graduated from University of Manitoba in Canada with a bachelor's degree of Arts in 1994. She has been a member of the American Institute of Certified Public Accountants since 1998 and Hong Kong Institute of Certified Public Accountants since 1999.

SENIOR MANAGEMENT

Name	**Age**	**Position in the Group**	**Time of joining the Group**
Fan Zhiwen (范志文)	43	Vice-president	April 2004
Shen Ruisong (沈瑞松)	46	Vice-president	January 2005
Tian Hua Chen (田華臣)	41	Finance and accounts general manager	July 2007
Ma Jin Bu (馬金步)	40	Administration and human resources general manager	March 2006
Sun Peng (孫芃)	40	Production general manager	March 2003
Wu Jie (吳杰)	40	Marketing and sales general manager	August 2006
Wang Tao (王濤)	42	Research and development general manager (digital trunking products research team)	March 2010
Xu Qing (許清)	47	Research and development general manager (VSAT satellite products research team)	June 2010

Fan Zhiwen (范志文), aged 43, has served as the vice-president of the Group since 2008. He is responsible for the overall marketing, production and sales of the Group. Mr. Fan has over 8 years of experience in quality assurance. Prior to joining the Group, Mr. Fan worked at Shenzhen Tai Feng Electronic Co., Ltd. (深圳泰豐電子有限公司) as a quality control and assurance manager from 1992 to 2000. He also served as vice general manager at Shenzhen Jia Yu Shun Technology Limited (深圳市嘉宇順科技有限公司) in 2001 and QA analyst at Viva Magnetic (Canada) Ltd. from 2003 to 2004. Mr. Fan obtained a Bachelor Degree of Information Engineering from Xidian University (西安電子科技大學) in 1992. He also obtained a post-graduate certificate of telecommunications management from Sheridan College Institute of Technology and Advanced Learning in 2003.

Shen Ruisong (沈瑞松), aged 46, has served as a manager of the Group since 2005 and was promoted to vice-president in 2009. He is responsible for the operation and research and development department of the Group. Prior to joining the Group, Mr. Shen worked as a lecturer in Communication Engineering College (通訊工程學院) from 1993 to 1999 and as an associate professor in the telecommunications engineering department of the University of Science and Technology (理工大學) from 1999 to 2004. Mr. Shen obtained a Bachelor Degree of Computer Science and a Master Degree of Information and Electronic System from People's Liberation Army University of Science and Technology (中國人民解放軍理工大學) in 1988 and 1991, respectively.

Tian Hua Chen (田華臣), aged 41, has served as the general manager of finance and accounts department of the Group since 2007. Mr. Tian has over six years of experience in financial planning and management. Prior to joining the Group, he worked as the chief finance officer and secretary to the board of directors of Guangdong East Power Co., Ltd. (廣東易事特電源股份有限公司) from 2005 to 2007. He graduated from Hubei College of Finance, later renamed as Hubei University of Economic (湖北經濟學院，前稱湖北金融專科學校) with major in accounting in 1991. He also obtained a Master Degree in Chinese ethnic minority economics from South-Central University for Nationalities (中南民族學院) in 2000 and a Doctoral Degree in Economics in Western Countries in Huazhong University of Science and Technology (華中科技大學) in 2005.

Ma Jin Bu (馬金步), aged 40, has served as the general manager of administration and human resources department since 2007. Mr. Ma joined the Group since 2006 and was appointed as manager of human resources department. Mr. Ma has over 10 years of experience in management. Prior to joining the Group, he worked as the manager of the human resources department and was promoted to project manager of Evergreen Industries Group (深圳春和家庭用品有限公司) in 2000. Mr. Ma worked as the human resources manager and assistant to general manager of Kirisun Electronics (Shenzhen) Ltd. (科立訊電子(深圳)有限公司) from 2001 to 2004 and the assistant to general manager of Shenzhen City He Xin Tong Technology Co., Ltd. (深圳市和信通科技有限公司) from 2004 to 2006. Mr. Ma obtained his Bachelor Degree in Political Science from Yan'an University (延安大學) in 1996.

Sun Peng (孫芃), aged 40, has served as the general manager of production department of the Group since 2009. Mr. Sun joined the Group in 2003 and he was appointed as vice general manager of marketing and sales department, manager of procurement department and vice general manager of finance and accounts department during the period from 2003 to 2009. Mr. Sun has over 10 years of experience in operation management. Prior to joining the Group, he worked as deputy general manager of Shenzhen Peng Cheng Da Electronics Co., Ltd. (深圳市鵬程達電子有限公司) from 1999 to 2003. Mr. Sun obtained his Bachelor Degree in Logistic Management from Hubei University of Technology in 2008.

Wu Jie (吳杰), aged 40, has served as the general manager of marketing and sale department of the Group since 2006. Mr. Wu obtained a Bachelor Degree in Calculation and Command Automation in 1993 and a Master Degree of Calculations Application in 1997, from the People's Liberation Army Institute of Communication (中國人民解放軍通信工程學院). Prior to joining the Group, Mr. Wu worked as an assistant lecturer in The People's Liberation Army University of Science and Technology Command Automation Institute until 2006.

Wang Tao (王濤), aged 42, has served as the general manager of research and development department for digital trunking products since 2010. He is mainly responsible for research and development of trunking base station products. Mr. Wang has over 4 years of experience in the field of research and development. Prior to joining the Group, he worked as a research engineer of Alcatel-Lucent Co., Ltd. (上海貝爾股份有限公司) from 2000 to 2002, a research and development engineer of Panasonic Singapore Laboratories Pte Ltd from 2005 to 2007 and a deputy project manager in Omnivision Technologies (Shanghai) Co. Ltd. from 2008 to 2010. He obtained a Master Degree in Communications and Information System from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in 2000. He started his studies in 2003 and further obtained a Doctor Degree in Signal and Information Management from Shanghai JiaoTong University (上海交通大學) in 2008.

Xu Qing (許清), aged 47, has served as the general manager of research and development department and responsible for VSAT satellite products since 2010. Mr. Xu has over 10 years experience in technological design and research and development. He worked at No. 607 of China Astronautics Industry Laboratory (中航第六零七研究所) from 1989 to 2005. From 2005 to 2007, he worked in research and development management team of the Shenzhen People Communication Co., Ltd (深圳國人通信有限公司). He also worked as research and development manager of RFS Radio Frequency Systems (Shanghai) Co., Ltd. (安弗施無綫射頻系統(上海)有限公司) responsible for research team management in antenna products from 2007 to 2008. He worked as senior engineer of Scientific-Atlanta (Shanghai) Co., Ltd (上海科學亞特蘭大有限公司) from 2008 to 2009 and Cisco Systems (China) Research and Development Co., Ltd (思科系統(中國)研究有限公司) as technical leader from 2009 to 2010. Mr. Xu obtained a bachelor degree in microwave technology from the People's Liberation Army National University of Defense Technology (中國人民解放軍國防科學技術大學) in 1986, a Master Degree in Engineering from China Electronic Science and Technology University (中國電子科技大學) in 1989 and diploma in senior engineering technology in No. 607 of China Astronautics Industry Laboratory (中航第六零七研究所) in 1995. He was awarded National Security Science Technology Award for his JYL-6D weather radar in 2001 and GPS demonstration pod machine in 2003.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in management and internal control procedures so as to achieve effective accountability.

In accordance with the requirements of the Listing Rules, the Company has established the Audit Committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules to oversee the Company's financial reporting procedures and internal controls so as to ensure compliance with the Listing Rules.

Corporate Governance

The Company has adopted a system of corporate governance.

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors, the number of which should make up at least one-third of the Board) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The Company is also committed to the view that the independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. The independent non-executive Directors are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group. The members of the remuneration committee are Hu Yunlin, Lam Ying Hung Andy and Mao Zhigang, all being independent non-executive Directors. Hu Yunlin is the chairman of the remuneration committee.

NOMINATION COMMITTEE

A nomination committee was established by the Company on 22 March 2012 with written terms of reference. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The members of the nomination committee are the independent non-executive Directors, Hu Yunlin, Mao Zhigang and Lam Ying Hung Andy. Mao Zhigang is the chairman of the nomination committee.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The remuneration received by Directors (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was approximately HK$2.9 million, HK$3.0 million, HK$4.1 million and HK$2.6 million, respectively.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to the five highest paid individuals of the Company, excluding Directors, for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was approximately HK$3.5 million, HK$2.8 million, HK$2.1 million and HK$0.9 million, respectively.

The Group has not paid any remuneration to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office in respect of the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011. Further, none of the Directors had waived any remuneration during the same period.

Except as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, by the Group to the Directors.

STAFF

As at the Latest Practicable Date, the Group had 344 employees. The table below set forth the number of the Group's employees by department.

Department	**Number of employee**
Management	15
Research and development	171
Marketing and sales	26
Production	91
Finance and accounts	15
Administration and human resources	26
TOTAL:	**344**

The Directors are of the view that the Group has maintained a good relationship with its staff. The Group has not, in the past, experienced any disruption of its operations due to labour disputes.

EMPLOYEES' BENEFITS PROVIDED BY THE GROUP

The Group complies in all material aspects with all statutory requirements on pension insurance in the jurisdictions where the Group operates.

The Group has established various welfare plans including the provision of pension funds, medical insurance, and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

In Hong Kong, the Group has participated in a mandatory provident fund scheme for the Group's employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

SHARE OPTION SCHEME

The Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to the Group and any entity in which any member of the Group holds any equity interest. The Directors believes that the implementation of the Share Option Scheme enables the Group to recruit and retain high calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the section headed "Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISER

The Company has appointed Yuanta Securities (Hong Kong) Company Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise the Company in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) if the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the Company's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) if the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

In addition, the compliance advisor will also provide, inter alia, the following services to the Company:

(i) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in paragraphs (i) to (iv) above;

(ii) in relation to an application by the Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise the Company on its obligations and in particular the requirement to appoint an independent financial adviser; and

(iii) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps, such as training.

The term of the appointment shall commence on the Listing Date and end on the date on which the Group distribute its annual report in respect of its financial results for its first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the Global Offering, without taking into account Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or Shares which may be taken by a person under the Global Offering which would affect disclosure in this section and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or short positions in Shares or underlying Shares which would be required 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 will be, directly or indirectly, interested in 10% or more of the nominal value of any class share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Name	Capacity/ Nature of interest	Number of Shares held immediately after the Global Offering	Approximate percentage of shareholding immediately after the Global Offering
Excel Time	Beneficial owner	810,000,000	67.5%
Mr. Wong Chit On[(1)]	Interest in a controlled corporation	810,000,000	67.5%
Ms. Ni Yun Zi[(2)]	Interest of spouse	810,000,000	67.5%

Notes:

(1) Mr. Wong Chit On, an executive Director and Chairman of the Company, is the beneficial owner of the entire issued share capital of Excel Time and is deemed to be interested in 810,000,000 Shares held by Excel Time.

(2) Ms. Ni, an executive Director, is the spouse of Mr. Wong Chit On and is deemed to be interested in the 810,000,000 Shares in which Mr. Wong Chit On is interested.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short positions in Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE CAPITAL

The following table is prepared on the basis that the Global Offering is effected. This table does not take into account any Shares which may be issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the Issuing Mandate and the Repurchase Mandate.

		HK$
Authorised share capital		
2,000,000,000	Shares	20,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:		
900,000,000	Shares in issue as of the date of this prospectus	9,000,000
300,000,000	Shares to be issued under the Global Offering	3,000,000
1,200,000,000		12,000,000

If the Over-allotment Option is exercised in full, the issued share capital of the Company immediately following the Global Offering will be as follows (assuming that no Shares have been issued upon exercise of options granted under the Share Option Schemes):

		HK$
Authorised share capital		
2,000,000,000	Shares	20,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:		
900,000,000	Shares in issue as of the date of this prospectus	9,000,000
345,000,000	Shares to be issued under the Global Offering	3,450,000
1,245,000,000		12,450,000

The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

Assumptions

The above tables assume that the Global Offering become unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

Pre-IPO Share Option Arrangement

After allotment and issuance of Shares to Jumbo, Pak Fu, Han Weining, John Edward Hunt and Zhao Xiaoyan, the pre-IPO share option arrangement was entirely completed and, no further option for the Shares will be granted under such an arrangement after Listing.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme on 22 March 2012. The principal terms of the Share Option Scheme are summarised in the paragraphs headed "Share Option Scheme" in Appendix V to this prospectus.

ISSUING MANDATE

The Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

— 20% of the total nominal amount of Shares in issue and to be issued (as set out in the above table but excluding Shares to be issued pursuant to the exercise of the Over-allotment Option or upon exercise of options under the Share Option Scheme), and

— the total amount of share capital of the Company repurchased by the Company (if any) pursuant to the Repurchase Mandate.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements or the exercise of the options granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

This mandate will expire:

— at the conclusion of the next annual general meeting of the Company; or

— the day by which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

— the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying the authority given to the Directors,

whichever is the earliest.

For further details of the Issuing Mandate, please refer to the section headed "Written resolutions of all Shareholders passed on 22 March 2012" in Appendix V to this prospectus.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company in issue and to be issued (as set out in the table above but excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon exercise of options under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the section headed "Repurchase by the Company of its own securities" in Appendix V to this prospectus.

This mandate will expire:

— at the conclusion of the next annual general meeting of the Company; or

— the day by which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

— the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying the authority given to the Directors,

whichever is the earliest.

For further information about the Repurchase Mandate, please refer to the section headed "Written resolutions of all Shareholders passed on 22 March 2012" in Appendix V to this prospectus.

You should read the following discussion and analysis of the results of operations and financial condition of the Group in conjunction with the Group's audited consolidated financial information as of and for each of the three years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, including the notes thereto, included in Appendix I to this prospectus. The Group's consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. The Group's future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under the section entitled "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

The Group is a provider of core components of specialised communication system. The Group has designed and developed its products relating to digital trunking and satellite communication systems through research and development and acquisition of relevant intellectual property rights and technology know-how from third parties. The Group provides specialised communication network design and implementation that can be customarily devised according to the specific needs of client. The Group also sells, licenses or is commissioned to research and develop systems technologies for the operation of the specialised communication system; and sells and/or sources other accessory parts and components. During the Track Record Period, the products of the Group are mainly utilized by end-users for public safety and emergency communication purposes. For example, users are able to remotely monitor and co-ordinate emergency rescue exercises or remotely monitor the operation of and location of vehicles through the use of the Group's products.

Products of the Group are mostly sold under the brand name of "SYNERTONE". The Group sells its products through three channels, namely (i) sale to system integrators; (ii) sales to distributors; and (iii) sale to its direct customers, who are mainly end-users. Majority of the Group's products were sold to system integrators and distributors with whom the Group has maintained approximately one to nine years and five years of business relationship, respectively.

Turnover of the Group in relation to its specialised communication business is derived from five main business segments: (i) digital trunking system; (ii) VSAT satellite system; (iii) operation integrated system; (iv) systems technologies; and (v) others accessory parts and components.

During the Track Record Period, the Group's turnover was approximately HK$161.6 million, HK$214.4 million, HK$218.8 million and HK$102.4 million, respectively, and the net profit attributable to owners of the Company was approximately HK$32.5 million, HK$68.1 million, HK$72.9 million and HK$19.5 million, respectively.

BASIS OF PREPARATION

The consolidated financial statements of the Group in the Accountants' Report as set out in Appendix I to this prospectus have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The financial information which is based on the audited consolidated financial statements of the Group includes consolidated statements of financial position of the Group, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group during the Track Record Period.

The principal operations of the Group are conducted in the PRC and Hong Kong. The Financial Information are presented in HK$, which is the functional currency of the Company, while the functional currency of the subsidiaries incorporated in the PRC is RMB. The Directors consider that presenting consolidated financial statements in HK$ is preferable in terms of controlling and monitoring the performance and financial position of the Group and in reporting to Excel Time whose functional currency is HK$.

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

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

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's business, financial position and results of operations are significantly affected by a number of factors, many of which may not be within the control of the Group. The following sets out the principal factors affecting the Group's results of operation.

Development of the market of specialised communication systems

According to the report provided by CCID, in the third quarter of 2011, approximately 82% of the specialised communication system in China was constructed on the basis of trunking communication system while 15% of which was constructed on the basis of satellite system. In the report provided by CCID, it is estimated that the digital trunking mobile communication system and the satellite system will remain the main forces in the specialised communication system in 2011 to

2013. Since the Group's development of CITONE trunking mobile communication system in 2003, its upgrade to CITONE digital trunking mobile communication system in 2005 and the development of WITONE digital trunking mobile communication system in 2008, the sales of digital trunking system remains one of the major contributors to the Group's turnover. The Group also developed and launched to the market the VSAT satellite system in 2007. During the Track Record Period, the turnover of the Group contributed by the sales of VSAT satellite systems amounted to approximately HK$48.0 million, HK$100.1 million, HK$38.3 million and HK$13.8 million, respectively, and accounted for approximately 29.7%, 46.7%, 17.5% and 13.5% of the total turnover. The market development of specialised communication system, particularly on digital trunking system and satellite system, may affect the sales of the Group, which in turn may affect the revenue and growth.

Reliance on major customers

During the Track Record Period, the five largest customers of the Group, in aggregate, accounted for approximately 85.8%, 86.4%, 82.4% and 96.5%, respectively, of the Group's total sales and the largest customers accounted for approximately 62.3%, 50.0%, 39.0% and 43.0%, respectively, of the Group's total sales. The ability to secure the same level of orders of the Group's products from the major customers in the future will directly affect the sales of the Group, which in turn may affect the Group's revenue and growth.

Cost of raw materials

The Group procures raw materials, parts and components required for its products from third parties in the PRC and overseas. These include electronic components, metal case for modules, electronic cables, packaging materials, vehicles for communication vehicles, PCB and other accessories such as antenna. The cost of raw materials, parts and components accounts for approximately 68.7%, 76.1%, 61.8% and 60.0% of the total cost of sales for the three years ended 31 March 2011 and the seven months ended 31 October 2011, respectively. The cost of raw materials is subject to fluctuation in markets. Changes in prices of raw materials may affect the result of operation of the Group.

Taxation

Two subsidiaries of the Company operating in the PRC are subject to the EIT on their taxable income in accordance with the relevant PRC tax laws and regulations. Synertone Soontend and Synertone Smartend, as foreign-invested enterprises engaging in the production of goods/services with an expected business life of over 10 years and operating in special economic development zone for encouraged business, were subject to 15% preferential EIT rate prior to the Enterprise Income Tax Law of the PRC, effective on 1 January 2008. They enjoyed full exemption from EIT for the year 2003 and year 2004 and half exemption from EIT for the year 2005 to year 2007, respectively.

Effective on 1 January 2008, the Enterprise Income Tax Law of the PRC introduces the unification of the EIT rate for domestic-invested and foreign-invested enterprises at 25% over a five-year transitional period, while "Advanced Technology Enterprises" are subject to 15% EIT rate. In this connection, before having been accredited as "Advanced Technology Enterprise" in the PRC on 6 September 2010, Synertone Soontend was taxable at EIT rates of 18% and 20% for the period from 1 January 2008 to 31 December 2008 and for the period from 1 January 2009 to 31 December 2009, respectively, and was taxable at preferential EIT rate of 15% for the period from 1 January 2010 to 31 October 2011. Synertone Smartend, having been accredited as "Advanced Technology Enterprise" in the PRC on 16 December 2008 and renewed on 31 October 2011, enjoyed a preferential EIT rate of 15% for the period from 1 January 2008 to 31 October 2011.

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC, Synertone Smartend and Synertone Soontend are required to pay VAT at a rate of 17%. As both Synertone Smartend and Synertone Soontend have registered their software with the relevant governmental departments, 14% of the VAT on the sales of the registered software would be refunded. Recognition of VAT refund was subject to the approval from the relevant PRC tax bureau for the sale of registered softwares proved with the official sales invoices. As the length of the approval process is uncertain, the Reporting Accountants is of the view that the VAT refund is recognised when the acknowledgement of refund from the PRC tax bureau has been received.

Any changes in the EIT rate and VAT rate applicable to the Group would have a significant impact on the financial condition and results of operation.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

The Group's financial statements have been prepared in accordance with the HKFRS. The accounting policies and accounting estimates and judgements are set out in notes 4 and 5 to the Accountants' Report contained in Appendix I to this prospectus. The following paragraphs discuss those accounting policies the Group believes that are the most critical in preparing the financial statements of the Group:

(a) **Accounting policies**

Property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment losses (please refer to the section headed "Impairment of other assets" below).

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

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

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

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

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

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

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

Intangible assets

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

Other intangible assets that are acquired by the Group are stated in the statements of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

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

Technical know-how for digital trunking system	3 - 5 years
Technical know-how for VSAT satellite system	5 years
Administrative system costs	5 years

Both the period and method of amortisation are reviewed annually.

Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

Impairment of assets

(i) Impairment of receivables

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— intangible assets; and

— investments in subsidiaries.

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

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

Interest-bearing borrowings

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

  — the same taxable entity; or

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

Revenue recognition

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

(i) Sale of goods

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

(ii) Contract revenue

When the outcome of a contract work in progress can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

When the outcome of a contract work in progress cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Interest income

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

(b) **Critical accounting judgements in applying the Group's accounting policies**

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

i) ***Taxation and deferred taxation***

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

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax in the periods in which such estimate is changed. In this regard, no deferred tax assets was recognised by the Group as at 31 March 2009, 2010 and 2011 and 31 October 2011, and the Group has recognised deferred tax liabilities of approximately HK$3.3 million, HK$3.0 million, HK$10.3 million and HK$6.2 million as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively.

ii) *Withholding taxes arising from the distributions of dividends*

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. As mentioned in the Accountants' Report in Appendix I to this prospectus, the Directors considered that the withholding taxes have been provided for approximately HK$2.8 million, HK$2.6 million, HK$10.0 million and HK$6.0 million as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively.

DIFFERENT YEAR-END DATES ADOPTED BY THE COMPANY AND ITS SUBSIDIARIES

The Company adopted 31 March as its year-end at its incorporation with a view to adopting its year-end in accordance with the year-end for filing tax return in Hong Kong. The PRC subsidiaries of the Company adopted 31 December as their year-end with a view to adopting its year-end in accordance with the year-end for filing tax return in the PRC. However, the adoption of year-end by the Company and its PRC subsidiaries for the Accountants Report in Appendix I to this prospectus was 31 March, in order to be consistent with the year-end of the Group.

RESULTS OF OPERATION

The following table presents a summary of the consolidated financial information of the Group for the Track Record Period which has been extracted from, and should be read in conjunction with, the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Turnover	161,558	214,447	218,824	116,197	102,371
Cost of sales	(61,352)	(87,450)	(75,743)	(35,620)	(42,044)
Gross profit	100,206	126,997	143,081	80,577	60,327
Other revenue	679	4,916	15,185	13,255	2,507
Selling and distribution expenses	(10,306)	(8,121)	(14,583)	(6,919)	(6,735)
Administrative expenses	(34,748)	(26,200)	(26,783)	(13,950)	(15,790)
Research and development expenditure	(9,940)	(10,748)	(17,392)	(9,944)	(9,268)
Profit from operations	45,891	86,844	99,508	63,019	31,041
Finance costs	(437)	(819)	(1,378)	(865)	(966)
Profit before taxation	45,454	86,025	98,130	62,154	30,075
Income tax	(12,945)	(17,882)	(25,277)	(13,417)	(10,603)
Profit for the year/period	32,509	68,143	72,853	48,737	19,472
Attributable to:					
Owners of the Company	32,509	68,143	72,853	48,737	19,472
Non-controlling interests	—	—	—	—	—
	32,509	68,143	72,853	48,737	19,472

ANALYSIS OF MAJOR COMPONENTS OF THE INCOME STATEMENTS

Turnover

Turnover represents the sales value of goods supplied to customers and contract revenue which excludes value-added and business taxes, and is after deduction of any goods returns and trade discounts. There were five business segments during the Track Record Period, namely digital trunking system, VSAT satellite system, operation integrated system, systems technologies, and other accessory parts and components. Over the Track Record Period, the digital trunking system have been contributing an increasing percentage to the Group's turnover. The following table sets forth the breakdown of the revenue by products during the Track Record Period.

	Year ended 31 March						Seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*
							(Unaudited)			
Digital trunking system	94,907	58.7	104,654	48.8	174,503	79.7	92,236	79.4	87,575	85.5
VSAT satellite system	48,008	29.7	100,139	46.7	38,329	17.5	18,174	15.6	13,796	13.5
Operation integrated system	9,977	6.2	1,933	0.9	—	—	—	—	—	—
Systems technologies	8,646	5.4	7,346	3.4	5,818	2.7	5,750	4.9	—	—
Other accessory parts and components	20	—	375	0.2	174	0.1	37	0.1	1,000	1.0
	161,558	100.0	214,447	100.0	218,824	100.0	116,197	100.0	102,371	100.0

The Group's turnover has been growing for the three years ended 31 March 2011, from approximately HK$161.6 million in 2009 to approximately HK$214.4 million in 2010 and further increased to approximately HK$218.8 million in 2011, representing an increase of approximately 32.7% from 2009 to 2010 and approximately 2.0% from 2010 to 2011. The increase in the Group's turnover for the year ended 31 March 2010 was mainly driven by the growth in the orders of the Group in particular orders for core components of the VSAT satellite system by system integrators and the distributors. The Group's turnover increased slightly for the year ended 31 March 2011, primarily due to increase in sales of digital trunking system as a result of increased orders from system integrators and distributors due to system upgrade demand from their respective end-customers, which was substantially offset by the decrease in sales of VSAT satellite system. The turnover decreased from approximately HK$116.2 million to HK$102.4 million from the seven months ended 31 October 2010 to the seven months ended 31 October 2011, representing a decrease of approximately 11.9%. The drop in turnover is mainly attributable to the decrease in sales of core components for the digital trunking system and VSAT satellite system, and systems technologies.

Core components for the digital trunking system has been the major product of the Group, the sales of which contributed to approximately 58.7%, 48.8%, 79.7% and 85.5% respectively of the Group's turnover for the Track Record Period.

The sales of core components for the VSAT satellite system, during the Track Record Period, have accounted for approximately 29.7%, 46.7%, 17.5% and 13.5% of the turnover of the Group respectively.

The sales of operation integrated system accounted for approximately 6.2%, 0.9%, nil and nil of the total turnover of the Group, respectively, for the Track Record Period. The Group's customers also paid the licensing fees for the use of certain technical know-how and technology on a non-exclusive basis. The licensing fee from the Group's customer is one off payment. The licensing fee received from the use of systems technologies accounted for approximately 5.4%, 3.4%, 2.7% and nil of the total turnover of the Group for the Track Record Period.

Sales of other accessory parts and components accounted for approximately nil, 0.2%, 0.1% and 1.0% of the total turnover of the Group for the Track Record Period.

The table below shows the breakdown of turnover contributed by the types of sales channels adopted by the Group during the Track Record Period:-

	For the year ended 31 March						For the Seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*	*HK$'000*	*Approximate % of total turnover*
							(Unaudited)			
Sales to system integrators	118,861	73.6	175,194	81.7	141,720	64.8	79,030	68.0	63,066	61.6
Sales to distributors	20,230	12.5	19,339	9.0	16,000	7.3	1,250	1.1	6,432	6.3
Direct sales	22,467	13.9	19,914	9.3	61,104	27.9	35,917	30.9	32,873	32.1
Total	161,558	100.0	214,447	100.0	218,824	100.0	116,197	100.0	102,371	100.0

During the Track Record Period, the turnover generated by sales to system integrators amounted to approximately HK$118.9 million, HK$175.2 million, HK$141.7 million and HK$63.1 million, respectively, representing approximately 73.6%, 81.7%, 64.8% and 61.6% of the total turnover of the Group.

During the Track Record Period, the turnover generated by sales to distributors amounted to approximately HK$20.2 million, HK$19.3 million, HK$16.0 million and HK$0.64 million, respectively, representing approximately 12.5%, 9.0%, 7.3% and 6.3% of the total turnover of the Group.

During the Track Record Period, the turnover generated by direct sales amounted to approximately HK$22.5 million, HK$19.9 million, HK$61.1 million and HK$32.9 million, respectively, representing approximately 13.9%, 9.3%, 27.9% and 32.1% of the total turnover of the Group. The decrease in sales to system integrators and distributors for the year ended 31 March 2011 was due to the combined effect of the increase in sales to direct customers of the Group and the decrease in sales of core components for the VSAT satellite system. The substantial increase in the direct sales for the year ended 31 March 2011 was mainly as a result of a sales contract with a new direct customer for CITONE digital trunking mobile communication system in the amount of approximately HK$41.9 million.

According to the Accountants' Report in Appendix I to this prospectus, there is a drop in profit of the segment VSAT satellite system from approximately HK$29.2 million for the year ended 31 March 2010 to approximately HK$1.2 million for the year ended 31 March 2011 and a segment loss of approximately HK$13.2 million for the seven months ended 31 October 2011. The segment results shown in Appendix I represented the profit before interest and tax of reportable segments of the Group. The drop in segment profit for the year ended 31 March 2011 was mainly attributable to the decreasing gross profit of the segment VSAT satellite system for the year ended 31 March 2011 resulting from the decrease in sales volume of VSAT satellite system. The segment loss for the seven months ended 31 October 2011 was mainly attributable to the decreasing gross profit of the segment VSAT satellite system for the seven months ended 31 October 2011 resulting from the decrease in sales volume of core components for the VSAT satellite system and the increase in the selling and distribution expenses and administrative expenses allocated to the segment.

Cost of sales

The Group's cost of sales includes raw materials, labour costs, manufacturing overheads and amortisation of intangible assets. During the Track Record Period, the Group's cost of sales amounted to approximately HK$61.4 million, HK$87.5 million, HK$75.7 million and HK$42.0 million respectively, representing approximately 38.0%, 40.8%, 34.6% and 41.1% of the Group's turnover, respectively.

The following table sets forth the breakdown of the cost of sales for the Track Record Period:

	Year ended 31 March						Seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*Approximate % of total cost of sales*	*HK$'000*	*Approximate % of total cost of sales*	*HK$'000*	*Approximate % of total cost of sales*	*HK$'000*	*Approximate % of total cost of sales*	*HK$'000*	*Approximate % of total cost of sales*
							(Unaudited)			
Raw materials	42,160	68.7	66,554	76.1	46,808	61.8	19,141	53.7	25,242	60.0
Direct labour	8,614	14.0	9,453	10.8	17,794	23.5	8,270	23.2	11,045	26.3
Manufacturing overheads	3,875	6.3	5,065	5.8	5,733	7.6	4,792	13.5	3,227	7.7
Amortisation of intangible assets	6,703	11.0	6,378	7.3	5,408	7.1	3,417	9.6	2,530	6.0
Total	61,352	100.0	87,450	100.0	75,743	100.0	35,620	100.0	42,044	100.0

The major component in costs of sales was principally, the amount incurred for the purchase of raw materials including electronic components, metal case for modules, electronic cables, packaging materials, vehicles for communication vehicles, PCB and other accessories such as antenna. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the costs of raw materials accounted for approximately 68.7%, 76.1%, 61.8% and 60.0%, respectively, of the total cost of sales for the same periods.

The Group's direct labour cost has been increasing for the three years ended 31 March 2011, from approximately HK$8.6 million in 2009 to approximately HK$9.5 million in 2010 and further increased to approximately HK$17.8 million in 2011, representing an increase of approximately 9.7% from 2009 to 2010 and approximately 88.2% from 2010 to 2011. The direct labour cost increased from approximately HK$8.3 million to approximately HK$11.0 million from the seven months ended 31 October 2010 to the seven months ended 31 October 2011, representing an increase of approximately 33.6%. The increase was mainly attributable to (i) the increase in the number of staff for the manufacturing of the Group's products, mainly core components for the digital trunking system, from 109 to 118 from 2009 to 2010 and a further increase to 177 in 2011; and (ii) the increase in the salary range of such staff of approximately 2% in general from 2009 to 2010 and approximately 7% in general from 2010 to 2011.

The cost of raw materials as a percentage to the cost of sales decreased from 76.1% to 61.8% for the years ended 31 March 2010 and 2011 as a result of the decrease in sales of core components for the VSAT satellite system, the cost of raw materials of which is higher, compared to other product category of the Group. The cost of raw materials as a percentage to the cost of sales increased from 53.7% to 60.0% for the seven months ended 31 October 2010 and 2011 due to the sales of core components for the digital trunking system for the seven months ended 31 October 2011 including core components for the CITONE digital trunking mobile communication system which was of lower profit margin but no core components for the DITONE digital trunking mobile communication system was sold in such period.

As the Group sells a range of products under the categories of digital trunking system, VSAT satellite system and operation integrated system, variation in sales of different products led to fluctuation in composite average unit cost of raw materials.

The following table sets forth the average unit cost of raw materials for modules comprising the core components of the digital trunking system and VSAT satellite system offered by the Group during the Track Record Period:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Digital trunking system[(1)]	319	380	396	345	329
VSAT satellite system					
VSAT low speed transmission system[(2)]	498	513	—	—	—
VSAT high speed dynamic digital satellite system[(3)]	568,083	546,102	561,618	567,317	495,000

Notes:

(1) The digital trunking system refers to the modules comprising the core components of the digital trunking system.

(2) VSAT low speed transmission system refers to the modules comprising the core components for the VSAT low speed satellite transmission system. The average unit cost of raw materials for VSAT satellite system does not include other types of VSAT satellite system which mainly comprise of core components procured from the Group's suppliers.

(3) The VSAT high speed dynamic digital satellite system refers to the core components of such system, including the satellite antenna and/or block up-converter.

Digital trunking system: The average unit cost of materials for modules comprising the core components of digital trunking system has increased from approximately HK$319 for the year ended 31 March 2009 to approximately HK$380 for the year ended 31 March 2010 mainly due to the increase in sales of core components for the digital trunking system comprising, which are of higher cost and the commencement of sales of core components for the DITONE digital trunking mobile communication system, which are of higher cost. The average unit cost of materials for modules comprising the core components of digital trunking system has increased from approximately HK$380 for the year ended 31 March 2010 to approximately HK$396 for the year ended 31 March 2011 due to different product mix comprising of different combinations of core components. The average unit cost of materials for modules comprising core components for the digital trunking system decreased from approximately HK$345 for the seven months ended 31 October 2010 to approximately HK$329 for the seven months ended 31 October 2011 as sales recorded for the seven months ended 31 October 2011 were mainly on core components for the CITONE digital trunking mobile communication system, which comprised of larger quantity of modules at lower purchase price per component, as compared to the sales in the seven months ended 31 October 2010 which mainly are core components for the DITONE digital trunking mobile communication system, comprising of smaller quantity of modules at higher purchase price per component.

VSAT satellite system: The average unit cost of materials for both core components for VSAT low speed transmission system and VSAT high speed dynamic digital satellite system are relatively stable for the years ended 31 March 2009 to 2011 as a result of the control of production cost for core components for the VSAT low speed transmission system by the Group and the stable business relationship between the Group and the suppliers for the core components of VSAT high speed dynamic digital satellite system, such as the US Satellite Antenna Supplier. The slight fluctuation was due to the use of different core components in different models of VSAT satellite system sold during the Track Record Period and currency conversion. For the year ended 31 March 2011, no sales of core components for the VSAT low speed transmission system was recorded. The average unit cost of VSAT satellite system decreased from approximately HK$567,317 for the seven months ended 31 October 2010 to approximately HK$495,000 for the seven months ended 31 October 2011 as a result of the launch of VSAT high speed dynamic digital satellite system in June 2011 installed with another model of satellite antenna procured from Israel Satellite Antenna Provider which was of lower procurement cost.

Direct labour costs primarily consist of expenses related to wages and benefits. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, direct labour accounted for approximately 14.0%, 10.8%, 23.5% and 26.3%, respectively, of the total cost of sales for the same periods.

Manufacturing overhead costs primarily consist of depreciation of equipment and fixed manufacturing costs, including utilities and maintenance costs. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, manufacturing overhead costs accounted for approximately 6.3%, 5.8%, 7.6% and 7.7%, respectively, of the total cost of sales for the same periods.

Amortisation of intangible assets primarily consist of amortization of technologies for digital trunking system and VSAT satellite system which are either purchased from the research companies or jointly developed with various industry or academic institutions such as universities, colleges and other industry players such as the Israel Satellite Antenna Provider. For the three years ended 31 March 2011 and the seven months ended 31 October 2011, amortisation of intangible assets accounted for approximately 11.0%, 7.3%, 7.1% and 6.0%, respectively, of the total cost of sales for the same periods.

Gross profit and gross profit margin

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the gross profit of the Group was approximately HK$100.2 million, HK$127.0 million, HK$143.1 million and HK$60.3 million. The gross profit margin, which is equal to gross profit divided by turnover, was 62.0%, 59.2%, 65.4% and 58.9%, respectively, for the same periods.

The following table sets forth the turnover, cost of sales, gross profit as well as the percentage of the total turnover during the Track Record Period:

	Year ended 31 March						Seven months ended 31 October			
	2009		2010		2011		2010		2011	
	HK$'000	*% of total turnover*	*HK$'000*	*% of total turnover*	*HK$'000*	*% of total turnover*	*HK$'000*	*% of total turnover*	*HK$'000*	*% of total turnover*
		(%)		*(%)*		*(%)*		*(%)*		*(%)*
							(Unaudited)			
Turnover	161,558	100.0	214,447	100.0	218,824	100.0	116,197	100.0	102,371	100.0
Cost of sales	(61,352)	38.0	(87,450)	40.8	(75,743)	34.6	(35,620)	30.7	(42,044)	41.1
Gross profit	100,206	62.0	126,997	59.2	143,081	65.4	80,577	69.3	60,327	58.9

The following table sets forth the business segment gross profit margin and overall gross profit margin during the Track Record Period:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
				(Unaudited)	
Digital trunking system	68.7	67.0	71.8	75.8	64.0
VSAT satellite system	49.9	50.4	33.4	31.4	24.1
Operation integrated system	42.7	35.0	N/A	N/A	N/A
Systems technologies[(1)]	N/A	N/A	N/A	N/A	N/A
Other accessory parts and components[(2)]	N/A	N/A	N/A	N/A	N/A
Overall	62.0	59.2	65.4	69.3	58.9

Note:

(1) Cost of sales for the systems technologies mainly represented the research and development costs incurred and recognised during the Track Record Period, and was mainly allocated to the research and development costs, thus no gross profit margin was determined.

(2) Turnover generated from other accessory parts and components represented less than 1% of the total turnover of the Group and trading of these products contributed immaterial gross profit to the Group. Thus, gross profit margin was considered immaterial.

The overall gross profit margin decreased from approximately 62.0% for the year ended 31 March 2009 to approximately 59.2% for the year ended 31 March 2010 mainly due to increase in sales of core components for the VSAT satellite system which has a lower gross profit margin. The increase of the overall gross profit margin to approximately 65.4% for the year ended 31 March 2011 is mainly due to the increase in gross profit margin of core components for the digital trunking system, even though and also the decrease in sales of the VSAT satellite system which has a lower profit margin than digital trunking system. The overall gross profit margin decreased from approximately 69.3% for the seven months ended 31 October 2010 to approximately 58.9% for the seven months ended 31 October 2011, mainly attributable to the decrease in the gross profit margin of both core components for the digital trunking system and the VSAT satellite system as explained above.

Digital trunking system: The gross profit margin for the digital trunking system has slightly decreased from approximately 68.7% for the year ended 31 March 2009 to approximately 67.0% for the year ended 31 March 2010 due to the slight increase in costs for raw materials and labour, and slightly increased to approximately 71.8% for the year ended 31 March 2011 mainly due to (i) increase in selling price of the core components for the digital trunking system products, (ii) the commencement of sales of the core components for the DITONE digital trunking mobile communication system which has a higher profit margin and (iii) the economies of scale enjoyed by the Group for the sales of the core components for the digital trunking system in 2011. The gross profit margin for the digital trunking system decreased from approximately 75.8% for the seven months ended 31 October 2010 to approximately 64.0% for the seven months ended 31 October 2011 as no sales of the core components for the DITONE digital trunking mobile communication system was recorded in the seven months ended 31 October 2011.

VSAT satellite system: The gross profit margin for the VSAT satellite system remained constant at approximately 49.9% for the year ended 31 March 2009 and approximately 50.4% for the year ended 31 March 2010 and decreased to approximately 33.4% for the year ended 31 March 2011 due to no sales in 2011 for the core components for the VSAT low speed satellite transmission system which has a higher profit margin and all of the sales was from the core components for the VSAT high speed dynamic digital satellite system which has a lower profit margin. The gross profit margin for the VSAT satellite system decreased to approximately 24.1% for the seven months ended 31 October 2011 mainly due to lowering of selling price as a result of competition in the satellite market.

Operation integrated system: The Group commenced the sales of the operation integrated system in 2009. The gross profit margin of the operation integrated system has decreased from approximately 42.7% for the year ended 31 March 2009 to approximately 35.0% for the year ended 31 March 2010 mainly due to the increase in vehicle installation costs involved. There was no sales of operation integrated system for the year ended 31 March 2011 and the seven months ended 31 October 2011.

Other revenue

Other revenue primarily includes bank interest income, government grant, gain on disposal of a subsidiary, business and value-added taxes refund and sundry income.

Set out below is the breakdown of other revenue for the Track Record Period:

	For the year ended 31 March			For the seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income	33	9	97	3	85
Government grant	120	327	219	—	611
Gain on disposal of a subsidiary	10	—	—	—	—
Business and value-added taxes refund	339	3,967	14,743	13,128	1,745
Sundry income	177	613	126	124	66
	679	4,916	15,185	13,255	2,507

The Group received unconditional PRC government grants as a financial support to the business of specialised communication system in which the Group is operating. Business and value-added taxes refund mainly represented the business tax refunded for the sales of technology and the value-added tax refunded from the PRC government authorities for the sale of registered software, respectively. The business tax refunded for the sales of technologies amounted to approximately HK$0.2 million, HK$0.5 million, nil and nil for the three years ended 31 March 2011 and the seven months ended 31 October 2011, respectively. The value-added tax refund were approximately nil, HK$3.4 million, HK$14.7 million, HK$1.7 million for the three years ended 31 March 2011 and the seven months ended 31 October 2011. The decrease in the value-added tax refund for the seven months ended 31 October 2011 as compared to the seven months ended 31 October 2010 was due to the delay in tax refund approval granted by the PRC governmental authority.

Other revenue as a percentage of turnover was approximately 0.4%, 2.3%, 6.9% and 2.4% for the three years ended 31 March 2011 and the seven months ended 31 October 2011.

Selling and distribution expenses

The Group's selling and distribution expenses primarily consist of entertainment expenses staff costs for marketing and sales staff, travelling and promotion on expenses, transportation and insurances expenses, costs for after sales services, expenses for installation, repair and maintenance.

The following table sets forth the breakdown of selling and distribution expenses during the Track Record Period:

	Year ended 31 March			Seven months ended 31 October	
	2009	2010	2011	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Entertainment expense	3,362	1,224	951	1,093	884
Staff costs	2,494	2,292	4,364	2,268	2,772
Travelling and promotional expenses	2,657	2,623	4,735	1,136	2,032
Transportation and insurance expenses	1,233	972	590	272	324
Costs for after sales services	30	493	779	640	66
Installation, repair and maintenance	166	7	2,196	1,143	14
Other	364	510	968	367	643
Total	10,306	8,121	14,583	6,919	6,735

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the selling and distribution expenses amounted to approximately 6.4%, 3.8%, 6.7% and 6.6% of the total turnover of the Group, respectively.

Administrative expenses

The Group's administrative expenses primarily consist of staff and welfare expenses, exchange loss/gain, travelling and transportation expenses, consultancy fees, rental and management fee, office expenses (including office supplies, depreciation of electronic devices and softwares), director's remuneration and other miscellaneous expenses.

The consultancy fees incurred in the Track Record Period were expenses incurred by the Group's listing plan in relation to professional services including audit, legal, valuation, financial advisory.

For the three years ended 31 March 2011 and the seven months ended 31 October 2011, the administrative expenses represented approximately 21.5%, 12.2%, 12.2% and 15.4% of the Group's total turnover, respectively.

The following table sets forth the breakdown of administrative expenses during the Track Record Period:

	Year ended 31 March			Seven months ended 31 October	
	2009	2010	2011	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Director remuneration	2,874	3,024	4,088	2,164	2,588
Exchange loss/(gain)	708	(54)	(687)	(673)	(429)
Rental and management expenses	2,506	2,207	2,823	1,552	1,376
Staff costs	18,350	11,871	8,732	5,000	5,552
Office supplies	3,625	2,644	4,742	3,021	3,582
Travelling and transportation expenses	2,022	2,435	2,614	1,870	1,255
Consultancy fees	3,588	2,874	3,478	425	1,090
Other administrative expenses	1,075	1,199	993	591	776
Total	34,748	26,200	26,783	13,950	15,790

Research and development expenditure

Research and development expenditure mainly consists of staff costs, material costs, rental and management fee, office supplies, development, testing and technical expenses, travelling expenses and other expenses. The research and development expenditure as a percentage of turnover was approximately 6.2%, 5.0%, 7.9% and 9.1% for the three years ended 31 March 2011 and the seven months ended 31 October 2011.

No research and development costs had been capitalized during the Track Record Period as such expenditures incurred did not qualify for capitalisation as intangible assets mainly because (i) a portion of such cost was expensed off as it was incurred in the formulation and design for improvement on the existing products of the Group, including core components for the CITONE and WITONE digital trunking mobile communication systems; and (ii) another portion of such cost was expenditures for developing DITONE digital trunking mobile communication system and the self-developed satellite antenna, which were in the development stage, pending collection of feedbacks from users for further enhancing functionalities, and required further research and development activities to be carried out before they can become recognized products for market establishment. The Group intends to capitalize the related development costs of the DITONE digital trunking mobile communication system and the Group's self-developed satellite antenna when the criteria under the relevant accounting standards are met.

The following table sets forth the breakdown of the research and development expenditure during the Track Record Period:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Staff costs	7,190	7,692	13,809	7,457	6,782
Materials costs	975	1,322	893	514	847
Rental and management fee	526	285	555	499	531
Office supplies	449	284	765	512	551
Development, testing and technical expenses	221	493	86	344	106
Traveling expenses	559	417	861	582	450
Other research and development expenditure expenses	20	255	423	36	1
	9,940	10,748	17,392	9,944	9,268

Finance Costs

Finance costs primarily consist of interest expenses on bank borrowings wholly repayable within five years and other borrowing costs. The finance costs as a percentage of turnover were approximately 0.3%, 0.4%, 0.6% and 0.9% for the three years ended 31 March 2011 and the seven months ended 31 October 2011, respectively.

Income tax expense

Income tax expense consists of provision of Hong Kong Profits Tax, the amount of EIT paid by the Group, deferred tax provision in respect of (i) intangible assets recognized by the Group and (ii) withholding tax on the PRC subsidiaries' undistributed profits. The Group was not subject to any income tax in the Cayman Islands and the BVI during the Track Record Period.

During the three years ended 31 March 2011 and the seven months ended 31 October 2011, income tax expenses of the Group was approximately HK$12.9 million, HK$17.9 million, HK$25.3 million and HK$10.6 million, respectively. As a result, the effective tax rates of the Group during the Track Record Period were approximately 28.5%, 20.8%, 25.8% and 35.3%, respectively. The effective tax rate is calculated based on the income tax expense divided by the profit before taxation at the end of the year/period. Although the income tax rate of the Group remain unchanged for the seven months ended 31 October 2011, the effective tax rate of the Group for the seven months ended 31 October

2011 increased significantly mainly due to (i) the increase in unused tax losses not recognsied in Synertone Soontend for the seven months ended 31 October 2011 and (ii) the decrease in non-taxable income as a result of the unrecognised tax benefit relating to research and development expenses during the period.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong Profits Tax has been provided for in the Financial Information at the rate of 17.5% on the estimated assessable profit for the years ended 31 March 2008 and decreased to 16.5% for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011.

Prior to 1 January 2008, PRC entities are generally subject to PRC EIT at 33%, consisting of 30% state tax and 3% local tax, Synertone Smartend and Synertone Soontend, being the foreign invested enterprise, were entitled to a preferential income tax rate of 15% and were granted a full exemption from income tax for two years from 1 January 2003 to 31 December 2004 followed by a 50% exemption from income tax rate for three years from 1 January 2005 to 31 December 2007 (i.e. income tax rate of 7.5%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which was effective on 1 January 2008. As a result of the New Tax Law, the then existing preferential tax rate enjoyed by Synertone Smartend and Synertone Soontend was gradually transited to the new standard rate of 25% over a five-year transitional period. Synertone Soontend was taxable at the transitional preferential tax rates of 18% and 20% for the period from 1 January 2008 to 31 December 2008 and for the period from 1 January 2009 to 31 December 2009 respectively. During the period from 1 January 2010 to 31 March 2011, Synertone Soontend enjoyed the preferential tax rate of 15% as Synertone Soontend was accredited as "Advanced Technology Enterprise". Having been accredited as "Advanced Technology Enterprise" on 16 December 2008, Synertone Smartend fully enjoyed the preferential tax rate of 15% for the period from 1 January 2008 to 31 December 2010. The "Advanced Technology Enterprise" certificate of Synertone Smartend has been renewed on 31 October 2011 and, therefore, Synertone Smartend was taxable at the preferential tax rate of 15% for the period from 1 January 2011 to 31 October 2011. Synertone Smartend and Synertone Soontend will continue to be taxable at the preferential tax rate of 15% for the year ending 31 March 2012.

The withholding tax was incurred based on the PRC subsidiaries' and due to the fact that PRC subsidiaries paid 10% withholding tax for the distribution of dividend. During the three years ended 31 March 2011 and the seven months ended 31 October 2011, a deferred withholding tax based on the PRC subsidiaries' annual profits of approximately HK$2.8 million, credited approximately HK$0.1 million, HK$7.4 million and HK$4.0 million was recorded during the respective periods and withholding tax of approximately nil, HK$5.2 million, HK$1.7 million and HK$7.8 million was incurred due to the distribution of dividend by the PRC subsidiaries in 29 March 2010, 5 January 2011 and 6 July 2011.

YEAR TO YEAR COMPARISON OF OPERATING RESULTS

The year ended 31 March 2010 compared to the year ended 31 March 2009

Turnover

For the year ended 31 March 2010, the Group's turnover was approximately HK$214.4 million, primarily comprising turnover generated from the sales of core components for the digital trunking system and VSAT satellite system, operation integrated system, systems technologies and other accessory parts and components of approximately HK$104.7 million, HK$100.1 million, HK$1.9 million, HK$7.3 million and HK$0.4 million respectively. The Group's turnover was increased by approximately 32.7% when compared to the year ended 31 March 2009. The increase was mainly driven by the increase in the purchase orders of the Group from system integrators for core components for the VSAT satellite system for their end customers.

Digital trunking system: The turnover generated from the sales of core components for digital trunking system increased from approximately HK$94.9 million to approximately HK$104.7 million, representing a growth of approximately 10.3%, primarily as a combined result of (i) the increase in sales to existing customers for system upgrade and to new system integrators; and (ii) the launch of the DITONE digital trunking mobile communication system to the market.

VSAT satellite system: Sales of core components for VSAT satellite system increased significantly by approximately 108.6% from approximately HK$48.0 million for the year ended 31 March 2009 to approximately HK$100.1 million for the year ended 31 March 2010, primarily as a result of increasing market recognition of the VSAT satellite system, in particular the VSAT high speed dynamic digital satellite system, which accounted for approximately 75.3% of the sales of core components for VSAT satellite system.

Operation integrated system: The sales decreased by approximately 80.6% from approximately HK$10.0 million for the year ended 31 March 2009 to approximately HK$1.9 million for the year ended 31 March 2010, primarily as a result of change in sales strategy to sale of components for refitting vehicles including trunking radio and shortwave systems, wireline telephone systems, satellite antenna and power system in the year ended 31 March 2009 to the sales of core components for digital trunking system and VSAT satellite system in the year ended 31 March 2010.

Systems technologies: The sales of systems technologies decreased by approximately 15.0% from approximately HK$8.6 million for the year ended 31 March 2009 to approximately HK$7.3 million for the year ended 31 March 2010, primarily as a result of four technologies being licensed to the Group's customers in the year ended 31 March 2009 compared to three technologies in the year ended 31 March 2010.

Other accessory parts and components: The sales of other accessory parts and components is immaterial to the Group's operation.

Cost of sales

The Group's cost of sales increased by approximately 42.5% from approximately HK$61.4 million for the year ended 31 March 2009 to approximately HK$87.5 million for the year ended 31 March 2010. As a percentage of sales, the costs of sales increased from approximately 38.0% for the year ended 31 March 2009 to approximately 40.8% for the year ended 31 March 2010. The increase in the costs of sales and its percentage to sales was mainly attributable to the combined effect of (i) the increase in the cost of raw materials from approximately HK$42.2 million in the year ended 31 March 2009 to approximately HK$66.6 million in the year ended 31 March 2010 due to the increase in purchase of core components for the VSAT satellite system in particular the satellite antenna for the VSAT high speed dynamic satellite system; and (ii) the increase in labour cost and manufacturing overheads for the enlarged operation scale of the Group.

Gross profit

The gross profit for the year ended 31 March 2010 was approximately HK$127.0 million, representing an increase of approximately 26.7% when compared to approximately HK$100.2 million for the year ended 31 March 2009. However, the gross profit margin had decreased from approximately 62.0% for the year ended 31 March 2009 to approximately 59.2% for the year ended 31 March 2010. The drop in gross profit margin was mainly due to increase in sales of core components for the VSAT satellite system which bears lower gross profit margin.

Digital trunking system: The gross profit margin for core components for the digital trunking system has slightly decreased from approximately 68.7% for the year ended 31 March 2009 to approximately 67.0% for the year ended 31 March 2010. The decrease in the gross profit margin was mainly due to the slight increase in the costs for raw materials and labour as compared to the year ended 31 March 2009.

VSAT satellite system: The gross profit margin for core components for the VSAT satellite system was approximately 49.9% for the year ended 31 March 2009 and approximately 50.4% for the year ended 31 March 2010. The gross profit margin remained stable as the sales volume and selling price of the VSAT satellite system were relatively constant between 2009 and 2010.

Operation integrated system: The gross profit margin for the operation integrated system has decreased from approximately 42.7% for the year ended 31 March 2009 to approximately 35.0% for the year ended 31 March 2010 mainly due to the increase in vehicle installation costs involved.

Other revenue

For the year ended 31 March 2010, other revenue amounted to approximately HK$4.9 million, which primarily consisted of (i) approximately HK$0.3 million of the government grant, (ii) approximately HK$4.0 million of business and value-added taxes refund, among which the value-added tax refund was approximately HK$3.4 million and the business tax refund was approximately HK$0.6 million and (iii) approximately HK$0.6 million of other revenue.

It represents a significant increase of approximately 624.0% when compared to the year ended 31 March 2009. The increase was mainly attributable to an increase in government grants recognized, a significant increase in value-added tax refund of approximately HK$3.4 million as the Group obtained 54 softwares registered with the Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC in 2010 and claimed VAT refund for the sales, whereas only two softwares were registered in 2009. The business tax refund of approximately HK$0.54 million arose from the licensing fee received from the sales of technologies for which the concession approval had been received. The other tax refund mainly represented the refund of reinvestment tax of approximately HK$0.44 million for the injection by Synertone Wireless of the dividend received from Synertone Smartend as registered capital.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately HK$8.1 million for the year ended 31 March 2010, representing a decrease of approximately 21.2% as compared to the year ended 31 March 2009. The selling and distribution expenses as compared to the turnover of the Group has decreased from approximately 6.4% in 2009 to approximately 3.8% in 2010. The staff costs remain relatively constant and they were approximately HK$2.5 million and HK$2.3 million for the years ended 31 March 2009 and 31 March 2010 respectively. There was no material fluctuation for transportation and insurance expenses and they were approximately HK$1.2 million and HK$1.0 million respectively as the Group focused on the sales within the PRC.

Administrative expenses

The administrative expenses amounted to approximately HK$26.2 million, representing approximately 12.2% of the Group's turnover for the year ended 31 March 2010. The administrative expenses have decreased by approximately 24.6% when compared to the year ended 31 March 2009. The decrease was mainly due to the decrease in staff cost for HK$6.5 million as a result of the corporate structure rearrangement and combination of the manpower which involved reduction of the managerial and administrative staff of Synertone Smartend and Synertone Soontend from 107 to 49 and reclassification and streamlining of staff of Synertone Wireless and SCL from 34 to 13 during the year ended 31 March 2010.

Research and development expenditure

The research and development cost was approximately HK$9.9 million for the year ended 31 March 2009 and approximately HK$10.7 million for the year ended 31 March 2010, representing an increase of approximately 8.1%. The increase was mainly attributable to (i) the increase in costs of materials used in research and development from approximately HK$1.0 million to HK$1.3 million; and (ii) the increase of staff costs from approximately HK$7.2 million to HK$7.7 million.

Finance costs

The finance costs, amounted to approximately HK$0.8 million, which mainly comprised of interest expenses on bank loan. The increase in the interest expense on bank loan was mainly due to the increase in bank overdrafts and bank borrowings to approximately HK$21.3 million as at 31 March 2010.

Income tax expenses

Income tax expenses increased by approximately 38.1% from approximately HK$12.9 million for the year ended 31 March 2009 to approximately HK$17.9 million for the year ended 31 March 2010. The effective tax rate was approximately 28.5% and 20.8% for the year ended 31 March 2009 and 2010 respectively. The increase in the income tax expenses was the combined result of (i) the increase in the Hong Kong Profits Tax from approximately HK$2.7 million for the year ended 31 March 2009 to approximately HK$4.6 million for the year ended 31 March 2010 mainly due to further expansion in the VSAT satellite system business; (ii) the increase in the PRC EIT from approximately HK$7.0 million for the year ended 31 March 2009 to approximately HK$13.5 million (including the withholding tax incurred of approximately HK$5.2 million) for the year ended 31 March 2010 mainly due to the increase in the operation scale of Synertone Smartend and Synertone Soontend; (iii) the decrease in the deferred tax liabilities of withholding income tax dividend to be paid out of earnings not yet distributed by the Company's PRC subsidiaries, from approximately HK$2.8 million charged for the year ended 31 March 2009 to approximately HK$0.1 million credited for the year ended 31 March 2010.

Profit for the year attributable to owners of the Company

The Group achieved a profit for the year attributable to owners of the Company of approximately HK$68.1 million for the year ended 31 March 2010, representing a net profit margin of approximately 31.8%. The net profit margin for the year ended 31 March 2009 was approximately 20.1%. There had been an increase of approximately 11.7% in net profit margin when compared to that in year 2009 mainly due to the factors described above.

The year ended 31 March 2011 compared to the year ended 31 March 2010

Turnover

The Group's turnover increased slightly by approximately 2.0% from approximately HK$214.4 million for the year ended 31 March 2010 to approximately HK$218.8 million for the year ended 31 March 2011, primarily due to the increase in sales volume as a result of increase in sales of core components for the digital trunking system as a result of increased orders from system integrators and distributors due to system upgrade demand from their respective customers, which was substantially offset by the decrease in the sales of core components for the VSAT satellite system.

Digital trunking system: The turnover generated from the sales of core components for the digital trunking system increased significantly by approximately 66.7% from approximately HK$104.7 million for the year ended 31 March 2010 to approximately HK$174.5 million for the year ended 31 March 2011. The fluctuation of the turnover was due to the sales of core components for the DITONE digital trunking mobile communication system which generated turnover of approximately HK$28.7 million, and the increase of sales of core components for the WITONE digital trunking mobile communication systems as a result of increased need of the existing end-user(s) to upgrade system contributing approximately HK$16.6 million to the total turnover and the sales to a new direct customer, representing approximately HK$41.9 million to the total turnover.

VSAT satellite system: Sales of core components for the VSAT satellite system decreased by approximately 61.7% from approximately HK$100.1 million for the year ended 31 March 2010 to approximately HK$38.3 million for the year ended 31 March 2011, primarily as a result of no sales of VSAT low speed satellite transmission system and the decrease in the sales of core components for the VSAT high speed dynamic digital satellite system.

Operation integrated system: No sales of operation integrated system was recorded for the year ended 31 March 2011 as a result of adjustment of sales strategy. The Group did not proceed with certain orders for operation integrated system as the profit to be derived from sales of operation integrated system would be low as a result of a combination of the lowered selling price of core components for the VSAT satellite system due to increased competition and the increasing costs for provision of after sale services and maintenance for the operation integrated system.

Systems technologies: The sales of systems technologies decreased by approximately 20.8% from approximately HK$7.3 million for the year ended 31 March 2010 to approximately HK$5.8 million for the year ended 31 March 2011, primarily as a result of three technologies being licensed to the Group's customers for the year ended 31 March 2010, as compared to one technology being licensed for the year ended 31 March 2011.

Other accessory parts and components: The other accessory parts and components accounted for an immaterial portion of the Group's sales.

Cost of sales

The Group's cost of sales decreased by approximately 13.4% from approximately HK$87.5 million for the year ended 31 March 2010 to approximately HK$75.7 million for the year ended 31 March 2011. As a percentage of sales, the cost of sales decreased from approximately 40.8% for the year ended 31 March 2010 to approximately 34.6% for the year ended 31 March 2011. The decrease in the cost of sales and the percentage to sales was mainly attributable to the decrease in sales of core components for the VSAT satellite system, the production costs of which was higher.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 12.7% from approximately HK$127.0 million for the year ended 31 March 2010 to approximately HK$143.1 million for the year ended 31 March 2011 as a result of increase in sales of core components for the digital trunking system which has a higher profit margin compared to other products of the Group. The gross profit margin correspondingly increased from approximately 59.2% for the year ended 31 March 2010 to approximately 65.4% for the year ended 31 March 2011.

Digital trunking system: The gross profit margin for digital trunking system increased from approximately 67.0% for the year ended 31 March 2010 to approximately 71.8% for the year ended 31 March 2011. The increase in gross profit margin was mainly due to (i) increase in selling price of the core components for the digital trunking system; (ii) the commencement of sales of the core components for the DITONE digital trunking mobile communication system which has a higher profit margin; and (iii) the economies of scale enjoyed by the Group for the sales of the core components for the digital trunking system in 2011. The gross profit margin of the core components for the DITONE digital trunking mobile communication system is generally higher mainly because new product at the beginning of the product cycle generally is sold at a higher price. The Group enjoyed the economies of scale for the sales of the core components for the digital trunking system mainly due to the fact that (i) approximately 79.7% of such sales concentrated in the year ended 31 March 2011 and (ii) the economies of scale resulting from the increase in sales.

VSAT satellite system: The gross profit margin decreased from approximately 50.4% for the year ended 31 March 2010 to approximately 33.4% for the year ended 31 March 2011. The gross profit margin of the VSAT satellite system decreased substantially because there was no sales of the core components for the VSAT low speed satellite transmission system which is the product with higher profit margin. Approximately all of the sales was from the core components for the VSAT high speed dynamic digital satellite system which has a lower profit margin.

Operation integrated system: There was no sales recorded for operation integrated system for the year ended 31 March 2011.

Other revenue

Other revenue significantly increased by approximately 208.9% from approximately HK$4.9 million for the year ended 31 March 2010 to approximately HK$15.2 million for the year ended 31 March 2011 primarily as a result of the business and value-added tax refund of approximately HK$14.7 million mainly due to (i) the increase in tax refund for the sales of registered softwares alongside with the increase in sales of core components for the digital trunking system and (ii) delay in the governmental authority granting the tax refund approval.

Selling and distribution expenses

The selling and distribution expenses as compared to the revenue of the Group has increased from approximately 3.8% for the year ended 31 March 2010 to approximately 6.7% for the year ended 31 March 2011. Selling and distribution expenses significantly increased by approximately 79.6% from approximately HK$8.1 million for the year ended 31 March 2010 to approximately HK$14.6 million for the year ended 31 March 2011 as the combined result of (i) the increase in the staff costs from approximately HK$2.3 million for the year ended 31 March 2010 to approximately HK$4.4 million for the year ended 31 March 2011 mainly due to expansion of the sales team; (ii) the increase in the travelling and promotional expenses from approximately HK$2.6 million for the year ended 31 March 2010 to approximately HK$4.7 million for the year ended 31 March 2011 for the business promotion of DITONE digital trunking mobile communication system; (iii) decrease in transportation and insurance expenses attributable to decrease in sales of the VSAT satellite system and increase in use of shipping and (iv) the significant increase in costs incurred in the installation, repair and maintenance attributable to the repair services provided to a customer who purchased VSAT satellite antenna.

Administrative expenses

Administrative expenses increased by approximately 2.2% from approximately HK$26.2 million for the year ended 31 March 2010 to approximately HK$26.8 million for the year ended 31 March 2011. The staff cost in the administrative expenses decreased by approximately 26.4% from the year ended 31 March 2010 to the year ended 31 March 2011 mainly due to the decrease of managerial staff by reducing the management structure in Synertone Wireless and SCL from 13 to six as of 31 March 2011.

Research and development expenditure

The research and development cost was approximately HK$10.7 million for the year ended 31 March 2010 and HK$17.4 million for the year ended 31 March 2011, representing an increase of approximately 61.8%. The increase was mainly attributable to (i) the increase in number of staff and thus increase in staff costs from approximately HK$7.7 million to HK$13.8 million; and (ii) increase in travelling expenses from approximately HK$0.4 million to HK$0.9 million.

Finance costs

Finance costs increased by approximately 68.3% from approximately HK$0.8 million for the year ended 31 March 2010 to approximately HK$1.4 million for the year ended 31 March 2011 as a result of increase in interest expenses on bank borrowings due to the increase in the aggregate bank borrowing and bank overdraft to approximately HK$24.7 million as at 31 March 2011.

Income tax expenses

Income tax expenses increased by approximately 41.3% from approximately HK$17.9 million for the year ended 31 March 2010 to approximately HK$25.3 million for the year ended 31 March 2011 as the combined result of (i) the decrease in the Hong Kong Profits Tax from approximately HK$4.6 million for the year ended 31 March 2010 to approximately HK$0.9 million for the year ended 31 March 2011 mainly due to the decrease in the sales of core components for the VSAT satellite system which was the business focus of SCL and Synertone Wireless; (ii) the increase in the EIT from approximately HK$13.5 million for the year ended 31 March 2010 to approximately HK$17.1 million (including the withholding tax incurred of approximately HK$1.7 million) for the year ended 31 March 2011 mainly due to the increased sales orders for core components for the digital trunking system and the increase in profits; (iii) the increase in the deferred tax liabilities of withholding tax on dividend to be paid out of earnings not yet distributed by the Company's PRC subsidiaries from approximately HK$0.1 million credited for the year ended 31 March 2010 to approximately HK$7.4 million charged for the year ended 31 March 2011.

Profits for the year attributable to owners of the Company

Due to the factors described above, the Group's profits attributable to shareholders increased by approximately 6.9% from approximately HK$68.1 million for the year ended 31 March 2010 to approximately HK$72.9 million for the year ended 31 March 2011.

The seven months ended 31 October 2011 compared to the seven months ended 31 October 2010

Turnover

For the seven months ended 31 October 2011, the Group's turnover was approximately HK$102.4 million, primarily comprising turnover generated from the sales of core components for digital trunking system and VSAT satellite system as well as other accessory parts and components of approximately HK$87.6 million, HK$13.8 million and HK$1.0 million respectively. The Group's turnover was decreased by approximately 11.9% when compared to the seven months ended 31 October 2010 mainly due to combined effect of decrease in sales of core components for digital trunking system and VSAT satellite system, and systems technologies.

Digital trunking system: The turnover generated from the sales of digital trunking system decreased from approximately HK$92.2 million for the seven months ended 31 October 2010 to approximately HK$87.6 million for the seven months ended 31 October 2011, representing a decrease of approximately 5.1%, primarily as a result of the decrease in sales of core components for the DITONE digital trunking mobile communication system from approximately HK$22.6 million to nil due to the delay in purchase plans by the system integrators of the Group.

VSAT satellite system: Sales of VSAT satellite system decreased significantly by approximately 24.1% from approximately HK$18.2 million for the seven months ended 31 October 2010 to HK$13.8 million for the seven months ended 31 October 2011, primarily as a result of the decrease in sales of core components for the VSAT high speed dynamic digital satellite system due to competition in the satellite market.

Systems technologies: The sales decreased by approximately 100% from approximately HK$5.8 million for the seven months ended 31 October 2010 to nil for the seven months ended 31 October 2011, mainly because customers did not demand for licensing of systems technologies nor engaged the Group to research and develop any systems technologies during the period.

Operation integrated system: There was no sales recorded for operation integrated system for the seven months ended 31 October 2011 as a result of adjustment of sales strategy. The Group did not proceed with certain orders for operation integrated system as the profit to be derived from sales of operation integrated system would be low as a result of a combination of the lowered selling price of core components for the VSAT satellite system due to increased competition and the increasing costs for provision of after sale services and maintenance for the operation integrated system.

Other accessory parts and components: The sales of other accessory parts and components increased from approximately HK$0.04 million for the seven months ended 31 October 2010 to approximately HK$1.0 million for the seven months ended 31 October 2011 mainly attributable to the design fee of approximately HK$0.7 million for designing specialised communication system for a system integrator.

Cost of sales

The Group's cost of sales increased by approximately 18.0% from approximately HK$35.6 million for the seven months ended 31 October 2010 to approximately HK$42.0 million for the seven months ended 31 October 2011. As a percentage of sales, the costs of sales increased from approximately 30.7% for the seven months ended 31 October 2010 to approximately 41.1% for the seven months ended 31 October 2011. The increase in the cost of sales and its percentage to sales was mainly attributable to decrease in sales of products with higher gross profit margin such as core components for the DITONE digital trunking mobile communication system while the sales of products with lower gross profit margin such as core components for the CITONE digital trunking mobile communication system remained relatively stable.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 25.1% from approximately HK$80.6 million for the seven months ended 31 October 2010 to approximately HK$60.3 million for the seven months ended 31 October 2011 as a result of decrease in sales of core components for the digital trunking system which was of higher profit margin compared to other products of the Group. The gross profit margin correspondingly decreased from approximately 69.3% for the seven months ended 31 October 2010 to approximately 58.9% for the seven months ended 31 October 2011.

Digital trunking system: The gross profit margin for digital trunking system decreased from approximately 75.8% for the seven months ended 31 October 2010 to approximately 64.0% for the seven months ended 31 October 2011. The decrease in gross profit margin was mainly due to no sales of the core components for the DITONE digital trunking mobile communication system for the period, which has a higher profit margin.

VSAT satellite system: The gross profit margin decreased from approximately 31.4% for the seven months ended 31 October 2010 to approximately 24.1% for the seven months ended 31 October 2011. The gross profit margin of the core components for the VSAT satellite system decreased mainly due to lowering of selling price as a result of competition in the satellite market.

Operation integrated system: There was no sales recorded for operation integrated system for the seven months ended 31 October 2010 and 2011.

Other revenue

Other revenue significantly decreased by approximately 81.1% from approximately HK$13.3 million for the seven months ended 31 October 2010 to approximately HK$2.5 million for the seven months ended 31 October 2011 primarily as a result of the decrease of value-added tax refund of approximately HK$11.4 million due to the delay in the PRC governmental authority granting the tax refund approval.

Selling and distribution expenses

Selling and distribution expenses remained stable for the seven months ended 31 October 2010 and 2011, with approximately HK$6.9 million for the seven months ended 31 October 2010 and approximately HK$6.7 million for the seven months ended 31 October 2011.

Administrative expenses

Administrative expenses increased by approximately 13.2% from approximately HK$14.0 million for the seven months ended 31 October 2010 to approximately HK$15.8 million for the seven months ended 31 October 2011 mainly due to increase in staff and welfare expenses of approximately HK$0.7 million as a result of increase in salary, staff welfare and the social insurance of staff.

Research and development expenditure

The research and development cost was approximately HK$9.9 million for the seven months ended 31 October 2010 and approximately HK$9.3 million for the seven months ended 31 October 2011, representing a decrease of approximately 6.8%. The decrease was mainly attributable to the decrease in staff costs from approximately HK$7.5 million to approximately HK$6.8 million as a result of decrease in number of staff in research and development department with higher salary.

Finance costs

Finance cost increased by approximately 11.7% from approximately HK$0.9 million for the seven months ended 31 October 2010 to approximately HK$1.0 million for the seven months ended 31 October 2011 due to the interest expenses of a loan obtained by the Group in July 2011 for working capital purposes.

Income tax expenses

Income tax expenses decreased by approximately 20.9% from approximately HK13.4 million for the seven months ended 31 October 2010 to approximately HK$10.6 million for the seven months ended 31 October 2011 as the combined result of (i) the decrease in net withholding tax from approximately HK$6.0 million for the seven months ended 31 October 2010 to approximately HK$3.8 million for the seven months ended 31 October 2011 mainly due to distribution of dividend of the Company's PRC subsidiary; (ii) the increase in the EIT from approximately HK$7.1 million for the seven months ended 31 October 2010 to approximately HK$14.7 million (including the withholding tax charged of approximately HK$7.8 million) for the seven months ended 31 October 2011; (iii) the decrease in non-taxable income from approximately HK$3.4 million for the seven months ended 31 October 2010 to approximately HK$0.1 million for the seven months ended 31 October 2011.

Profits for the year attributable to owners of the Company

The Group's profits attributable to shareholders decreased by approximately 60.0% from approximately HK$48.7 million for the seven months ended 31 October 2010 to approximately HK$19.5 million for the seven months ended 31 October 2011 as a result of the factors described above.

ANALYSIS OF MAJOR STATEMENT OF FINANCIAL POSITION COMPONENTS

The following set forth a summary of the consolidated statements of financial position as of 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	12,786	10,874	10,596	9,016
Intangible assets	6,852	16,434	15,286	12,172
	19,638	27,308	25,882	21,188
Current assets				
Inventories	24,791	22,331	16,358	18,026
Trade and other receivables	124,063	234,787	154,124	142,417
Amount due from ultimate holding company	—	—	80	—
Amounts due from related companies	—	40	40	—
Amount due from a director	683	—	—	—
Tax recoverable	1,355	837	5,372	6,734
Cash and cash equivalents	3,766	1,717	57,689	84,827
	154,658	259,712	233,663	252,004

	As at 31 March			As at 31 October
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables	8,573	30,551	27,277	27,805
Amount due to ultimate holding company	84,918	128,913	—	—
Amounts due to directors	50	849	11,569	—
Tax payable	7,093	18,310	23,148	22,027
Bank overdrafts	12,629	16,076	16,022	10,143
Bank borrowings due within one year	—	5,243	8,682	19,474
	113,263	199,942	86,698	79,449
Net current assets	41,395	59,770	146,965	172,555
Total assets less current liabilities	61,033	87,078	172,847	193,743
Non-current liabilities				
Deferred tax liabilities	3,279	3,038	10,277	6,153
	3,279	3,038	10,277	6,153
Net assets	57,754	84,040	162,570	187,590
Capital and reserves				
Share capital	100	100	9,000	9,000
Reserves	57,654	83,940	153,570	178,590
Equity attributable to owners of the Company	57,754	84,040	162,570	187,590
Non-controlling interests	—	—	—	—
Total equity	57,754	84,040	162,570	187,590

Property, plant and equipment

Property, plant and equipment consisted of leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the property, plant and equipment amounted to approximately HK$12.8 million, HK$10.9 million, HK$10.6 million and HK$9.0 million, respectively. The decrease in 2010 and 2011 was primarily due to the depreciation charge similar to the addition of plant and machinery. The decrease in the seven months in 2011 was primarily due to the depreciation of the property, plant and equipment.

Intangible assets

Intangible assets represented technical know-how acquired by the Group in relation to the production of specialised communication systems. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the intangible assets amounted to approximately HK$6.9 million, HK$16.4 million, HK$15.3 million and HK$12.2 million, respectively. The increase in the intangible assets in the year 2010 was mainly due to the combined effect of the acquisition of Turbo Product Code (Turbo 乘積碼技術) of approximately HK$2.6 million, trunking automatic monitoring system (集群自動檢測系統) of approximately HK$3.0 million and onsite sampling, analyzing system (可靠性現場採集分析系統) of approximately HK$5.0 million and fault report, analyzing and corrective action system (FRACAS故障報告,分析與糾正系統) of approximately HK$5.4 million less the amortization of intangible assets of approximately HK$6.4 million. The decrease in the intangible assets in the year of 2011 was mainly attributable to the acquisition of ANM-MC assessment software (ANM-MC 評估軟件) of approximately HK$3.4 million Bingdao Communication Mailing Administration System (兵道通訊郵件管理系統) of approximately HK$0.4 million, Bingdao Communication Transmission System (兵道通訊出納系統), of approximately HK$0.5 million and Bingdao Communication Documentation Administration System (兵道通訊公文管理系統) of approximately HK$0.8 million less the amortization charges of approximately HK$6.2 million during the period. The decrease in the intangible assets in the seven months ended 31 October 2011 was the amortization of the intangible assets of approximately HK$3.1 million during the respective period.

NET CURRENT ASSETS

The Group had net current assets of approximately HK$41.4 million, HK$59.8 million, HK$147.0 million and HK$172.6 million as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively.

The net current assets has increased from approximately HK$41.4 million as at 31 March 2009 to approximately HK$59.8 million as at 31 March 2010. The increase in the current assets was mainly due to the increase in the trade and other receivables from approximately HK$124.1 million as at 31 March 2009 to approximately HK$234.8 million as at 31 March 2010.

The net current assets increased from approximately HK$59.8 million as at 31 March 2010 to approximately HK$147.0 million as at 31 March 2011. The substantial increase in net current assets was primarily due to settlement of trade receivables during the year 2011, which increased the cash flow of the Group to approximately HK$57.7 million and the substantial decrease in current liabilities. The decrease in current liabilities was mainly due to decrease in amount due to ultimate holding company from approximately HK$128.9 million as at 31 March 2010 to amount due from ultimate holding company of approximately HK$0.08 million as at 31 March 2011.

The net current assets increased from approximately HK$147.0 million as at 31 March 2011 to approximately HK$172.6 million as at 31 October 2011. The increase in the current assets was mainly due to the increase in cash and cash equivalents from approximately HK$57.7 million as at 31 March 2011 to approximately HK$84.8 million as at 31 October 2011.

Inventory

The Group's inventories mainly consist of raw materials, including integrated circuit, satellite antennas and other components necessary for the assembling and production of products, work in progress and finished goods. During the Track Record Period, the value of the Group's inventory amounted to approximately HK$24.8 million, HK$22.3 million, HK$16.4 million and HK$18.0 million as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively.

The following table sets forth a breakdown of inventories of the Group as of the dates indicated:

	As at 31 March			**As at 31 October**
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	22,612	17,180	11,478	8,322
Work in progress	998	3,019	2,539	4,511
Finished goods	1,181	2,132	2,341	5,183
Total	24,791	22,331	16,358	18,026

	Years ended 31 March			**Period ended 31 October**
	2009	**2010**	**2011**	**2011**
Inventory turnover days	113	98	93	87

The decrease in inventories by approximately 9.9% from approximately HK$24.8 million as at 31 March 2009 to approximately HK$22.3 million as at 31 March 2010 was mainly due to the increase in sales of VSAT satellite system during the year. The decrease in inventories from 31 March 2010 to 31 March 2011 was primarily due to the decrease in inventories of satellite antenna as a result of decrease in sales and demand for core components for the VSAT satellite system during the year. The increase in inventories by approximately 10.2% from approximately HK$16.4 million as at 31 March 2011 to approximately HK$18.0 million as at 31 October 2011 was mainly due to increase in stock of finished goods as a result of more sales effected during the third quarter of the year ending 31 March 2012.

The inventory turnover days (being the average of beginning and closing inventories of the year divided by total cost of sales and multiplied by 365 days/period) for the year ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 were approximately 113, 98, 93 and 87 days respectively. The Directors consider that the variation of inventory level is reasonable as part of the raw materials such as satellite antenna are imported from other countries by the Group and the merchandizing of other core components and raw materials are conducted strictly in accordance with internal guidelines and procedures to ensure quality. The increase in the inventory level, especially the raw materials level, was to cope with the needs arising from the increasing sales orders.

As at 31 March 2011, raw materials, work-in-progress and finished goods accounted for approximately 70.2%, 15.5% and 14.3% of the inventories of the Group respectively. As at 31 October 2011, raw materials, work-in-progress and finished goods accounted for approximately 46.2%, 25.0% and 28.8% of inventories of the Group respectively.

The decrease in inventory turnover days from approximately 113 days in 2009 to approximately 98 days in 2010 was primarily attributable to the decrease in the raw materials and finished goods maintained by the Group as approximately 48.8% of the Group's turnover was generated from the sale of core components for the digital trunking system, the cost of raw materials of which was lower and the price of products is relatively low compared to core components for the VSAT satellite system. The decrease in inventory turnover days from 98 days for the year ended 31 March 2010 to 93 days for the year ended 31 March 2011 was primarily due to the decrease in the finished goods of core components for the digital trunking system and the materials comprising core components for the VSAT satellite system to meet the sales order at the end of 2011. The decrease in inventory turnover days from approximately 93 days as at 31 March 2011 to 87 days as at 31 October 2011 was mainly due to decrease in stock of the materials comprising core components for the VSAT satellite system, which were typically stocked for a longer period than the components for other products as a result of longer procurement and assembling process.

Review and monitoring of inventory level are performed periodically. This involves the maintenance of an appropriate level of inventory as well as any write-down for any obsolete and slow-moving inventory items. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the amount of inventories recognized as an expense which comprised of carrying amount of inventories sold and written down of inventories amounted to approximately HK$61.4 million, HK$87.5 million, HK$75.7 million and HK$42.0 million, respectively. The material written down of inventories for the year ended 31 March 2011, was mainly due to the inventories having been stocked for more than one year, and that the Group had no explicit plan as to sale or use of these raw materials or finished goods.

As at the Latest Practicable Date, the Group used up approximately 77.6% of raw materials and work in progress outstanding as at 31 October 2011 and sold approximately 53.9% of finished goods outstanding as at 31 October 2011.

Trade and other receivables

Trade and other receivables constitute a major component of the Group's current assets throughout the Track Record Period.

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	100,390	221,730	130,500	115,025
Advance to suppliers	3,420	3,788	10,118	10,473
Advance to staff	8,079	4,064	2,727	1,279
Prepayment for acquisition of intangible assets	10,580	1,560	3,315	3,315
Other prepayments and deposits	1,244	2,752	7,464	12,016
Other tax recoverable	250	893	—	309
Contract work in progress	100	—	—	—
	124,063	234,787	154,124	142,417

Trade receivables

The Group's trade receivables represent receivables from customers for sales of products. The following table sets forth a breakdown of the trade receivables as at the end of each reporting period indicated:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	100,390	221,730	130,500	115,025

	Years ended 31 March			Period ended 31 October
	2009	**2010**	**2011**	**2011**
Trade receivables turnover days	174	274	294	255

Trade receivables turnover days of the Group were approximately 174 days, 274 days, 294 days and 255 days respectively during the Track Record Period. The increase in trade receivables turnover days from 174 days to 294 days from the year ended 31 March 2009 to the year ended 31 March 2011 was mainly due to the increase in turnover, and the majority of the balances of trade receivables were due from system integrators and direct customers for various reasons as set out in the tables set out under "Analysis of trade receivables past due but not impaired at the end of each reporting period" under the paragraphs headed "Credit Policy" in the section headed "Business" in this prospectus. The decrease in trade receivables turnover days from 294 days to 255 days from the year ended 31 March 2011 to the period ended 31 October 2011 was mainly due to the improved credit control of the Group.

An ageing analysis of the Group's trade receivables at the end of each reporting period indicated is set forth below, based on the work date, as well as the turnover days of the trade receivables for the periods indicated:

	As at 31 March			**As at 31 October**
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 60 days	31,841	90,523	70,714	82,970
61 to 90 days	24,347	10,106	5,086	18,556
91 to 180 days	35,095	38,736	38,813	4,807
181-365 days	9,107	50,140	14,558	6,860
Over 365 days	—	32,225	1,329	1,832
	100,390	221,730	130,500	115,025

The trade receivables aged over 181 days or above as at 31 March 2010 were related to extension of the credit period granted to the system integrators and retention money for warranty and 100% of which were subsequently settled as at 31 October 2011. The trade receivables aged over 181 days or above as at 31 March 2011 were related to retention money for warranty and extension of credit period granted to the system integrators and approximately 94.0% of the balance were subsequently settled as at 31 October 2011.

Trade receivables due from the Group's major customer, Techtone Communication as at the end of each year/period during the Track Record Period were approximately HK$88.1 million, HK$131.5 million, HK$70.2 million and HK$55.8 million, respectively. As at the Latest Practicable Date, the entire outstanding trade receivables of Techtone Communication as at 31 March 2011 was settled.

The following table sets forth the ageing analysis of trade receivables of Techtone Communication as at 31 October 2011:-

	As at 31 October 2011								
	Within the original credit period				Past due but not impaired				
	Up to 60 days	61 to 90 days	91 to 180 days	Settlement of non-past due as at the Latest Practicable Date	181 to 365 days	Over 365 days	Settlement of past due as at the Latest Practicable Date	Total	Settlement of total as at the Latest Practicable Date
	HK$'000	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*%*
Techtone Communication	29,355	16,213	4,683	46.2	5,530	—	100	55,781	51.6

As at the Latest Practicable Date, approximately HK$28.8 million, representing approximately 51.6% of the outstanding trade receivables of Techtone Communication as at 31 October 2011 was settled and all the past overdue trade receivables of Techtone Communication as at 31 October 2011 was settled.

The Directors and the Reporting Accountants are of the view that impairment for trade receivables of Techtone Communication and other customers was not required based on the followings: (i) most of the end customers of Techtone Communication and other customers are PRC governmental authorities, and are subject to strictly regulated and governmental annual budgeting process and payment approval procedures. This led to slow down of settlement of the trade receivables by Techtone Communication and other customers. Given the high credit ratings of these end users, who are PRC government authorities, the Directors are confident that the end users shall settle the amount due from them to Techtone Communication and other customers, and hence Techtone Communication and other customers will be able to meet its settlement obligations owed to the Group; (ii) Techtone Communication and other customers has no history of default in repayment; (iii) subsequent to 31 October 2011, the Group has issued overdue payment warnings to Techtone Communication and other customers and actively sought for settlement. Techtone Communication and some customers have also entered into repayment plans, in which Techtone Communication and other customers have acknowledged and agreed to settle the outstanding balances.

As at the Latest Practicable Date, approximately HK$129.1 million and HK$37.4 million representing approximately 99.0% and 32.5% of the outstanding trade receivables as at 31 March 2010, 2011 and 31 October 2011 were settled.

During the Track Record Period, trade receivables past due (i.e. outstanding beyond the contractual credit period) but not impaired accounted for approximately 9.1%, 42.3%, 12.1% and 7.0% of the total trade receivables outstanding as at the end of each reporting period. Extension of credit periods was required by the Group's customers during the Track Record Period because (i) such customers experienced delay in receiving final payment of project fee from their respective end customers as (a) the setting-up projects of their respective end customers had not been completed; or (b) the end customers had not completed the final testing; or (ii) such customers or the end customers were subject to strictly regulated governmental annual budgeting process and payment approval procedures, which prolonged the repayment time of customers.

No trade receivables of the Group as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively were individually determined to be impaired. As at the Latest Practicable Date, approximately 100% of trade receivables as at 31 March 2010, approximately 94.9% of trade receivables as at 31 March 2011 and approximately 83.4% of trade receivables as at 31 October 2011 which were past overdue but not impaired was settled. As at 31 October 2011, no special allowances for doubtful debts for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 were recognized. The Group does not hold any collateral over these balances.

To enhance the Group's credit policy and the collection of trade receivables, the Group has revised and updated its credit policy and established its internal control procedures in trade receivables collection. Details of which are set out in paragraphs headed "Credit Policy" in the section headed "Business" in this prospectus.

In determining the amount of impairment required, the Group takes into account the collectability, creditworthiness and financial condition of and the possible effect of market, technology, legal environment on each debtor. Impairment will be made for specific trade receivables which are unlikely to be collected. If the financial condition of the customers deteriorates, resulting in an impairment of their ability to make payments, additional provision may be required.

Advances to suppliers

The advance to suppliers represented cash prepaid to third party suppliers for the purchase of raw materials for production. The advance to suppliers increased from approximately HK$3.4 million as at 31 March 2009 to approximately HK$3.8 million as at 31 March 2010 and further increased to approximately HK$10.1 million as at 31 March 2011 and was approximately HK$10.5 million as at 31 October 2011. The fluctuation of advance to suppliers were mainly attributable to the increase of prepayment for purchase of integrated circuits and radio frequency amplifier of up to an amount of approximately HK$3.5 million and purchase of spectrum sensor of up to an amount of approximately HK$3.1 million. The purchases were mainly for further research and development of the digital trunking system.

Advances to staff

The advance to staff represented the budgeted expenses for staff for business promotion, provision of client services and after sales services. The advance to staff decreased from approximately HK$8.1 million as at 31 March 2009 to approximately HK$4.1 million as at 31 March 2010 then further decreased to approximately HK$2.7 million as at 31 March 2011 and decreased to approximately HK$1.3 million as at 31 October 2011. The decrease of advance to staff was mainly attributable to the enhancement of internal control for settlement of advance to staff for the two years ended 31 March 2011, and the seven months ended 31 October 2011 as compared to the year ended 31 March 2009 and before.

The Company has formally implemented and supplemented a staff advances policy (the "**Policy**") in 2006 and 2011 which specifies that all staff advance applications must be work-related, and the expenses expected to be incurred cannot be settled other than by cash. As set out in the Policy, the maximum amount for each staff advance application is RMB 50,000, with a cumulative amount of not more than RMB 100,000 for each staff at any time.

All staff advance applications involve several tiers of approval, including general manager, with supporting documents. For each tier of approval, the responsible staff or senior management has to ensure the advances are used for the designated purpose only and are within the threshold limit.

All staff is required to hand in the reimbursement forms with supporting documents such as invoices and receipts for reimbursement. The finance department will record the expenses incurred accordingly. Any remaining amount of staff advance not supported by reimbursement shall be repaid to the Group accordingly. All staff is required to repay staff advances before the end of each quarter, otherwise any outstanding balances may be deducted from their payroll account. Before the end of each financial year, the finance department will review all staff advance accounts to ensure all staff advances have been repaid to the Group. Accrual would also be provided for expenses already incurred.

Prepayment for acquisition of intangible assets

Prepayment represented the prepayment made by the Group for acquisition of intangible assets such as technologies and patents developed by other market players and research and development companies. Prepayment made by the Group for acquisition of intangible assets comprised the major part of such prepayment, which were approximately HK$10.6 million, HK$1.6 million, HK$3.3 million and HK$3.3 million as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively. The fluctuation in prepayment for acquisition of intangible assets was due to the prepayment for collaboration of research and development of new products which is in line with the Group's development plan and progress of the Group for new products. The substantial decrease in prepayment for acquisition of intangible assets in 2010 as compared to 2009 was primarily attributable to the acquisition of intangible assets in 2010 such that prepayments for the acquisition of intangible assets were reduced due to their transformation into intangible assets. There was no material change in the prepayment for acquisition of intangible assets.

Other prepayments and deposits

Other prepayments and deposits primarily consist of deposits for rental of office premises and prepaid listing expenses. The increase in other prepayments and deposits as at 31 March 2010 and 2011 was mainly attributable to the fees paid for the preparation of the Listing and prepayment.

Other tax recoverable

Tax recoverable primarily consists of refund of tax payable for the sales of registered software of the digital trunking system and export tax incurred in the export from the PRC to Hong Kong. The tax recoverable increased from approximately HK$0.3 million as at 31 March 2009 to approximately HK$0.9 million as at 31 March 2010, and there was no tax recoverable as at 31 March 2011. The tax receivable was approximately HK$0.3 million as at 31 October 2011. The fluctuation was mainly resulted from the fluctuation of sales, and the grant of approval by relevant tax authorities without regular schedule and transmission of the actual refund unevenly distributed in the financial year.

Contract work in progress

Contract work in progress mainly consists of turnover from digital trunking system, VSAT satellite system and systems technologies with the provision of system installation. As at 31 March 2010 and 2011, all contract work in progress was commenced and completed during the respective financial years. After the year ended 31 March 2011, no turnover was generated from the sales of systems technologies and thus the system installation while the remaining segments mainly focus on trading purposes. Therefore, no contract work in progress was recognised as at 31 October 2011.

Amounts due from related companies

Amounts due from related companies amounted to approximately HK$40,000 as at 31 March 2010 and 31 March 2011, which represented the cash flow between the Group and its Shareholders. There was no amounts due from related companies as at 31 October 2011.

Amount due from a director

The amount due from a director amounted to approximately HK$683,000, nil, nil and nil as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively, which represents the advance to the director for the disbursements to be incurred in planned business trips.

Trade and other payables

The following table sets forth detailed information on the trade and other payables as of 31 March 2009, 2010 and 2011 and 31 October 2011:-

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	3,054	15,861	8,229	11,628
Accrued salaries	2,218	4,098	2,518	2,511
Accrued expenses and other payables	1,167	1,447	3,973	4,033
Payables for acquisition of intangible assets	—	—	2,871	1,700
Financial liabilities measured at amortised costs	6,439	21,406	17,591	19,872
Deposits received from customers	1,832	4,030	764	727
Other tax payables	302	5,115	8,922	7,206
	8,573	30,551	27,277	27,805

Trade payables

Trade payables are primarily related to the purchase of raw materials, and the increase of which during the Track Record Period was mainly due to the expansion in production of the Group which required more raw materials and supplies.

The credit periods granted by the suppliers are within the range from 30 to 180 days. The Group generally settled its purchases with the suppliers by direct bank transfer, bills and telegraphic transfer.

An ageing analysis of the trade payables of the Group at the end of each reporting period indicated is set forth below:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 60 days	1,554	9,904	3,538	3,045
61 days to 91 days	39	2,895	1,197	2,657
91 days to 180 days	623	1,981	1,247	1,053
181 to 365 days	457	629	1,581	3,327
Over 365 days	381	452	666	1,546
	3,054	15,861	8,229	11,628

	Years ended 31 March			Period ended 31 October
	2009	**2010**	**2011**	**2011**
Trade payable turnover days	17	54	108	79

During the Track Record Period, the trade payables turnover days (being calculated as the average of beginning and ending trade payables and invoice financing loans balance for the year, divided by the purchases of raw materials for the year and multiplied by 365 days/the period involved) were approximately 17, 54, 108 and 79 for the three years ended 31 March 2011 and the seven months ended 31 October 2011, which were generally in line with the Group's payment terms.

The trade payables increased from approximately HK$3.1 million as at 31 March 2009 to approximately HK$15.9 million as at 31 March 2010, mainly because of (i) the increase in the purchase of raw materials for comprising the core components for the VSAT Satellite system which was the main source of revenue in 2010 and (ii) the negotiation with the suppliers to extend the credit term of the Group. The Group faced the delay in collecting receivables from the system integrators and distributors in 2010 and thus the Group had negotiated with the key suppliers who maintained long term relationship with the Group to extend the credit period, therefore the trade payables turnover days were increased during the Track Record Period. The trade payables decreased from approximately HK$15.9 million as at 31 March 2010 to approximately HK$8.2 million as at 31 March 2011, mainly attributable to the Group's relatively satisfactory sales proceeds and the timely settlement of various payables in 2011. The trade payables increased from approximately HK$8.2 million as at 31 March 2011 to approximately HK$11.6 million as at 31 October 2011, mainly attributable to the increase in production and purchase from suppliers.

As at the Latest Practicable Date, approximately 36.9% of the trade payables of the Group outstanding as at 31 October 2011 was subsequently settled.

Amount due to ultimate holding company

The amount due to the ultimate holding company amounted to approximately HK$84.9 million, HK$128.9 million, nil and nil as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively, which represented dividends payable. The amount due was unsecured, interest free and repayable on demand. As at the Latest Practicable Date, all the amounts due to the ultimate holding company were fully settled.

Amounts due to directors

The amounts due to directors amounted to approximately HK$0.05 million, HK$0.9 million, HK$11.6 million and nil as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively, which represented the outstanding remuneration to the directors, the travelling disbursements payable to the directors for business trips advance from directors. The amounts were unsecured, interest-fee and repayable on demand. As at the Latest Practicable Date, all the amounts due to directors were fully settled.

Tax payable

Tax payable were approximately HK$7.1 million, HK$18.3 million, HK$23.1 million and HK$22.0 million as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively. The balance of tax payable mainly represented the tax payable for the Hong Kong Profits Tax and EIT. They fluctuated correspondingly with the operation scale of the Group.

Bank overdrafts

The bank overdrafts of the Group amounted to approximately HK$12.6 million, HK$16.1 million, HK$16.0 million and HK$10.1 million as at 31 March 2009, 2010 and 2011 and 31 October 2011, respectively. The bank overdrafts were borrowed by SCL and Synertone Wireless. SCL and Synertone Wireless provided mutual guarantee and both supported by the personal guarantee provided by Mr. Wong Chit On.

As at 31 March 2009, 2010 and 2011 and 31 October 2011, the Group has undrawn banking facilities in relation to bank overdrafts of approximately HK$7.4 million, HK$6.9 million, HK$7.0 million and HK$12.9 million, respectively.

As at the Latest Practicable Date, all the bank overdrafts were settled by internal fund generated from the operations of the Group.

Bank borrowings

Credit facility of RMB5 million obtained by the Group, which had been fully repaid and terminated, contains covenants requiring that before the repayment of the amount drawn down, the average daily deposits and monthly financial products with the bank and the settlement of the quarterly sales amount of the Group through the designated bank accounts shall be maintained at respective pre-determined amounts (the "covenant"). The Group failed to maintain the average daily deposits in the designated bank accounts at pre-determined amount from May 2010 to September 2010 as most of the sales proceeds are collected in the last quarter of the year. On 1 November 2010, the amount drawn down pursuant to the relevant credit facility was fully settled and the credit facility was terminated by the PRC subsidiary of the Company on 17 February 2011. According to the PRC Legal Advisers, the non-compliance of the Group in failing to meet the pre-determined amount required for average daily deposits amounted to a breach of the covenant (the "Breach"). However as the credit facility had been terminated and the bank has confirmed that it will not seek any compensation against the Group for the Breach, the PRC Legal Advisers opined that the bank's rights under the credit facility were discharged. After reviewing the existing credit facilities of the Group, the Reporting Accountants are not aware of any event of cross default in the Group's other credit facilities and bank borrowings triggered by the Breach. After reviewing the existing credit facilities of the Group, the PRC Legal Advisers opined that the Breach has not triggered any event of cross default in the Group's other existing credit facilities or bank borrowings governed by the PRC laws. After reviewing the existing credit facilities of the Group, the Hong Kong Legal Advisers also opined that the Breach has not triggered an event of cross default in respect of the Group's existing credit facilities or bank borrowings with terms of agreement governed by the laws of Hong Kong.

Save as the Breach mentioned above, the Sole Sponsor and the Reporting Accountants are not aware of any other breach of the covenants of the credit facility.

To ensure its compliance with loan covenants going forward, the Group has adopted the following internal control measures:

- the legal officers and designated administrative staff members of the Group will review and, if necessary, will engage external counsel to review loan covenants before the Group enters into any loan facility;

- the legal officers and the internal control team of the Group shall respectively monitor the compliance with the loan covenants on a quarterly basis and, in case there is potential risk of non-compliance, report to the management in due course; and

- the management and the administrative staff of the Group responsible for loan covenant compliance shall discuss and implement solutions to ensure continuing compliance with loan covenants whenever there is actual risk of non-compliance.

As at the Latest Practicable Date, all the bank borrowings were settled by internal fund generated from the operations of the Group.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity ratios

	As at 31 March			As at 31 October
	2009	2010	2011	2011
Current ratio[1]	1.4	1.3	2.7	3.2
Quick ratio[2]	1.1	1.2	2.5	2.9

Notes:

(1) Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period.

(2) Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year/period.

The Group's current ratio was decreased from 1.4 as at 31 March 2009 to 1.3 as at 31 March 2010 and the Group's quick ratio was increased from 1.1 as at 31 March 2009 to 1.2 as at 31 March 2010. Such decrease of the current ratio was mainly attributable to the increase of the current liability due to the increase of the unsettled dividend payable to the ultimate holding company. The Group's current ratio increased to 2.7 as at 31 March 2011 and 3.2 as at 31 October 2011 due to the Group paid up the dividend payable to the ultimate holding company and the increase in cash and cash equivalents which was due to the substantial increase in net cash generated from operating activities. The Group's current ratio was increased to 3.2 and quick ratio was increased to 2.9 as at 31 October 2011 was due to the increase in net cash generated from operating activities and paid off the amount due to directors.

Financial resources

The Group historically financed its operations through a combination of shareholders' loan, internally generated cash flows and bank borrowings. Going forward the Group expects its capital and operating requirements will be funded principally through internally generated cash flows, the net proceeds from the Global Offering, cash and bank deposits on hand. However, the Group's ability to fund the working capital needs, repay any indebtedness and finance other obligations depend on the future operating performance and cash flow, which are in turn subject to prevailing economic conditions, the level of spending by the customers and other factors, many of which are beyond the control of the Group. Any future significant acquisition or expansion may require additional capital, and the Group cannot assure you that such capital will be available to the Group on acceptable terms, if at all. The Directors believe that in the long term, the Group's operations will be funded by internally generated cash flows and, if necessary, additional equity financing or bank borrowings. The Group has not experienced and do not expect to experience any difficulties meeting the obligations as they become due. The Group will use part of the proceeds from the Global Offering to fulfill its capital commitments for future expansion.

Cash flows

The following table sets forth a condensed summary of the Group's consolidated statements of cash flow statements for the Track Record Period. Such summary of the consolidated cash flows statements is extracted from the Accountants' Report included in Appendix I to this prospectus and should be read in conjunction with the entire financial statements included therein, including the notes thereto, for more details.

	For the year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash (used in)/from operating activities	(5,070)	(3,932)	185,091	183,815	19,138
Net cash used in investing activities	(16,523)	(8,046)	(8,109)	(3,789)	(1,781)
Net cash (used in)/from financing activities	(24,437)	5,419	(126,932)	(123,330)	9,906
Net (decrease)/increase in cash and cash equivalents for the year	(46,030)	(6,559)	50,050	56,696	27,263
Cash and cash equivalents at beginning of year	36,026	(8,863)	(14,359)	(14,359)	41,667
Cash and cash equivalents at end of year	(8,863)	(14,359)	41,667	44,680	74,684

Operating activities

For the year ended 31 March 2009, net cash used in operating activities amounted to approximately HK$5.1 million with operating profits before changes in working capital amounted to approximately HK$56.1 million. The cash generated from operating profits before changes in working capital and the increase in trade and other payables of approximately HK$2.8 million were partially offset by the increase in trade and other receivables of approximately HK$44.1 million and increase in amounts due from directors of approximately HK$0.7 million, and the increase in inventories of approximately HK$11.7 million.

For the year ended 31 March 2010, net cash used in operating activities amounted to approximately HK$3.9 million with operating profits before changes in working capital amounted to approximately HK$99.8 million. The cash generated from operating profits before changes in working capital, the decrease in amounts due from directors of approximately HK$1.5 million and the increase in trade and other payables of approximately HK$22.0 million were partially offset by the increase in inventories of approximately HK$1.0 million, increase in trade and other receivables of approximately HK$119.7 million.

For the year ended 31 March 2011, net cash generated from operating activities amounted to approximately HK$185.1 million which was mainly attributable to the operating profits before changes in working capital of approximately HK$110.4 million and the decrease in trade and other receivables of approximately HK$84.0 million which was mainly due to the settlement of account receivable from the Group's major customers, and offset by the increase in amounts due to directors of approximately HK$10.7 million, the decrease in trade and other payables of approximately HK$6.1 million and the decrease in inventories of approximately HK$4.6 million.

For the seven months ended 31 October 2011, net cash generated from operating activities amounted to approximately HK$19.1 million which was mainly attributable to the operating profits before changes in working capital of approximately HK$36.6 million and the decrease in trade and other receivables of approximately HK$9.7 million which was mainly due to the settlement of account receivable from the Group's major customers, and offset by the increase in amounts due to directors of approximately HK$11.6 million and the increase in inventories of approximately HK$1.7 million.

Investing activities

The Group's cash outflow for investing activities is principally for purchase of property, plant and equipment, intangible assets which include technologies.

For the year ended 31 March 2009, the Group had net cash used in investing activities of approximately HK$16.5 million, which was primarily due to its payment for acquisition of equipment relating to the Group's existing production facilities of approximately HK$4.4 million, acquisition of intangible assets of approximately HK$1.6 million and prepayment for purchase of intangible assets including Turbo Product Code (Turbo 乘積碼技術), trunking automatic monitoring system (集群自動檢測系統) and onsite sampling and analyzing system (可靠性現場採集分析系統) of approximately HK$10.6 million, both relating to application in and further enhancement of the digital trunking system and the VSAT satellite system. The cash outflow were partially offset by interest received of approximately HK$0.03 million.

For the year ended 31 March 2010, the Group had net cash used in investing activities of approximately HK$8.0 million, which was primarily due to its payment for acquisition of equipment relating to the Group's existing production facilities of approximately HK$1.1 million, acquisition of intangible assets of HK$5.4 million for error reporting, analyzing and correction system (故障報告,分析與糾正措施系統) and prepayment for purchase of intangible assets including ANM-MC assessment software (ANM-MC評估軟件) of approximately HK$1.6 million, both relating to application in and further enhancement of the Group's products including digital trunking system and VSAT satellite system. The cash outflow partially offset by interest received of HK$0.009 million and the proceeds from disposal of property, plant and equipment of HK$0.03 million.

For the year ended 31 March 2011, the Group had net cash used in investing activities of HK$8.1 million, which was primarily due to its payment for acquisition of equipment relating to the Group's existing production facilities of approximately HK$2.8 million, prepayment for purchase of intangible assets of approximately HK$3.3 million and payment for acquisition of intangible assets of approximately HK$2.1 million, all relating to application in and further enhancement of the digital trunking system and VSAT satellite system.

For the seven months ended 31 October 2011, the Group had net cash used in investing activities of approximately HK$1.8 million, which was primarily attributable to payment for acquisition of intangible assets of approximately HK$1.2 million and payment for acquisition of equipment relating to the Group's existing production facilities of approximately HK$0.7 million.

Financing activities

The net cash used in financing activities was approximately HK$24.4 million for the year ended 31 March 2009, which was primarily contributed by the decrease in amount due to ultimate holding company of approximately HK$25.0 million for the payment of dividend to Excel Time, the capital contribution from the owners of the Company of approximately HK$1.0 million and the payment of interest for the bank overdraft facilities of approximately HK$0.4 million.

The net cash generated from financing activities was approximately HK$5.4 million for the year ended 31 March 2010 was primarily contributed by the capital contribution from the owners of the Company of approximately HK$20.0 million and proceeds from new bank borrowings of approximately HK$6.0 million. These cash inflows were partially offset by decrease in amount due to ultimate holding company for the dividend payment to Excel Time of approximately HK$19.0 million, the repayment of bank borrowings of approximately HK$0.8 million and the payment of interest of approximately HK$0.8 million for the bank overdraft facilities and bank borrowings.

The net cash used in financing activities was approximately HK$126.9 million for the year ended 31 March 2011, which was primarily contributed by the decrease in amount due to ultimate holding company for the dividend payment of approximately HK$129.0 million, repayment of bank borrowings of approximately HK$8.1 million and the payment of interest for bank overdrafts and bank borrowings of approximately HK$1.4 million. These cash outflows were partially offset by proceeds from new bank borrowings and bank overdrafts of approximately HK$11.6 million.

The net cash generated from financing activities was approximately HK$9.9 million for the seven months ended 31 October 2011, which was primarily due to the increase in bank borrowings of approximately HK$15.0 million and partially offset by the repayment of bank borrowings of approximately HK$4.2 million.

Net current assets

The following table sets forth the current assets, current liabilities and net current assets of the Group as at 29 February 2012:

	As at 29 February 2012
	(unaudited)
	HK$'000
CURRENT ASSETS	
Inventories	14,559
Trade and other receivables	194,331
Cash and cash equivalents	15,929
Total	224,819
CURRENT LIABILITIES	
Trade and other payables	17,134
Tax payable	28,494
Total	45,628
Net current assets	179,191

Capital management policy

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher stakeholder returns that might be possible with higher levels of borrowings afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

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

The details of the debt to equity ratio of the Group are as follows:

	As at 31 March			As at 31 October
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	12,629	16,076	16,022	10,143
Bank borrowings	—	5,243	8,682	19,474
Total debts	12,629	21,319	24,704	29,617
Less: Cash and cash equivalents	(3,766)	(1,717)	(57,689)	(84,827)
Adjusted net (cash)/debt	8,863	19,602	(32,985)	(55,210)
Total equity	57,754	84,040	162,570	187,590
Adjusted net debt to equity ratio	15.3%	23.3%	N/A	N/A

Material Related Party Transactions

With respect to the material related party transactions as set out in Note 28 of the Accountants' Report in Appendix I to this prospectus, the non-trade balances with related parties as at 31 October 2011 were subsequently settled as at the Latest Practicable Date.

INDEBTEDNESS

Bank borrowings and overdrafts

The following table sets forth the bank borrowings as of the dates indicated:

	As at 31 March			As at 31 October	As at 29 February
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	—	—	—	15,000	—
Unsecured bank loans	—	5,243	8,682	4,474	—
Total	—	5,243	8,682	19,474	—

As at 31 March 2009, 2010 and 2011 and 31 October 2011, all bank borrowings are denominated in Hong Kong dollars. As at 31 March 2009, 2010 and 2011 and 31 October 2011, all bank borrowings are variable-rate borrowings which carry prevailing interest rates ranging from 5.06% to 6.88% respectively, per annum.

As at the close of business on 29 February 2012, being the latest practicable date for the purpose of this statement of indebtedness, the Group did not have any outstanding bank borrowings and overdrafts.

Banking facilities

As at the close of business on 29 February 2012, the Group had total banking facilities available of HK$15 million of which none had been drawn down and utilised for issuing bank guarantee. The banking facilities were secured by personal guarantee from a Director of the Company, Mr. Wong Chit On, to the extent of HK$47.5 million; cross guarantee between certain subsidiaries of the Company to the extent of HK$16.5 million; and a charge on personal deposits of Mr. Wong Chit On of not less than HK$15 million. These banking facilities were terminated on 22 March 2012.

Pledge of assets

As at the close of business on 29 February 2012, the Group did not have any assets pledged to secure the bank borrowings and overdrafts of the Group.

Contingent liabilities

As at the close of business on 29 February 2012, the Group did not have any material contingent liabilities.

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, as at the close of business on 29 February 2012, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollar at the approximate exchange rates prevailing at the close of business on 29 February 2012.

Save as disclosed above, the Directors confirmed that there has been no material changes in the indebtedness and contingent liabilities of the Group since 29 February 2012 and up to the Latest Practicable Date.

CAPITAL STRUCTURE

As at 31 October 2011, the Group had net assets of approximately HK$187.6 million, comprising non-current assets of approximately HK$21.2 million (mainly comprising property, plant and equipment and intangible assets), net current assets of approximately HK$172.6 million and non-current liabilities of approximately HK$6.2 million (representing deferred tax liabilities of approximately HK$6.2 million).

CONTRACTUAL AND CAPITAL COMMITMENTS

Capital commitments

As at 31 March 2009, 2010 and 2011 and 31 October 2011, the Group had the following material capital commitments, so far as not provided in the financial information:

	As at 31 March			As at 31 October
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for	—	4,680	3,120	2,329

There has been no material change to the Group's capital commitments since 31 October 2011 and up to the Latest Practicable Date.

Operating lease commitments

As at 31 March 2009, 2010 and 2011 and 31 October 2011, the Group had the following operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of land and building which fall due as follows:

	As at 31 March			As at 31 October
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,187	3,945	3,644	3,925
In the second to fifth year inclusive	4,989	3,913	479	14,422
Over five years	—	—	—	17,569
	8,176	7,858	4,123	35,916

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

CAPITAL EXPENDITURES

Capital expenditure during the Track Record Period

During the Track Record Period, the Group has incurred capital expenditure mainly for the purchase of property, plant and equipment amounting to approximately HK$4.4 million, HK$1.1 million, HK$2.8 million and HK$0.7 million, respectively, and purchase of intangible assets of approximately HK$1.6 million, HK$5.4 million, HK$2.1 million and HK$1.2 million. The Group currently plans to use approximately HK$19.0 million for the purchase of new machinery and equipment.

The Group anticipates that the funds required for such capital expenditure will be financed by cash generated from operations and bank borrowings, as well as the net proceeds from the Global Offering. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of the Group's business plan, including, but not limited to, the progress of the Group's capital projects, market conditions and the outlook of future business conditions of the Group. As the Group will continue to expand, additional capital expenditure may be incurred and the Group may consider raising additional funds as and when appropriate. The ability of the Group in obtaining additional funding in the future is subject to a variety of uncertainties including, but not limited to, the future operation results of the Group, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and other countries in which the major customers of the Group operates in.

FINANCIAL RISK

The Group's major financial instruments include cash and cash equivalents, trade and other receivables, amount due from a director, bank overdrafts, bank borrowing, trade and other payables, amount due to ultimate holding company and amount due to a related company. Details of the financial instruments are disclosed in notes to the Accountants' Report in Appendix I to this prospectus. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, foreign currency risk and fair value arises in the normal course of the Group's business.

Credit risk

As at 31 March 2009, 2010 and 2011 and 31 October 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial positions after deducting any impairment allowance.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the Group has a certain concentration of credit risk as approximately 88%, 59%, 54% and 48% of the total trade receivables was due from the Groups' largest customer respectively and approximately 100%, 95%, 98% and 98% of the total trade receivables was due from the five largest customers respectively.

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

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relied on bank overdrafts and bank borrowings as a source of liquidity. Please refer to note 25(b) — liquidity risk of the Accountants' Report of the Group set out in Appendix I to this prospectus.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's cash and cash equivalents, bank overdrafts and bank borrowings at floating interest rate. The Group does not use financial derivatives to hedge against the interest rate risk as the directors consider the Group's exposure of interest rate risk is not significant. Please refer to note 25(c) — interest rate risk of the Accountants' Report of the Group set out in Appendix I to this prospectus for the impact on the Group's profit arising from change in interest rates.

Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash and cash equivalents balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$ and Euro. The Group does not use financial derivatives to hedge against the foreign currency risk.

Please refer to note 25(d) — currency risk of the Accountants' Report of the Group set out in Appendix I to this prospectus for the impact on the Group's profit arising from change in currency exchange rates.

DISTRIBUTABLE RESERVE

The total amount of reserve of the Group and the Company as at 31 October 2011 (being the date at which the latest audited financial statements of the Group and the Company were made up) amounted to approximately HK$178.6 million and HK$1.3 million respectively. As at the Latest Practicable Date, the Group had no plan to distribute the retained earnings of the PRC subsidiaries to the Company in the near future.

WORKING CAPITAL

The Directors are of the opinion that after taking into account the cashflow generated from the operating activities, the existing financial resources available to the Group including internally generated funds, the available banking facilities and the estimated net proceeds of the Global Offering, the Group has sufficient working capital for its present requirements for the next 12 months from the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that, save as disclosed in the paragraphs headed "Recent Market Developments" in the section headed "Summary" of this prospectus, there has been no material adverse change in the Group's financial or trading position since 31 October 2011 (being the date to which the Group's latest audited combined financial statements were prepared which was set out in the Accountants' Report in Appendix I to this prospectus) and up to the date of this prospectus.

DIVIDENDS

For each of the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, the Group declared dividends of HK$52 million, HK$63 million, nil and nil to the Group's then Shareholders prior to the Listing, respectively. Subsequent to 31 October 2011, the Group has declared a dividend of HK$27 million for the year ending 31 March 2012. As at the Latest Practicable Date, all the dividends payable to the Shareholders had been fully settled. The Group currently does not have any specified dividend policy for its past and future distributed profits. The declaration, payment and the amount of any future dividends will depend on the results of the Group, cash flows and financial condition and position, operating and capital requirements and other factors as the Group may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to HKFRSs, the Memorandum of Association and the Articles of Association, the Companies Law, applicable laws and regulations and other factors that are relevant to the Group. No dividend shall be declared in excess of the amount recommended by the Board. In addition, the Directors may from time to time pay such interim dividends as appear to them to be justified by the profits of the Group. No dividend shall be declared or payable except out of the profits of the Group or reserves set aside from profits in the Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for such purpose in accordance with the Companies Law and the Articles of Association.

Future dividend payments will also depend upon the availability and the amount of dividends received from the subsidiaries of the Group in the PRC. In the PRC, the laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles. The PRC laws also require companies (including foreign investment enterprises) to set aside part of their dividends. Distributions from the subsidiaries of the Group in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenant in bank credit facilities, convertible bond instruments or other agreements, that the Group or the subsidiaries in the PRC may enter into in the future. Withholding tax at the rate of 10% will be applicable to any dividends paid to the Company by its PRC subsidiaries, unless they are entitled to reduction or elimination of such tax under tax treaties. Dividends may be paid out of the Company's distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in the Company's operations. The Group's past dividend payment history is not, and should not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Group in the future. There is no assurance that dividends of any amount will be declared or distributed in any year.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

As at the Latest Practicable Date, the Directors confirm that there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 October 2011 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 October 2011 *(Note 1)*	**Add: Estimated net proceeds from the Global Offering** *(Note 2)*	**Less: Declaration of interim dividend** *(Note 3)*	**Unaudited pro forma adjusted net tangible assets attributable to the owners of the Company**	**Unaudited pro forma adjusted net tangible assets per Share attributable to the owners of the Company** *(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$0.30 per Share	181,571	76,695	27,000	231,266	0.193
Based on an Offer Price of HK$0.60 per Share	181,571	164,445	27,000	319,016	0.266

Notes:

1. It represented the consolidated net assets of the Group of HK$187,590,000 less intangible assets of HK$12,172,000 and add deferred tax liabilities of HK$6,153,000 as extracted from the audited consolidated statements of financial position of the Group as at 31 October 2011 as set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK$0.30 and HK$0.60 per Share, being the lowest point and the highest point in the estimated offer price range of HK$0.30 per Share to HK$0.60 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Further information about the Directors and Substantial Shareholders" in Appendix V to this prospectus.

3. The Company has declared an interim dividend of HK$27,000,000 for the year ending 31 March 2012, which was a non-adjusting event after the reporting period as disclosed in note 12 and note 31 in Appendix I to this prospectus, and had been fully settled on 23 February 2012.

4. The unaudited pro forma adjusted net tangible assets value per Share is arrived at based on the 1,200,000,000 Shares expected to be in issue immediately following completion of the Global Offering but takes no account of any Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the section headed "Further information about the Directors and Substantial Shareholders" in Appendix V of this prospectus.

The purpose of this statement of unaudited pro forma adjusted net tangible assets is to illustrate the net tangible assets of the Group as a result of the Listing based on the audited combined net tangible assets of the Group as at 31 October 2011. Please note that the above statement of unaudited pro forma adjusted net tangible assets is prepared for illustrative purposes only, and that because of its nature, it may not give a true picture of the Company's financial position or results. Please refer to Appendix II to this prospectus for the opinion of the reporting accountants in relation to the unaudited pro forma adjusted net tangible assets.

FUTURE PLANS

The principal objectives of the Group are to become (i) a major provider of specialised communication network design in the PRC; (ii) a major provider of products for specialised communication system in the PRC; (iii) a promoter and major provider of advanced digital trunking system standards; and (iv) a supplier of products for specialised communication system in the international market.

Key elements of the Group's business strategies to achieve the above objectives include the following:

- Focus on expansion of sales network and market share in the specialised communication industry in the PRC
- Penetrate overseas market
- Continue to strengthen research and development capability, and enhance product quality and functionality and network design and to develop new products which cater for the needs of the market
- Promote better awareness of the products and services offered by the Group

Details of the Group's further plans are set out in the paragraph headed "Business — Business Strategies" of this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK$0.45 per Share (being the mid-point of the stated Offer Price range of HK$0.30 to HK$0.60 per Share) and assuming the Over-allotment Option is not exercised, the net proceeds of the Global Offering, after deducting the underwriting fees and estimated expenses payable by the Company in connection with the Global Offering, are estimated to be approximately HK$120.6 million. The Directors presently intend to apply the net proceeds as follows:

- approximately 60.0% or HK$72.4 million of the net proceeds will be used for research and development on products and technologies which are of strategic importance to the Group as follows:

  (i) approximately 24.2% or HK$29.2 million of the net proceeds will be used for the development of the digital trunking system products and network design.

    - approximately 6.6% or HK$8.0 million of the net proceeds to continue the upgrade and improvement of the existing CITONE and WITONE digital trunking mobile communication system by improving and developing direction dispatcher and transmission station for CITONE digital trunking mobile communication system and by enhancing the system capacity and error identification capability of the WITONE digital trunking mobile communication system. The development project has been commenced and with the application of the net proceeds, it is anticipated that the development project will last for two years. The total amount of investment for the aforesaid upgrade and improvement is anticipated to be HK$8.0 million, of which approximately HK$5.2 million as staff costs; HK$0.9 million as technology development costs; HK$1.0 million as product development costs; HK$0.4 million as testing costs and HK$0.5 million as trial production costs and maintenance costs. The cost incurred by the Group for the development of CITONE and WITONE digital trunking mobile communication systems and as at the Latest Practicable Date was approximately HK$1.2 million.

- approximately 17.6% or HK$21.2 million of the net proceeds will be used for the research and development of DITONE digital trunking mobile communication system and FITONE digital trunking mobile communication system, the more advanced generation of trunking system. With DITONE digital trunking mobile communication system which was launched to the market for initial sale in 2010. The Group will focus on development of various products of DITONE digital trunking mobile communication system. It is estimated that the research and development process will take three years. The Group also plans to launch the research and development of FITONE digital trunking mobile communication system in late 2013 and expects to set up experimental network for FITONE digital trunking mobile communication system in 2015. It is estimated that the research project will initially last for three years. The total amount of investment for the development of products for DITONE digital trunking mobile communication system and the development of FITONE digital trunking mobile communication system is anticipated to be HK$21.2 million, of which approximately HK$13.2 million as staff costs; HK$2.5 million as technology development costs; HK$2.5 million as product development costs; HK$1.5 million as testing costs and HK$1.5 million as trial production costs. The cost incurred by the Group for the development of DITONE and FITONE digital trunking mobile communication systems as at the Latest Practicable Date was approximately HK$3.9 million.

(ii) approximately 9.6% or HK$11.6 million of the net proceeds will be used for the research and development of specialised integrated circuits.

- the Group plans to develop specialised integrated circuits based on its technology of baseband and integrated circuits, which is expected to be used in terminals for digital trunking system and to sub-contract the manufacture of the specialised integrated circuits to external manufacturers so as to focus the resources of the Group on development and enhancement of core technologies. The development of specialised integrated circuits will involve design of specialised integrated circuits, hardware setup, testing, trial production and marketing. It is expected that the development will commence in 2013 and will last for three years.

- approximately 9.1% or HK$11.0 million will be used for the trial production of the specialised integrated circuits and approximately 0.5% or HK$0.6 million will be used for the testing of specialised integrated circuits. No cost was incurred by the Group as at the Latest Practicable Date as the research and development had not yet commenced.

(iii) approximately 26.2% or HK$31.6 million of the net proceeds will be used for the research and development of satellite products.

- approximately 6.6% or HK$8.0 million will be used for the research and development of the second generation of the VSAT low speed satellite transmission system;

- approximately 19.6% or HK$23.6 million will be used for the development of the Group's own satellite antenna. Details of the Group's self-developed satellite antenna are set out in the section headed "Business" of this prospectus;

the cost incurred by the Group for the research and development of satellite products as at the Latest Practicable Date was approximately HK$1.5 million.

- approximately 10.0% or HK$12.1 million of the net proceeds will be used for marketing and promotional activities including the promotion and enhancement of corporate image; promotion activities at overseas market and developing sales network overseas; promotion of the products of the Group by participating in exhibitions and seminars and the development of sales channel and distribution network;

- approximately 20.0% or HK$24.0 million of the net proceeds will be used for the capacity expansion of the Group by the end of 2012 including:

(i) approximately 4.1% or HK$5.0 million for relocation of production base to another area in Lo Wu district by May 2012, the location of which has been identified by the Group;

(ii) approximately 15.9% or HK19.0 million for the purchase and installation of machinery and equipment manufacture and testing of the self-developed satellite antenna; and

the cost incurred by the Group for the capacity expansion as at the Latest Practicable Date was approximately HK$2.8 million.

- approximately 10.0% or HK$12.1 million will be used for working capital.

In the event the Offer Price is set at the low end of the proposed Offer Price range, being HK$0.30 per Offer Share, the net proceeds of the Global Offering will decrease to approximately HK$76.7 million. In the event the Offer Price is set at the high end of the proposed Offer Price range, being HK$0.60 per Offer Share, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will increase to approximately HK$164.5 million. In such events, the Directors will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

In the event that the Over-allotment Option is exercised, the additional net proceeds of about HK$19.7 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by the Company in the same proportions as set out above. To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Company presently intends that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

Should the Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of the Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, the Company will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if the Company is unable to effect any part of its future development plans as intended, the Company may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC for so long as it is in the Company's best interests. The Company will also disclose the same in the relevant annual report.

HONG KONG UNDERWRITERS

Emperor Securities Limited
First Shanghai Securities Limited
Daily Growth Securities Limited
Orient Securities Limited
Phillip Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated.

Subject to the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus being granted by the Listing Committee of the Stock Exchange and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares.

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to the termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) by notice in writing given to the Company prior to 8:00 a.m. (Hong Kong time) on the Listing Date if any of the following events shall occur prior to such time:

(a) there shall develop, occur or come into force:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in BVI, the Cayman Islands, the PRC or Hong Kong or any other jurisdiction(s) relevant to the Company and its subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have material adverse effect on the business or financial conditions or prospects of the Group or which may be expected to adversely affect the business or financial condition or prospects of the Group in a material way; or

(ii) any change (whether or not permanent) in BVI, the Cayman Islands, Hong Kong, the PRC and other countries or territories which is relevant to the Group's business operation in financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters, whether locally, nationally, regionally or internationally; or

(iii) without prejudice to sub-paragraph (i) or (ii) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange or otherwise; or

(iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God, accident), which would or might adversely affect any member of the Group or its present or prospective shareholders in their capacity as such; or

(v) any change or development occurs involving a prospective change in taxation or in exchange control in BVI, the Cayman Islands, Hong Kong, the PRC or any other jurisdiction to which any member of the Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) would or might adversely affect any member of the Group or its present or prospective shareholders in their capacity as such in a material way; or

(vi) any litigation or claim of material importance to the business, financial or operations of the Group being threatened or instituted against any member of the Group;

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by any jurisdictions in BVI, the Cayman Islands, Hong Kong, the PRC or any other jurisdiction(s) relevant to the Company and its subsidiaries;

(viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director or any member of the Group; or

(ix) order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

and in any such other event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), (i) has or may have a material adverse effect on the success of the Global offering, or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of the Group as a whole; or (iii) makes it inadvisable or inexpedient to proceed with the Global Offering; or has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on the Company or the covenantors under the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material; or

(c) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any breach on the part of the Company or any of the covenantors to the Hong Kong Underwriting Agreement of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) to be material; or

(d) any statement contained in this prospectus, notices, advertisements, announcements, web proof information pack, submissions, documents or information provided to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Stock Exchange, the legal advisers to the Sole Sponsor and the Underwriters and any other parties involved in the Global Offering which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

(e) matters have arisen or have been discovered which would, if this prospectus was to be issued at that time, constitute, in the opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), a material omission of such information; or

(f) there is any adverse change in the business or in the financial or trading position or prospects of the Group which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is material; or

(g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold under the Global Offering is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or

(i) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(j) there comes to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters any information, matter or event which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

    (i) is inconsistent in any respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Global Offering; or

    (ii) would cast any serious doubt on the integrity, suitability or reputation of any Director or the reputation of the Group.

Undertakings

Each of the Controlling Shareholders jointly and severally undertakes to each of the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that, (a) save for any lending of Shares by Excel Time pursuant to the Stock Borrowing Agreement; or (b) unless pledging or charging securities of the Company beneficially owned by the Controlling Shareholders in accordance with Note (2) to Rule 10.07 of the Listing Rules and in compliance with the paragraph headed "Undertaking by the Controlling Shareholders relating to using securities of the Company as security", without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its Associates will:

(i) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six

Month Period"), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to acquire or purchase, any Shares, as applicable) owned by him or it or their respective associates, or any share or interest in any company controlled by him or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (the foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to acquire or purchase, any Shares) owned by him or it or their respective associates, or any share or interest in any company controlled by him or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid, or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) during the period of six months commencing on the date on which the First Six month Period expires (the "Second Six Month Period"), enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he or it together with his/its associates taken as a whole will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him or it and/or any of his or its associates which owns such Shares or interests as aforesaid; and

(iii) until the expiry of the Second Six Month period, in the event that he or it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Except for the offer for subscription and the issue and allotment of the Offer Shares pursuant to the Global Offering (subject to the Over-allotment Option and the exercise of the options to be issued under the Share Option Scheme), during the First Six Month Period, the Company hereby undertakes to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters not to, and to procure each member of the Group not to, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such member of the Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) and (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. Each of the Directors and Controlling Shareholders undertakes to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters to procure the Company to comply with the undertakings in this paragraph.

Each of the Company and the warrantors under the Hong Kong Underwriting Agreement undertakes to and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Underwriters), no company in the Group will during the First Six Month Period purchase any securities of the Company.

Undertakings by the Controlling Shareholders relating to using securities of the Company as security

Each of the Controlling Shareholders undertakes and covenants with the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, upon any pledging or charging in favour of an authorized institutions (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any securities of the Company owned by it/him for a bona fide commercial loan pursuant to Notes (2) and (3) to Rule 10.07 of the Listing Rules, immediately inform the Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities and nature of interests so pledged or charged, the identities of the pledgee or person (the "**Mortgagee**") in favour of whom the pledge, charge, encumbrance or interest is created and further if he or it is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in this sub-clause, he or it will immediately notify the Stock Exchange, the Company, the Sole Sponsor and, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters as they may require

The Company undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that the Company shall forthwith inform the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in the paragraph above and the Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

The International Placing

In connection with the International Placing, it is expected that the Company and the International Underwriters will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, the Company will offer the International Placing Shares for subscription by certain professional, institutional and private investors at the Offer Price payable in full on subscription and/or purchase, on and subject to the terms and conditions set out in the International Underwriting Agreement. It is expected that the International Underwriters will agree to severally subscribe, or procure subscribers to subscribe, for the International Placing Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into or terminated, the Global Offering will not proceed.

Commission

The Hong Kong Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Hong Kong Offer Shares and the International Underwriters will receive a commission of 2.5% of the aggregate of the Offer Price of all the International Placing Shares, out of which they will pay any sub-underwriting commissions. The Sole Sponsor will in addition receive sponsorship and documentation fees. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK$0.45 (being the mid-point of Offer Price range between HK$0.30 per Offer Share and HK$0.60 per Offer Share), are estimated to amount to approximately HK$30.8 million in total (assuming that the Over-allotment Option is not being exercised).

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

Underwriters' interests in the Company

Save (i) as disclosed in this prospectus, and (ii) for their interests and obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Sole Sponsor, the Sole Global Coordinator or the Underwriters is interested beneficially or non-beneficially in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

Following completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Minimum public float

The Directors will ensure that there will be a minimum of 25% of the total Shares in issue in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of initially 300,000,000 Offer Shares will be made available under the Global Offering, of which 270,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 30,000,000 Hong Kong Offer Shares (subject to adjustment), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

The Company is expected to offer initially 270,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of the Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its Shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offer.

The Company, the Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed "Conditions of the Hong Kong Public Offer" of this section.

Hong Kong Public Offer

The Company is initially offering 30,000,000 Hong Kong Offer Shares for subscription (subject to adjustment) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK$0.60 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offer is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 15,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares available in pool B will consist of 15,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

(i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and

(ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

PRICING AND ALLOCATION

Offer Price

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be 12 April 2012, and in any event, not later than 13 April 2012.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$0.60 per Offer Share and is expected to be not less than HK$0.30 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Hong Kong Public Offer, cause to be published on the Company's website at *www.synertone.net* and the Stock Exchange's website at *www.hkexnews.hk* notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction of the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. **If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.** In the absence of any notice being published on the Company's website and the Stock Exchange's website as aforesaid of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published in the manner described in the section headed "How to apply for the Hong Kong Offer Shares — VIII. Publication of results and despatch/collection of share certificates, refund cheques and e-Auto refund payment instructions" in this prospectus on 17 April 2012.

Price payable on application

The Offer Price will not be more than HK$0.60 per Offer Share and is expected to be not less than HK$0.30 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK$0.60 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. That means a total of HK$4,848.38 is payable for every board lot of 8,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK$0.60 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

Basis of Allocation of the Offer Shares

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

(a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be allocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 90,000,000 Shares, representing 30% of the Offer Shares;

(b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 120,000,000 Shares, representing 40% of the Offer Shares; and

(c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 150,000,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. If the final Offer Price as agreed by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company is HK$0.34 or above, the size of the Global Offering is more than HK$100 million. In such event, the Sole Global Coordinator (for itself and on behalf of the International Underwriters) can exercise the Over-allotment Option, and can require the Company to allot and issue up to and not more than 45,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Excel Time or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all application laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 45,000,000 new Shares will represent approximately 3.61% of the Company's enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, if the final Offer Price as agreed by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company is HK$0.34 or above, rendering the size of the Global Offering more than HK$100 million, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 45,000,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Excel Time or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

In the event that the final Offer Price as agreed by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company is HK$0.34 or above, rendering the size of the Global Offering more than HK$100 million, and subject to and under the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the laws of Hong Kong), the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions ("primary stabilising action") with respect to any Shares during the stabilisation period, which should end on 11 May 2012:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:

  (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;

  (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or

(ii) sell or agree to sell Shares so as to establish a short position in them;

(b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

(c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or

(d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the earlier of the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer or the commencement of trading of the Shares on the Stock Exchange, that the stabilising period is expected to expire on 11 May 2012, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, if the final Offer Price as agreed by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company is HK$0.34 or above, rendering the size of the Global Offering more than HK$100 million, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 45,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 45,000,000 Shares from Excel Time, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Stock borrowing arrangement is not subject to the restrictions of rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;

- the maximum number of Shares borrowed from Excel Time will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to Excel Time or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full; or (iii) such earlier time as may be agreed in writing between the borrower and Excel Time;

- the stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements; and

- no payments will be made to Excel Time by the Underwriters in relation to the stock borrowing arrangement.

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either using a **WHITE** or **YELLOW** Application Form or apply online through the designated website of **HK eIPO White Form** Service Provider, referred herein as the **HK eIPO White Form** service (*www.hkeipo.hk*) or giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC.

I. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying are an individual and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a United States person (as defined in Regulation S of the U.S. Securities Act 1933), legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, Emperor Securities Limited (or its agent or nominee) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

The Company and Sole Global Coordinator, in their capacity as the Company's agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of the Company's Shares, the Directors or chief executive or their respective associates as defined in the Listing Rules or any other connected persons of the Company or persons who will become the Company's connected persons immediately upon completion of the Global Offering or to legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) or persons who do not have a Hong Kong address.

You may apply for the Hong Kong Offer Shares or indicate an interest for International Placing Shares, but may not do both.

II. APPLYING BY USING AN APPLICATION FORM

1. Which Application Form to Use

(a) ***WHITE Application Forms***

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) ***YELLOW Application Forms***

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

2. Where to Collect the Application Forms

(a) You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 30 March 2012 until 12:00 noon on Wednesday, 11 April 2012 from:

Any of the following addresses of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters:

Emperor Capital Limited
Room 606, 6/F, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Emperor Securities Limited
23-24/F Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Daily Growth Securities Limited
Room 3705-07, The Centre
99 Queen's Road Central
Central
Hong Kong

Orient Securities Limited
Room 2801-04, 28/F.,
Dah Sing Financial Centre,
No. 108 Gloucester Road,
Wanchai,
Hong Kong

Phillip Securities (HK) Limited
11/F, United Centre
95 Queensway
Hong Kong

or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	**Address**
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	North Point (King's Centre) Branch	193-209 King's Road, North Point
	Johnston Road Branch	152-158 Johnston Road, Wanchai
	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay
Kowloon	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

(b) You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 30 March 2012 until 12:00 noon on Wednesday, 11 April 2012 from:

(i) the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

(ii) your stockbroker, who may have such Application Forms and this prospectus available.

3. How to complete the Application Form and make payment

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

(a) Obtain an Application Form as set forth in the paragraphs under "Where to collect Application Forms'' above.

(b) Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

(c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(a) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

(i) the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(b) If the application is made by an individual CCASS Investor Participant:

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and

(ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(c) If the application is made by a joint individual CCASS Investor Participant:

(i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card number of all joint CCASS Investor Participants; and

(ii) the participant I.D. must be inserted in the appropriate box in the Application Form.

(d) If the application is made by a corporate CCASS Investor Participant:

(i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission of details of the CCASS Participant including participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, the Company, the Sole Sponsor and the Sole Global Coordinator as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Company, the Sole Sponsor and the Sole Global Coordinator, in the capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

4. How to Make Payment for the Application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;

- be drawn on your Hong Kong dollar bank account in Hong Kong;

- bear an account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);

- be made payable to Bank of China (Hong Kong) Nominees Limited — Synertone Communication Public Offer;

- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- be made payable to Bank of China (Hong Kong) Nominees Limited - Synertone Communication Public Offer;
- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 11 April 2012. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

Multiple or suspected multiple applications are liable to be rejected. Please see the paragraphs headed "V. How many applications you can make" in this section.

5. Members of the Public — Time for Applying for Hong Kong Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, 11 April 2012, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited listed under the paragraphs headed "— Where to Collect the Application Forms" above in this section at the following times:

Friday, 30 March 2012 — 9:00 a.m. to 5:00 p.m.
Saturday, 31 March 2012 — 9:00 a.m. to 1:00 p.m.
Monday, 2 April 2012 — 9:00 a.m. to 5:00 p.m.
Tuesday, 3 April 2012 — 9:00 a.m. to 5:00 p.m.
Thursday, 5 April 2012 — 9:00 a.m. to 5:00 p.m.
Tuesday, 10 April 2012 — 9:00 a.m. to 5:00 p.m.
Wednesday, 11 April 2012 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 11 April 2012.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

6. Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 11 April 2012. Instead the last application day will be postponed and the application lists will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon on such day. If the Application Lists do not open and close on Wednesday, 11 April 2012 or if there is a tropical cyclone warning signal number 8 or above or a "black'' rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable'' in this prospectus, such dates mentioned in the section headed "Expected Timetable'' in this prospectus may be affected. An announcement will be made in such event.

III. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

If you are an individual and meet the criteria set out above in paragraphs headed "Which Application Form to Use" in this section, you may apply through **HK eIPO White Form** by submitting an application through the designated website at *www.hkeipo.hk*. If you apply through **HK eIPO White Form,** the Hong Kong Offer Shares will be issued in your own name. Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at *www.hkeipo.hk*. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to the Company.

If you give **electronic application instructions** through the designated website at *www.hkeipo.hk,* you will have authorised the designated **HK eIPO White Form** Service Provider to apply on the terms and conditions set out in this prospectus as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

The designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at *www.hkeipo.hk*. You will be required to read, understand and agree to such terms and conditions, in full, prior to making any application.

By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to the Company and the Hong Kong Share Registrar.

You may submit an application through the **HK eIPO White Form** service in respect of a minimum of a board lot of 8,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than a board lot of 8,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at *www.hkeipo.hk*.

You should give **electronic application instructions** through **HK eIPO White Form** at the times set out under paragraphs headed "Time for Applying Through **HK eIPO White Form** Service" below in this section.

You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at *www.hkeipo.hk*. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 11 April 2012, or at such later time as described under this section entitled "Effect of Bad Weather on the Opening of the Application Lists" above, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at *www.hkeipo.hk*.

Warning: The application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and the **HK eIPO White Form** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to the Company or that you will be allotted any Hong Kong Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that your have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Further details are set out in the paragraphs headed "— V. How Many Applications You Can Make" in this section.

Time for Applying Through HK eIPO White Form Service

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Friday, 30 March 2012 until 11:30 a.m. on Wednesday, 11 April 2012 or such later time as described under the paragraph entitled "Effect of Bad Weather on the Opening of the Application Lists" above (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 11 April 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "— Effect of Bad Weather on the Opening of the Application Lists" above.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at *www.hkeipo.hk* after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Additional Information for Applicants Applying Through HK eIPO White Form

For the purposes of allocating the Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at www.hkeipo.hk.

IV. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

1. General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (*https://ip.ccass.com*) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

HKSCC's Customer Service Centre
2/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and its registrars.

2. Giving electronic application instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

- undertakes and agrees to accept the Hong Kong Offer Shares with respect to which that person has given **electronic application instructions** or any lesser number;

- undertakes and confirms that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instruction** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- understands that the above declaration will be relied upon by the Company, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- authorises the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- confirms that that person has only relied on the information and representations in this prospectus giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;

- agrees that the Company and the Directors are only liable for the information and representations contained in this prospectus and any supplement thereto;

- agrees to disclose that person's personal data to the Company and its registrars, receiving banker, advisers and agents and any information which they may require about that person;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

- agrees that that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or a public holiday in Hong Kong), unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by the Company;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares;

- agrees with the Company (for the Company itself and for the benefit of each shareholder of the Company) that Shares in the Company are freely transferable by the holders thereof; and

- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

3. Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

— instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participant) to apply for the Hong Kong Offer Shares on your behalf;

— instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designed bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Share paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

— instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

4. Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 8,000 Hong Kong Offer Shares. Such instructions in respect of more than 8,000 Hong Kong Offer Shares must be in one of the multiples set out in the table in the Application Forms.

6. Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 30 March 2012 — 9:00 a.m. to 8:30 p.m.(1)
Saturday, 31 March 2012 — 8:00 a.m. to 1:00 p.m.(1)
Monday, 2 April 2012 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 3 April 2012 — 8:00 a.m. to 8:30 p.m.(1)
Thursday, 5 April 2012 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 10 April 2012 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 11 April 2012 — 8:00 a.m. (1) to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 March 2012 until 12:00 noon on Wednesday, 11 April 2012 (24 hours daily, except the last application day).

7. Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon, Wednesday, 11 April 2012. If:

— a tropical cyclone warning signal number 8 or above; or

— a "black" rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon, Wednesday, 11 April 2012,

the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong during 9:00 a.m. to 12:00 noon on such day.

8. Allocation of Hong Kong Offer Shares

For the purpose of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit such instructions is given will be treated as an applicant.

9. Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

10. Personal data

The section of the Application Forms headed "Personal data" applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

11. Warning

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and any persons involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form; or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 11 April 2012 or such later date as stated in the sub-paragraph headed "Effect of Bad Weather on the Opening of the Application List" above.

12. If your apply through giving electronic application instructions to HKSCC

- No receipt will be issued for application money paid.

- If your application is wholly or partly successful, your **share certificates** will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant which you have instructed to **give electronic application instructions** on your behalf, on Tuesday, 17 April 2012 or under contingent situation, on any other date HKSCC or HKSCC Nominees chooses.

- The Company will publish the **application results of CCASS Participants** (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the public offer, in the newspapers on Tuesday, 17 April 2012. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 April 2012 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your broker or custodian to give electronic application instructions on your behalf**, you can also check the number of public offer shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.

- **If you are applying as a CCASS Investor Participant**, you can also check the number of public offer shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Tuesday, 17 April 2012. Immediately following the credit of the public offer shares to your stock account and the credit of the refund monies to your bank account), HKSCC will make available to you an activity statement showing the number of public offer shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

- The Company will not issue temporary documents of title.

V. HOW MANY APPLICATIONS YOU CAN MAKE

1. You may make more than one application for the Public Offer Shares only if:

   - You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked "For nominees" you must include:

     - an account number; or

     - some other identification code

for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit. Otherwise, multiple applications are not allowed and will be rejected.

2. All of your applications for the Public Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

- make more than one application (whether individually or jointly with others) on **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service; or

- both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service; or

- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service for more than 100% of the Hong Kong Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed "Structure of the Global Offering" in this prospectus; or

- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.

It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLOW** Application Form or submitting an **electronic application instruction** to HKSCC, or submitting your application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service, you:—

— (if the application is made for your own benefit) warrant that the application made pursuant to a **WHITE** or **YELLOW** Application Form or **electronic application instructions** is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or submitting an application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service; or

— (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirm that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or submitting an application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service, and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.

4. All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**). If an application is made by an unlisted company and:

(a) the only business of that company is dealing in securities; and

(b) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

(a) control the composition of the board of directors of that company; or

(b) control more than half of the voting power of that company; or

(c) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VI. EFFECT OF MAKING ANY APPLICATION

(a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles;

- represent and warrant that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing and submitting the Application Form and you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S of the US Securities Act 1933);

- confirm that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus (save as set out in any supplement to this prospectus) in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;

- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service (*www.hkeipo.hk*);

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, or to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service (*www.hkeipo.hk*), and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;

- agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by the Company;

- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;

- warrant the truth and accuracy of the information contained in your application;

- agree to disclose to the Company, the Hong Kong Share Registrar, receiving bankers, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters and any of their respective officers, advisers and agents any personal data and information which they require about you or the person(s) for whose benefit you have made the application;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- undertake and agree to accept the Hong Kong Offer Shares applied for, or any less number allocated to you under the application;

- authorise the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or the first-named applicant (in case of joint applicants) in the application by ordinary post at your own risk to the address stated in your application (unless you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your application that you wish to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person may do so from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Tuesday, 17 April 2012;

- authorise the Company to despatch e-Auto Refund payment instructions to the application payment account if you have completed payment of the **HK eIPO White Form** application monies from a single bank account; or authorise the Company to issue and despatch refund cheque(s) to the address given on the **HK eIPO White Form** application if you have completed payment of the application monies from multi-bank accounts;

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions set out in the Application Form and in this prospectus;

- agree that the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to the prospectus;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;

- agree with the Company and each Shareholder that Shares are freely transferable by the holders thereof;

- confirm that you are aware of the restrictions on the Hong Kong Offer Shares described in this prospectus;

- understand that these declarations and representations will be relied upon by the Company, the Sole Sponsor and the Sole Global Coordinator in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration; and

- agree that the processing of your application, may be done by any of the Company's receiving banks and is not restricted to the bank at which your application was lodged.

(b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:

  - any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

  - each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allocated Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allocated Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allocated Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allocated Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allocated Hong Kong Offer Shares at your own risk to the address stated on your Application Form by ordinary post or to make available the same for your collection;

  - each of HKSCC and HKSCC Nominees may adjust the number of allocated Hong Kong Offer Shares issued in the name of HKSCC Nominees;

  - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms; and

  - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things:

- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$0.60 per Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;

- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form;

- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf the following:

  — agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

  — undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

  — undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;

  — (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

— (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;

— understand that the above declaration will be relied upon by the Company, the Sole Sponsor and the Sole Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

— authorise the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

— confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

— confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

— agree that the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for, and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus;

— agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

— agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

— agree that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the fifth day after the closing of the application lists under the Hong Kong Public Offer such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that the Company will not offer any Hong Kong Offer Shares to any person before the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the closing of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offer made available by the Company; and

— agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

VII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees Limited on your behalf may only be revoked after the fifth business day after the time of the opening of the application lists of the Hong Kong Public Offer. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before that day except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth business day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **At the discretion of the Company or its agents or nominees, your application is rejected:**

The Company, the Sole Global Coordinator (on behalf of the Company) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. The Company, the Sole Global Coordinator (on behalf of the Company) or their respective agents or nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of the Hong Kong Offer Shares is void:**

Your allotment of the Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares in issue and to be issued as mentioned in this prospectus either:

— within three weeks from the closing of the application lists in respect of the Hong Kong Public Offer; or

— within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists in respect of the Hong Kong Public Offer.

- **Your application is rejected:**

  Your application will be rejected if:

  — it is a multiple or suspected multiple application;

  — your Application Form is not completed correctly in accordance with the instructions therein;

  — you or the person(s) for whose benefit you are applying have applied for and/or been allotted or will be allotted with the International Placing Shares;

  — your payment is not in the correct form;

  — you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;

  — the Company and the Sole Global Coordinator (on behalf of the Company) believe that the acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed or your address appeared in the Application Form is located;

  — you application is for more than 100% of the Hong Kong Offer Shares initially offered for public subscription in either pool A or pool B; or

  — any of the Underwriting Agreements does not become unconditional in accordance with its terms or is terminated in accordance with its terms.

  — your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instruction, terms and conditions set out in the designated website at *www.hkeipo.hk*;

VIII. PUBLICATION OF RESULTS AND DESPATCH/COLLECTION OF SHARE CERTIFICATES, REFUND CHEQUES AND E-AUTO REFUND PAYMENT INSTRUCTIONS

Publication of Results

The Company expects to announce (i) the Offer Price; (ii) the level of indications of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; (iv) the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer on Tuesday, 17 April 2012 on The Standard (in English) and Hong Kong Daily News (in Chinese) and our website at *www.synertone.net* and the website of the Stock Exchange at *www.hkexnews.hk*.

The results of allocations under the Hong Kong Public Offer will be available at the times, dates and the methods specified below by publishing the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants and the number of the Hong Kong Offer Shares successfully applied for:

- results of allocations for the Hong Kong Public Offer will be available from the Company's website at *www.synertone.net* and the website of the Stock Exchange at *www.hkexnews.hk* from 9:00 a.m. on Tuesday, 17 April 2012;

- results of allocations for the Hong Kong Public Offer will be available from the Company's designated results of allocations website at *www.tricor.com.hk/ipo/result* on a 24-hour basis from 8:00 a.m. on Tuesday, 17 April 2012 to 12:00 midnight on Monday, 23 April 2012. Users of this website will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation results;

- results of allocations will be available from the Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 17 April 2012 to Friday, 20 April 2012 (excluding Saturday, Sunday and public holiday in Hong Kong); and

- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours from Tuesday, 17 April 2012 to Thursday, 19 April 2012 at the branches of the receiving bankers whose addresses are set out in the paragraphs headed "— Where to Collect the Application Forms" above in this section.

Despatch/Collection of Share Certificates, Refund Cheques and e-Auto Refund Payment Instructions

If an application is rejected not accepted or accepted in part only, or if the Offer Price as finally determined is less than HK$0.60 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section entitled "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued with respect to the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

(a) for applications on **WHITE** or **YELLOW** Application Forms or through the **HK eIPO White Form** service (*www.hkeipo.hk*): (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: Share certificates for their Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third-party for refund purposes. Your banker may require verification of your Hong Kong Identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) with respect to wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and Share certificates for wholly and partially successful applicants under **WHITE** Application Forms or through the **HK eIPO White Form** service (*www.hkeipo.hk*) are expected to be posted on or around Tuesday, 17 April 2012. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Grounds for Termination" has not been exercised. You will receive one share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Form where share certificates will be deposited into CCASS).

(a) *If you apply using a* ***WHITE*** *Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 April 2012 or such other place and date as notified by the Company in the newspapers as the place and date of despatch/collection of share certificates, refund cheques and e-Auto Refund Payment Instructions. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/ or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 17 April 2012, by ordinary post and at your own risk.

(b) *If you apply using a* ***YELLOW*** *Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 17 April 2012, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, 17 April 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the newspapers on Tuesday, 17 April 2012. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 April 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(c) *If you apply using **HK eIPO White Form** service:*

If you have applied for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Provider through the designated website at *www.hkeipo.hk* and your application is wholly or partially successful, you may collect your share certificate(s) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 April 2012, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Auto Refund Payment Instructions/refund cheque(s).

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or, if you have applied for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your application that you will collect your share certificates in person, your share certificate(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* on Tuesday, 17 April 2012 by ordinary post and at your own risk.

If you have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being less than the Offer Price initially paid on your application, e-Auto Refund payment instructions (if any) will be despatched to your application payment bank account on Tuesday, 17 April 2012.

If you have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being less than the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on Tuesday, 17 April 2012 by ordinary post and at your own risk.

Please also note the additional information relating to the refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out in paragraphs headed "— Applying through the **HK eIPO White Form Service** — Additional Information for Applicants Applying Through HK eIPO White Form" below.

IX. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Wednesday, 18 April 2012.

The Shares will be traded in board lots of 8,000 Shares each.

The Stock Exchange stock code for the Shares is 1613.

X. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

CCIF

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

30 March 2012

The Directors
Synertone Communication Corporation
Emperor Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Synertone Communication Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Section I to III below, for inclusion in the prospectus of the Company dated 30 March 2012 (the "Prospectus") in connection with the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Financial Information comprises the consolidated statements of financial position of the Group as at 31 March 2009, 2010 and 2011 and 31 October 2011 and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information.

The Company was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation"), as set out in the section headed "History and Development and Reorganisation" to the Prospectus, which was completed on 27 December 2006, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

Details of the Company's direct and indirect interests in its subsidiaries at the date of this report and the respective names of their statutory auditors are set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 March as their financial year end date.

No audited financial statements have been prepared for the Company as it has not involved in any significant business transactions since its date of incorporation other than the Reorganisation. The financial statements of the principal subsidiaries of the Group that are subject to statutory audit were audited by independent auditors and the names of the statutory auditors of these companies are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and the companies now comprising the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have audited the Underlying Financial Statements for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements, on the basis set out in note 2 of Section II below, after making such adjustment as are appropriate.

DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the Financial Information for each of the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the Financial Information and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the Financial Information for the seven months ended 31 October 2010, our responsibility is to express a conclusion on the Financial Information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the 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.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 October 2011.

OPINION

In our opinion, the Financial Information, for the purpose of this report and presented on the basis set out in note 2 of Section II below, gives a true and fair view of the state of affairs of the Group as at 31 March 2009, 2010 and 2011 and 31 October 2011, and of the Group's results and cash flows for the Track Record Period.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the Financial Information for the seven months ended 31 October 2010, for the purpose of this report and presented on the basis set out in note 2 of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in note 4 of Section II below which are in conformity to HKFRSs.

I FINANCIAL INFORMATION

1. Consolidated Income Statements

	Section II	Year ended 31 March			Seven months ended 31 October	
	Note	**2009**	**2010**	**2011**	**2010**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Turnover	6	161,558	214,447	218,824	116,197	102,371
Cost of sales		(61,352)	(87,450)	(75,743)	(35,620)	(42,044)
Gross profit		100,206	126,997	143,081	80,577	60,327
Other revenue	7	679	4,916	15,185	13,255	2,507
Selling and distribution expenses		(10,306)	(8,121)	(14,583)	(6,919)	(6,735)
Administrative expenses		(34,748)	(26,200)	(26,783)	(13,950)	(15,790)
Research and development expenditure	8(c)	(9,940)	(10,748)	(17,392)	(9,944)	(9,268)
Profit from operations		45,891	86,844	99,508	63,019	31,041
Finance costs	8(a)	(437)	(819)	(1,378)	(865)	(966)
Profit before taxation	8	45,454	86,025	98,130	62,154	30,075
Income tax	9	(12,945)	(17,882)	(25,277)	(13,417)	(10,603)
Profit for the year/period		32,509	68,143	72,853	48,737	19,472
Attributable to:						
Owners of the Company		32,509	68,143	72,853	48,737	19,472
Non-controlling interests		—	—	—	—	—
		32,509	68,143	72,853	48,737	19,472
		HK (cents)	*HK (cents)*	*HK (cents)*	*HK (cents)*	*HK (cents)*
Earnings per share	13					
— Basic		4.01	8.41	8.88	6.02	2.16
— Diluted		3.61	7.57	8.10	5.41	2.16

The accompanying notes from pages I-13 to I-93 form part of the Financial Information.

2. Consolidated Statements of Comprehensive Income

	Section II	Year ended 31 March			Seven months ended 31 October	
	Note	**2009**	**2010**	**2011**	**2010**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Profit for the year/period		32,509	68,143	72,853	48,737	19,472
Other comprehensive income for the year/period:						
Exchange differences arising on translation of financial statements of foreign operations		1,238	1,143	5,677	2,285	5,548
Total comprehensive income for the year/period		33,747	69,286	78,530	51,022	25,020
Attributable to:						
Owners of the Company		33,747	69,286	78,530	51,022	25,020
Non-controlling interests		—	—	—	—	—
		33,747	69,286	78,530	51,022	25,020

The accompanying notes from pages I-13 to I-93 form part of the Financial Information.

3. **Consolidated Statements of Financial Position**

	Section II	As at 31 March			As at 31 October
	Note	2009	2010	2011	2011
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	15	12,786	10,874	10,596	9,016
Intangible assets	16	6,852	16,434	15,286	12,172
		19,638	27,308	25,882	21,188
Current assets					
Inventories	17(a)	24,791	22,331	16,358	18,026
Trade and other receivables	18	124,063	234,787	154,124	142,417
Amount due from ultimate holding company	28(b)	—	—	80	—
Amounts due from related companies	28(b)	—	40	40	—
Amount due from a director	28(b)	683	—	—	—
Tax recoverable	22(a)	1,355	837	5,372	6,734
Cash and cash equivalents	19	3,766	1,717	57,689	84,827
		154,658	259,712	233,663	252,004
Current liabilities					
Trade and other payables	20	8,573	30,551	27,277	27,805
Amount due to ultimate holding company	28(b)	84,918	128,913	—	—
Amounts due to directors	28(b)	50	849	11,569	—
Tax payable	22(a)	7,093	18,310	23,148	22,027
Bank overdrafts	19	12,629	16,076	16,022	10,143
Bank borrowings due within one year	21	—	5,243	8,682	19,474
		113,263	199,942	86,698	79,449
Net current assets		41,395	59,770	146,965	172,555
Total assets less current liabilities		61,033	87,078	172,847	193,743
Non-current liabilities					
Deferred tax liabilities	22(b)	3,279	3,038	10,277	6,153
		3,279	3,038	10,277	6,153
Net assets		57,754	84,040	162,570	187,590

	Section II Note	As at 31 March 2009	2010	2011	As at 31 October 2011
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves					
Share capital	23(b)	100	100	9,000	9,000
Reserves	23(a)	57,654	83,940	153,570	178,590
Equity attributable to owners of the Company		57,754	84,040	162,570	187,590
Non-controlling interests		—	—	—	—
Total equity		57,754	84,040	162,570	187,590

The accompanying notes from pages I-13 to I-93 form part of the Financial Information.

4. Consolidated Statements of Changes in Equity

		Attributable to owners of the Company									
	Section II Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Share-based payments reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2008		100	—	(90)	14,274	10,437	32,563	17,723	75,007	(3)	75,004
Comprehensive income											
Profit for the year		—	—	—	—	—	—	32,509	32,509	—	32,509
Other comprehensive income											
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	—	1,238	—	—	1,238	—	1,238
Total comprehensive income for the year		—	—	—	—	1,238	—	32,509	33,747	—	33,747
Transactions with owners											
Contribution from consultants pursuant to the pre-IPO share option arrangement	24(e)	—	—	—	—	—	1,000	—	1,000	—	1,000
Dividend declared	12	—	—	—	—	—	—	(52,000)	(52,000)	—	(52,000)
Disposal of a subsidiary	29	—	—	—	—	—	—	—	—	3	3
Appropriations to statutory reserve		—	—	—	2,093	—	—	(2,093)	—	—	—
Total transactions with owners		—	—	—	2,093	—	1,000	(54,093)	(51,000)	3	(50,997)
At 31 March 2009 and 1 April 2009		100	—	(90)	16,367	11,675	33,563	(3,861)	57,754	—	57,754
Comprehensive income											
Profit for the year		—	—	—	—	—	—	68,143	68,143	—	68,143
Other comprehensive income											
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	—	1,143	—	—	1,143	—	1,143
Total comprehensive income for the year		—	—	—	—	1,143	—	68,143	69,286	—	69,286
Transactions with owners											
Contribution from senior management pursuant to the pre-IPO share option arrangement	24(e)	—	—	—	—	—	20,000	—	20,000	—	20,000
Dividend declared	12	—	—	—	—	—	—	(63,000)	(63,000)	—	(63,000)
Appropriations to statutory reserve		—	—	—	1,611	—	—	(1,611)	—	—	—
Total transactions with owners		—	—	—	1,611	—	20,000	(64,611)	(43,000)	—	(43,000)
At 31 March 2010 and 1 April 2010		100	—	(90)	17,978	12,818	53,563	(329)	84,040	—	84,040
Comprehensive income											
Profit for the year		—	—	—	—	—	—	72,853	72,853	—	72,853
Other comprehensive income											
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	—	5,677	—	—	5,677	—	5,677
Total comprehensive income for the year		—	—	—	—	5,677	—	72,853	78,530	—	78,530
Transaction with owners											
Issue of shares under the pre-IPO share option arrangement	24(e)	900	52,663	—	—	—	(53,563)	—	—	—	—
Issue of bonus shares		8,000	—	—	—	—	—	(8,000)	—	—	—
Total transactions with owners		8,900	52,663	—	—	—	(53,563)	(8,000)	—	—	—
At 31 March 2011 and 1 April 2011		9,000	52,663	(90)	17,978	18,495	—	64,524	162,570	—	162,570

	Section II Note	Attributable to owners of the Company									
		Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Share-based payments reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2011		9,000	52,663	(90)	17,978	18,495	—	64,524	162,570	—	162,570
Comprehensive income											
Profit for the period		—	—	—	—	—	—	19,472	19,472	—	19,472
Other comprehensive income											
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	—	5,548	—	—	5,548	—	5,548
Total comprehensive income for the period		—	—	—	—	5,548	—	19,472	25,020	—	25,020
At 31 October 2011		9,000	52,663	(90)	17,978	24,043	—	83,996	187,590	—	187,590
At 1 April 2010		100	—	(90)	17,978	12,818	53,563	(329)	84,040	—	84,040
Comprehensive income											
Profit for the period		—	—	—	—	—	—	48,737	48,737	—	48,737
Other comprehensive income											
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	—	2,285	—	—	2,285	—	2,285
Total comprehensive income for the period		—	—	—	—	2,285	—	48,737	51,022	—	51,022
At 31 October 2010 (Unaudited)		100	—	(90)	17,978	15,103	53,563	48,408	135,062	—	135,062

The accompanying notes from pages I-13 to I-93 form part of the Financial Information.

5. **Consolidated Statements of Cash Flows**

	Section II	**Year ended 31 March**			**Seven months ended 31 October**	
	Note	**2009**	**2010**	**2011**	**2010**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Operating activities						
Profit before taxation		45,454	86,025	98,130	62,154	30,075
Adjustments for:						
Interest income	7	(33)	(9)	(97)	(3)	(85)
Finance costs	8(a)	437	819	1,378	865	966
Amortisation of intangible assets	8(c)	6,703	6,378	6,159	3,752	3,114
Depreciation of property, plant and equipment	8(c)	3,125	3,177	3,390	1,922	2,061
Loss on disposal of property, plant and equipment	8(c)	257	—	102	—	510
Write down of inventories	17(b)	197	3,422	1,370	570	—
Gain on disposal of a subsidiary	7	(10)	—	—	—	—
Operating cash flows before changes in working capital		56,130	99,812	110,432	69,260	36,641
(Increase)/decrease in inventories		(11,683)	(962)	4,603	(6,011)	(1,668)
(Increase)/decrease in trade and other receivables		(44,130)	(119,744)	83,978	132,578	9,707
(Increase)/decrease in amounts due from related companies		—	(40)	—	—	40
(Increase)/decrease in amounts due from/(to) directors		(651)	1,482	10,720	(1,076)	(11,569)
Increase/(decrease) in trade and other payables		2,791	21,978	(6,145)	(2,322)	3,699
Cash generated from operations		2,457	2,526	203,588	192,429	36,850
Income tax paid						
Hong Kong Profits Tax		(4,092)	(4,356)	(7,538)	(665)	(1,362)
PRC Enterprise Income Tax		(3,435)	(2,102)	(10,959)	(7,949)	(16,350)
Net cash (used in)/generated from operating activities		(5,070)	(3,932)	185,091	183,815	19,138

	Section II	Year ended 31 March			Seven months ended 31 October	
	Note	**2009**	**2010**	**2011**	**2010**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Investing activities						
Proceeds from disposal of property, plant and equipment		—	30	—	31	—
Payment for acquisition of property, plant and equipment		(4,376)	(1,145)	(2,751)	(2,068)	(695)
Payment for acquisition of intangible assets		(1,600)	(5,380)	(2,140)	—	(1,171)
Prepayment for acquisition of intangible assets		(10,580)	(1,560)	(3,315)	(1,755)	—
Interest received		33	9	97	3	85
Net cash used in investing activities		(16,523)	(8,046)	(8,109)	(3,789)	(1,781)
Financing activities						
Change in current account with ultimate holding company		—	(5)	—	—	80
Contribution from senior management and consultants pursuant to the pre-IPO share option arrangement		1,000	20,000	—	—	—
Proceeds from new bank borrowings		—	6,000	11,580	11,645	14,992
Repayment of bank borrowings		—	(757)	(8,141)	(6,620)	(4,200)
Dividend paid		(25,000)	(19,000)	(128,993)	(127,490)	—
Interest paid		(437)	(819)	(1,378)	(865)	(966)
Net cash (used in)/from financing activities		(24,437)	5,419	(126,932)	(123,330)	9,906
Net (decrease)/increase in cash and cash equivalents for the year/period		(46,030)	(6,559)	50,050	56,696	27,263

	Section II	Year ended 31 March			Seven months ended 31 October	
	Note	**2009**	**2010**	**2011**	**2010**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Cash and cash equivalents at beginning of the year/period		36,026	(8,863)	(14,359)	(14,359)	41,667
Effect of changes in foreign exchange rate		1,141	1,063	5,976	2,343	5,754
Cash and cash equivalents at end of the year/period		(8,863)	(14,359)	41,667	44,680	74,684
Analysis of the balances of cash and cash equivalents						
Cash and bank balances	19	3,766	1,717	57,689	59,909	84,827
Bank overdrafts	19	(12,629)	(16,076)	(16,022)	(15,229)	(10,143)
		(8,863)	(14,359)	41,667	44,680	74,684

The accompanying notes from pages I-13 to I-93 form part of the Financial Information.

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-111, Cayman Islands and 2-4/F., Building 1, Luohu Second Science Park, 1028 Buji Road, Luohu District, Shenzhen, the People's Republic of China (the "PRC") respectively.

The Group is principally engaged in the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies and providing a total solution of specialised communication system, including digital trunking system, Very Small Aperture Terminal ("VSAT") satellite system and operation integrated system (the "Relevant Businesses") during the Track Record Period.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Excel Time Investments Limited ("Excel Time") which is incorporated in the British Virgin Islands (the "BVI") and is wholly owned by Mr. Wong Chit On (the "Founder").

Prior to the incorporation of the Company, the Relevant Businesses were carried out by certain subsidiaries (the "Relevant Subsidiaries") now comprising the Group, which were substantially owned and controlled by the Founder.

In order to rationalise the current corporate structure of the Group, the following principal steps were undertaken to transfer the interests in the Relevant Subsidiaries owned by the Founder to the Company:

a) On 29 September 2006, Excel Time acquired 30% interest in Synertone Group Holdings Limited ("Synertone Group") from Yusman Limited ("Yusman") for a consideration of HK$15,921,000. After the aforesaid acquisition of shares, Mr. Wong Chit On became the sole beneficial owner through Excel Time of the entire issued share capital of Synertone Group;

b) The Company was incorporated on 11 October 2006; and

c) On 22 December 2006, the Company as the purchaser and Excel Time as the vendor entered into an agreement whereby the Company acquired the entire issued share capital of Synertone Group from Excel Time on 27 December 2006 in consideration of and in exchange for which the Company credited the 10,000,000 shares held by Excel Time as fully paid. Upon the acquisition, the Company has become the holding company of the Relevant Subsidiaries of the Group.

The Reorgainisation was completed on 27 December 2006 and further details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section "History and Development and Reorganisation" of the Prospectus of the Company dated 30 March 2012.

Following the Reorganisation, the Company has become the holding company of the Group. A list of the subsidiaries comprising the Group for the Track Record Period is set out below.

Name of subsidiary	Place and date of incorporation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form	Statutory auditors for the respective financial years
			Direct	Indirect			
Synertone Group Holdings Limited ("Synertone Group")	Hong Kong 12 December 2001	HK$10,000	100%	—	Investment holding	Private limited liability company	Years ended 31 March 2009, 2010 and 2011: CCIF CPA Limited
Vastsuccess Holdings Limited ("Vastsuccess")	BVI 8 September 2000	US$1	—	100%	Investment holding	Private limited liability company	N/A
Radio World Holding Limited ("Radio World")	BVI 18 August 1999	US$1,000	—	100%	Investment holding	Private limited liability company	N/A
Synertone Communication Limited ("Synertone Communication")	Hong Kong 21 November 2001	HK$10,000	—	100%	Trading of specialised communication systems and investment holding	Private limited liability company	Years ended 31 March 2009, 2010 and 2011: CCIF CPA Limited
Synertone Wireless Limited ("Synertone Wireless")	Hong Kong 21 November 2001	HK$10,000	—	100%	Trading of specialised communication systems and investment holding	Private limited liability company	Years ended 31 March 2009, 2010 and 2011: CCIF CPA Limited
Best Tender Limited ("Best Tender")*	Hong Kong 10 March 2005	HK$10,000	—	60%	Not yet commenced business	Private limited liability company	N/A
協同迅達電子科技(深圳)有限公司 ("Synertone Soontend Electronic (Shenzhen) Company Limited") ("Synertone Soontend")	PRC 5 February 2002	HK$16,000,000	—	100%	Design, research and development, production and sales of specialised communication, equipment and systems and systems technologies	Wholly-owned foreign enterprise	Years ended 31 December 2008, 2009 and 2010: Shenzhen CCTY Certified Public Accountants ("深圳正大華明會計師事務所")
協同智迅通信技術(深圳)有限公司 ("Synertone Smartend Communication Technology (Shenzhen) Company Limited") ("Synertone Smartend")	PRC 6 February 2002	HK$15,000,000	—	100%	Design, research and development, production and sales of specialised communication, equipment and systems and systems technologies	Wholly-owned foreign enterprise	Years ended 31 December 2008, 2009 and 2010: Shenzhen CCTY Certified Public Accountants ("深圳正大華明會計師事務所")

* Disposed on 10 September 2008

The Company, Vastsuccess and Radio World were incorporated in countries where there is no statutory requirement to have their financial statements audited.

2. BASIS OF PREPARATION

These Financial Information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The principal operations of the Group are conducted in the PRC and Hong Kong. The Financial Information is presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, while the functional currency of the subsidiaries incorporated in the PRC is Renminbi ("RMB"). The directors consider that presenting Financial Information in HK$ is preferable in terms of controlling and monitoring the performance and financial position of the Group and in reporting to Excel Time whose functional currency is HK$.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are disclosed in note 5.

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

The Group has adopted all of the new and revised standards, amendments and interpretation issued by the HKICPA, which are effective for the accounting periods beginning on 1 April 2011 in the preparation of Financial Information throughout the Track Record Period.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 April 2011.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2012.

3 Effective for annual periods beginning on or after 1 July 2012.

4 Effective for annual periods beginning on or after 1 January 2013.

5 Effective for annual periods beginning on or after 1 January 2014.

6 Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Group is in the process of making an assessment of what the impact of the other new and revised standards, and amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with notes 4(j), (k) or (n) depending on the nature of the liability.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 4(e)(ii)).

b) **Property, plant and equipment**

Property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment losses (see note 4(e)(ii)).

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

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

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

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

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

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

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

c) **Intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 4(q)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 4(e)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the statements of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 4(e)(ii)).

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

Technical know-how for digital trunking system	3 - 5 years
Technical know-how for VSAT satellite system	5 years
Administrative system costs	5 years

Both the period and method of amortisation are reviewed annually.

d) **Leased assets**

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

i) *Classification of assets leased to the Group*

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

ii) *Operating lease charges*

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

e) **Impairment of assets**

i) *Impairment of receivables*

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

ii) *Impairment of other assets*

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

— property, plant and equipment;

— intangible assets; and

— investments in subsidiaries.

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

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

f) **Inventories**

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

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

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

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

g) **Contract work in progress**

Contact work in progress refers to the contracts specifically negotiated with a customer for the contract work of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 4(o)(ii). When the outcome of a contract work in progress can be estimated reliably, contract costs are recognised as an expense as by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a contract work in progress cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Contract work in progress at the end of the reporting period is recorded in the statements of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and is presented in the statements of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the statements of financial position under "Trade and other receivables". Amounts received before the related work is performed are included in the statements of financial position as a liability, as "Advances received".

h) **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 4(e)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 4(e)(i)).

i) **Cash and cash equivalents**

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

j) **Interest-bearing borrowings**

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

k) **Trade and other payables**

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

l) **Employee benefits**

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

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

ii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

iii) *Share-based payments*

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

The fair value of share options granted to consultants is recognised as consultancy expenses with a corresponding increase in share-based payments reserve within equity. The fair value is measured at the fair value of the consultancy services received at the grant date based on the past or estimated financial performances of the relevant products.

The equity amount is recognised in the share-based payments reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

m) **Income tax**

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

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

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

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

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

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

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

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

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

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

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

  — the same taxable entity; or

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

n) **Provisions and contingent liabilities**

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

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

o) **Revenue recognition**

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

i) *Sale of goods*

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

ii) *Contract revenue*

When the outcome of a contract work in progress can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

When the outcome of a contract work in progress cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

iii) *Interest income*

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

iv) *Government grants*

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to specialised communication business with no future related costs are recognised in profit or loss in the period in which they become receivable.

v) *Business and value-added taxes refund*

Business and value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

p) **Translation of foreign currencies**

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

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

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

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

q) **Borrowing costs**

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

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

r) **Related parties**

For the purposes of the Financial Information, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in note 4(r)(i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

s) **Segment reporting**

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 4, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

i) ***Estimation of impairment of non-current assets***

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the amount of the provision of impairment loss and affect the Group's results in future years. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the carrying amounts of property, plant and equipment and intangible assets were approximately HK$19,638,000, HK$27,308,000, HK$25,882,000 and HK$21,188,000 respectively in total.

ii) ***Useful lives and residual values of property, plant and equipment***

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment in accordance with accounting policy stated in note 4(b). The Group will revise the depreciation charge where useful lives and residual values are different from the previous estimates, or will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the carrying amounts of property, plant and equipment were approximately HK$12,786,000, HK$10,874,000, HK$10,596,000 and HK$9,016,000 respectively.

iii) ***Amortisation of intangible assets***

Intangible assets are amortised on a straight-line basis over their estimated useful lives in accordance with accounting policy stated in note 4(c). The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the carrying amounts of intangible assets were approximately HK$6,852,000, HK$16,434,000, HK$15,286,000 and HK$12,172,000 respectively.

iv) ***Net realisable value of inventories***

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of the estimated selling price less the estimated cost necessary to make the sale. The directors estimated the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the carrying amounts of inventories were approximately HK$24,791,000, HK$22,331,000, HK$16,358,000 and HK$18,026,000 respectively.

v) ***Estimation of impairment of trade receivables***

The policy for recognising impairment on receivables of the Group is based on an evaluation of the collectability and ageing analysis of the trade receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. As at 31 March 2009, 2010 and 2011 and 31 October 2011, the carrying amounts of trade receivables were approximately HK$100,390,000, HK$221,730,000, HK$130,500,000 and HK$115,025,000 respectively.

vi) ***Estimation of provision for warranty***

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

vii) ***Valuation of share options***

As described in note 24 to the Financial Information, the Company has engaged an independent professional qualified valuers to assist in the valuation of the share options granted to the senior management on 30 December 2006. The fair value of option granted to the senior management under the pre-IPO share option arrangement is determined using the binomial lattice model. The significant inputs into the model were the weighted average share price at the grant date, risk-free interest rate, exercise price, expected volatility of the underlying shares, expected dividend yield and expected life of share options.

In addition, the fair value of option granted to the consultants under the pre-IPO share option arrangement is determined by the directors based on the past and estimated financial performances of the relevant products. The significant bases on estimated financial performances were the expected profits of the relevant products at the grant date.

b) **Critical accounting judgements in applying the Group's accounting policies**

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

i) ***Taxation and deferred taxation***

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

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax in the periods in which such estimate is changed. In this regard, no deferred tax assets was recognised by the Group as at 31 March 2009, 2010 and 2011 and 31 October 2011, and the Group has recognised deferred tax liabilities of approximately HK$3,279,000, HK$3,038,000, HK$10,277,000 and HK$6,153,000 as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively.

ii) ***Withholding taxes arising from the distributions of dividends***

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. As mentioned in details in note 9(a)(iv), the Directors considered that, withholding taxes have been provided for approximately HK$2,751,000, HK$2,642,000, HK$10,013,000 and HK$5,966,000 as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively.

6. TURNOVER

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

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Digital trunking system	94,907	104,654	174,503	92,236	87,575
VSAT satellite system	48,008	100,139	38,329	18,174	13,796
Operation integrated system	9,977	1,933	—	—	—
Systems technologies	8,646	7,346	5,818	5,750	—
Other accessory parts and components	20	375	174	37	1,000
	161,558	214,447	218,824	116,197	102,371

7. OTHER REVENUE

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income (note a)	33	9	97	3	85
Government grants (note b)	120	327	219	—	611
Gain on disposal of a subsidiary (note 29)	10	—	—	—	—
Business and value-added taxes refund	339	3,967	14,743	13,128	1,745
Sundry income	177	613	126	124	66
	679	4,916	15,185	13,255	2,507

Note:

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

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

8. PROFIT BEFORE TAXATION

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

a) **Finance costs**

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Total interest expense on financial liabilities not at fair value through profit or loss					
Interest expense on bank borrowings wholly repayable within five years	437	819	1,378	865	966

b) **Staff costs (including directors' remuneration in note 10)**

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, wages and other benefits	38,364	33,401	47,590	25,042	28,333
Retirement benefit scheme contributions	1,282	918	1,792	1,363	812
	39,646	34,319	49,382	26,405	29,145

As stipulated by the regulations in the PRC, the Group is required to participate in employee pension schemes organised by the PRC government whereby the Group is required to pay annual contributions at a rate of 11% of the standard wages determined by the relevant authorities in the PRC during the Track Record Period.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

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

c) **Other items**

	Year ended 31 March			**Seven months ended 31 October**	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Auditor's remuneration	149	179	178	45	155
Cost of inventories (note 17(b))	61,352	87,450	75,743	35,620	42,044
Amortisation of intangible assets	6,703	6,378	6,159	3,752	3,114
Depreciation of property, plant and equipment	3,125	3,177	3,390	1,922	2,061
Loss on disposal of property, plant and equipment	257	—	102	—	510
Net exchange loss/(gain)	708	(54)	(687)	(673)	(428)
Operating lease charges in respect of leased property	3,421	3,626	4,720	2,901	2,410
Research and development expenditure*	9,940	10,748	17,392	9,944	9,268

* Research and development expenditure for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2010 (Unaudited) and 2011 included approximately HK$7,190,000, HK$7,692,000, HK$13,809,000, HK$7,457,000 and HK$6,782,000 respectively relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 8(b).

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

a) Income tax in the consolidated income statements represents:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current tax - Hong Kong Profits Tax					
Provision for the year/ period (note 22(a))	2,662	4,598	919	333	—
Current tax - PRC Enterprise Income Tax ("EIT")					
Provision for the year/ period (note 22(a))	7,004	13,525	17,119	7,101	14,727
Deferred taxation					
Origination and reversal of temporary differences (note 22(b))	3,279	(241)	7,239	5,983	(4,124)
	12,945	17,882	25,277	13,417	10,603

i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands during the Track Record Period.

ii) On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong Profits Tax has been provided for in the Financial Information at the rate of 16.5% on the estimated assessable profit for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2010 (Unaudited) and 2011.

iii) Prior to 1 January 2008, PRC entities are generally subject to PRC EIT at 33%, consisting of 30% state tax and 3% local tax, one of the PRC subsidiaries of the Group, being the foreign invested "encouraged hi-tech enterprise" was entitled to a preferential income tax rate of 15% and the other PRC subsidiary was granted a full exemption from income tax for two years from 1 January 2003 to 31 December 2004 followed by a 50% exemption from income tax rate for three years from 1 January 2005 to 31 December 2007 (i.e. income tax rate of 7.5%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which was effective on 1 January 2008. As a result of the New Tax Law, the existing preferential tax rate currently enjoyed by the PRC subsidiaries of the Group is gradually transited to the new standard rate of 25% over a five-year transitional period and Synertone Soontend was taxable at the transitional preferential tax rates of 18% and 20% for the period from 1 January 2008 to 31 December 2008 and for the period from 1 January 2009 to 31 December 2009 respectively. During the period from 1 January 2010 to 31 October 2011, Synertone Soontend enjoyed the preferential tax rate of 15%. Synertone Smartend fully enjoyed the preferential tax rate of 15% for the period from 1 January 2008 to 31 October 2011. Both PRC subsidiaries will be taxable at the preferential tax rate of 15% for the year ending 31 March 2012 after the Track Record Period.

iv) Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% on 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. Deferred tax liabilities of approximately HK$2,751,000, HK$2,642,000, HK$10,013,000 and HK$5,966,000 in respect of the withholding income tax on dividend to be paid out of earnings not yet distributed since 1 January 2008 has been recognised by the Group for the year ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 respectively.

b) Reconciliation between income tax charge and accounting profit at applicable tax rates is as follows:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before taxation	45,454	86,025	98,130	62,154	30,075
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	7,180	13,566	15,501	9,233	4,389
Tax effect of non-deductible expenses	3,261	2,749	3,808	1,163	1,084
Tax effect of non-taxable income	(1,158)	(2,666)	(3,489)	(3,396)	(140)
Tax effect of temporary differences	43	3	—	(1)	30
Tax effect of unused tax losses not recognised	861	—	322	356	1,453
Tax effect of utilisation of tax losses not recognised	—	(850)	—	—	—
Tax effect of tax loss not allowed for tax deduction	7	36	19	2	—
Withholding tax on dividend	2,751	5,044	9,116	6,060	3,787
Income tax expense	12,945	17,882	25,277	13,417	10,603

10. DIRECTORS' REMUNERATION

The directors of the Company were members of the senior management of the Group throughout the Track Record Period and they have been disclosed in the Financial Information as if they had already been appointed at the beginning of the Track Record Period. Details of the remuneration of directors during the Track Record Period are as follows:

	Year ended 31 March 2009				
	Fees	**Salaries allowances, and benefits in kind**	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Chit On	—	2,300	—	12	2,312
Ni Yun Zi	—	550	—	12	562
Lu Zhijie	—	—	—	—	—
Han Weining	—	—	—	—	—
Independent non-executive directors					
Lam Ying Hung Andy	—	—	—	—	—
Mao Zhigang	—	—	—	—	—
Hu Yunlin	—	—	—	—	—
	—	2,850	—	24	2,874

	Year ended 31 March 2010				
	Fees	**Salaries allowances, and benefits in kind**	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Chit On	—	2,400	—	12	2,412
Ni Yun Zi	—	600	—	12	612
Lu Zhijie	—	—	—	—	—
Han Weining	—	—	—	—	—
Independent non-executive directors					
Lam Ying Hung Andy	—	—	—	—	—
Mao Zhigang	—	—	—	—	—
Hu Yunlin	—	—	—	—	—
	—	3,000	—	24	3,024

	Year ended 31 March 2011				
	Fees	**Salaries allowances, and benefits in kind**	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Chit On	—	3,164	—	12	3,176
Ni Yun Zi	—	900	—	12	912
Lu Zhijie	—	—	—	—	—
Han Weining	—	—	—	—	—
Independent non-executive directors					
Lam Ying Hung Andy	—	—	—	—	—
Mao Zhigang	—	—	—	—	—
Hu Yunlin	—	—	—	—	—
	—	4,064	—	24	4,088

	Seven months ended 31 October 2010 (Unaudited)				
	Fees	**Salaries allowances, and benefits in kind**	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Chit On	—	1,650	—	7	1,657
Ni Yun Zi	—	500	—	7	507
Lu Zhijie	—	—	—	—	—
Han Weining	—	—	—	—	—
Independent non-executive directors					
Lam Ying Hung Andy	—	—	—	—	—
Mao Zhigang	—	—	—	—	—
Hu Yunlin	—	—	—	—	—
	—	2,150	—	14	2,164

	Seven months ended 31 October 2011				
	Fees	**Salaries allowances, and benefits in kind**	**Bonus**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Chit On	—	2,014	—	7	2,021
Ni Yun Zi	—	560	—	7	567
Lu Zhijie	—	—	—	—	—
Han Weining	—	—	—	—	—
Independent non-executive directors					
Lam Ying Hung Andy	—	—	—	—	—
Mao Zhigang	—	—	—	—	—
Hu Yunlin	—	—	—	—	—
		2,574	—	14	2,588

During the Track Record Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 11 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the years ended 31 March 2009, 2010 and 2011 and seven months ended 31 October 2010 (Unaudited) and 2011 included 2, 2, 2, 2 and 2 directors of the Company respectively, whose emoluments are disclosed in note 10. Details of the emoluments paid to the remaining highest paid individuals are as follows:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, allowance and benefits in kind	2,065	2,270	1,726	1,240	830
Bonus	1,377	538	350	—	—
Retirement benefit scheme contributions	12	30	40	33	32
	3,454	2,838	2,116	1,273	862

The emoluments of these remaining highest paid individuals are within the following bands:

	Number of individuals				
	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
				(Unaudited)	
HK$Nil to HK$1,000,000	1	2	3	3	3
HK$1,000,001 to HK$1,500,000	1	—	—	—	—
HK$1,500,001 to HK$2,000,000	1	1	—	—	—
	3	3	3	3	3

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation, except for the years ended 31 March 2008, 2009, 2010 and 2012. Details of dividends attributable to each of the financial period of the Track Record Period are as follows:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Final dividends declared and paid	52,000	63,000	—	—	—
Interim dividends proposed after the end of the reporting period	—	—	—	—	27,000
	52,000	63,000	—	—	27,000

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

The directors consider that the dividend payments made during the Track Record Period are not indicative of the future dividend policy of the Company.

13. BASIC AND DILUTED EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2010 (Unaudited) and 2011 is based on the profits attributable to owners of the Company for the respective periods and the weighted average number of 810,000,000, 810,000,000, 820,603,000, 810,000,000 and 900,000,000 ordinary shares in issue for the respective periods, calculated as follows:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
Profits attributable to owners of the Company	32,509	68,143	72,853	48,737	19,472

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	'000	*'000*	*'000*	*'000*	*'000*
Issued ordinary shares at beginning of the year/period	10,000	10,000	10,000	10,000	100,000
Effect of issue of shares by bonus issue	800,000	800,000	800,000	800,000	800,000
Effect of issue of shares by pre-IPO share option arrangement	—	—	10,603	—	—
Weighted average number of ordinary shares at the end of the year/period	810,000	810,000	820,603	810,000	900,000

b) **Diluted earnings per share**

The calculation of diluted earnings per share for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2010 (Unaudited) and 2011 is based on the profits attributable to owners of the Company for the respective periods and the weighted average number of 900,000,000, 900,000,000, 900,000,000, 900,000,000 and 900,000,000 ordinary shares in issue for the respective periods, calculated as follows:

	Year ended 31 March			**Seven months ended 31 October**	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profits attributable to owners of the Company	32,509	68,143	72,853	48,737	19,472

	Year ended 31 March			**Seven months ended 31 October**	
	2009	**2010**	**2011**	**2010**	**2011**
	'000	*'000*	*'000*	*'000*	*'000*
Weighted average number of ordinary shares at the end of the year/period	810,000	810,000	820,603	810,000	900,000
Effect of issue of shares by pre-IPO share option arrangement	90,000	90,000	79,397	90,000	—
Weighted average number of ordinary shares (diluted) at the end of the year/period	900,000	900,000	900,000	900,000	900,000

14. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. On adoption of HKFRS 8, Operating segments, and in a manner consistent with the way in which information is reported internally to the Chairman, who has been identified as the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments:

Digital trunking system	: Digital trunking system is designed to meet the demand from governmental departments or agencies, public utilities institutions and business enterprises for public safety and emergency communication, mainly consists of CITONE digital trunking radio communication system, WITONE digital trunking radio communication system and DITONE digital trunking radio communication system. Based on the specifications of customers, the Group offers a range of core components forming digital trunking system which can be operated under direct network, transmission network, single base station trunking network, single area multiple base stations network and multi-area network. Different modes of digital trunking system can be set up and operated with various combinations of components addressing particular needs of users.
VSAT satellite system	: VSAT satellite system is a component of the specialised communication system. In 2007, the Group developed and launched to the market its VSAT satellite system. VSAT satellite antenna is a major component of the VSAT satellite system which enables and maintains communication under in-motion mode. With different models of VSAT satellite antenna, the Group offers different VSAT satellite systems including (a) VSAT low speed satellite transmission system; (b) VSAT high speed dynamic digital satellite system and (c) VSAT high speed stationary digital satellite system.
Operation integrated system	: Operation integrated system consists of vehicle installed with digital trunking system and VSAT satellite system serving as a control centre. The system relies on the communication chain of satellite and enables the wireless and wireline communication among the users within the system without public network. The operation integrated system also contains exchange system (交換系統) which serves as the linkage between other networks (such as the linkage between the trunking system and the public network) and the exchange of various types of information. Based on the core system, the Group offers systems with specific features by adopting additional components to the core system in accordance with the customers' needs.

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

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

a) **Segment results, assets and liabilities**

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

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

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

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

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's Chairman for the purpose of resource allocation and assessment of segment performance for the Track Record Period is as follows:

	Year ended 31 March 2009					
	Digital trunking system	**VSAT satellite system**	**Operation integrated system**	**Systems technologies**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers (note)	94,907	48,008	9,977	8,646	20	161,558
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	94,907	48,008	9,977	8,646	20	161,558
Sales of goods	92,155	48,008	4,976	6,585	20	151,744
Contract revenue	2,752	—	5,001	2,061	—	9,814
	94,907	48,008	9,977	8,646	20	161,558
Reportable segment profit/(loss) (adjusted EBIT)	29,088	13,442	2,202	3,376	(38)	48,070
Interest income	24	4	2	3	—	33
Finance costs	(279)	(158)	—	—	—	(437)
Amortisation of intangible assets	(4,803)	(1,900)	—	—	—	(6,703)
Depreciation of property, plant and equipment	(1,836)	(929)	(193)	(167)	—	(3,125)
Write down of inventories	(197)	—	—	—	—	(197)
Loss on disposal of property, plant and equipment	(151)	(76)	(16)	(14)	—	(257)
Income tax	(8,599)	(2,774)	(727)	(829)	(16)	(12,945)
Reportable segment assets	108,069	53,749	4,200	6,674	113	172,805
Additions to non-current segment assets						
- Property, plant and equipment	2,571	1,300	270	234	1	4,376
- Intangible assets	—	4,000	—	—	—	4,000
	2,571	5,300	270	234	1	8,376
Reportable segment liabilities	69,622	32,127	6,115	5,290	34	113,188
Customer A	92,155	6,250	—	2,263	—	100,668

Note: Revenues of one customer accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2009 are set out above. Further details of concentrations of credit risk arising from this customer are set out in note 25(a).

	Year ended 31 March 2010					
	Digital trunking system	**VSAT satellite system**	**Operation integrated system**	**Systems technologies**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers (note)	104,654	100,139	1,933	7,346	375	214,447
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	104,654	100,139	1,933	7,346	375	214,447
Sales of goods	102,859	97,221	1,933	6,827	375	209,215
Contract revenue	1,795	2,918	—	518	—	5,231
	104,654	100,139	1,933	7,346	375	214,447
Reportable segment profit/(loss) (adjusted EBIT)	53,814	29,236	479	4,921	(42)	88,408
Interest income	1	7	—	1	—	9
Finance costs	(10)	(809)	—	—	—	(819)
Amortisation of intangible assets	(4,478)	(1,900)	—	—	—	(6,378)
Depreciation of property, plant and equipment	(1,551)	(1,484)	(29)	(108)	(5)	(3,177)
Write down of inventories	(3,422)	—	—	—	—	(3,422)
Income tax	(10,392)	(6,591)	(174)	(661)	(64)	(17,882)
Reportable segment assets	152,240	121,241	326	11,109	135	285,051
Additions to non-current segment assets						
- Property, plant and equipment	559	534	10	39	3	1,145
- Intangible assets	15,960	—	—	—	—	15,960
	16,519	534	10	39	3	17,105
Reportable segment liabilities	88,941	102,707	1,470	5,586	337	199,041
Customer A	61,629	41,836	—	3,414	288	107,167
Customer B	34,880	—	—	—	—	34,880
	96,509	41,836	—	3,414	288	142,047

Note: Revenues of two customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2010 are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 25(a).

	Year ended 31 March 2011					
	Digital trunking system HK$'000	VSAT satellite system HK$'000	Operation integrated system HK$'000	Systems technologies HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers (note)	174,503	38,329	—	5,818	174	218,824
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	174,503	38,329	—	5,818	174	218,824
Sales of goods	174,503	38,329	—	5,818	174	218,824
Contract revenue	—	—	—	—	—	—
	174,503	38,329	—	5,818	174	218,824
Reportable segment profit/(loss) (adjusted EBIT)	97,773	1,249	—	2,833	(23)	101,832
Interest income	84	8	—	5	—	97
Finance costs	(362)	(1,015)	—	—	(1)	(1,378)
Amortisation of intangible assets	(4,382)	(1,757)	—	(20)	—	(6,159)
Depreciation of property, plant and equipment	(2,703)	(594)	—	(90)	(3)	(3,390)
Write down of inventories	(1,370)	—	—	—	—	(1,370)
Loss on disposal of property, plant and equipment	(102)	—	—	—	—	(102)
Income tax	(22,300)	(2,505)	—	(444)	(28)	(25,277)
Reportable segment assets	220,606	29,152	—	3,328	149	253,235
Additions to non-current segment assets						
- Property, plant and equipment	2,194	482	—	73	2	2,751
- Intangible assets	3,996	878	—	133	4	5,011
	6,190	1,360	—	206	6	7,762
Reportable segment liabilities	43,659	28,140	—	839	71	72,709
Customer A	79,613	5,602	—	—	32	85,247
Customer B	31,397	—	—	5,818	—	37,215
Customer C	41,897	—	—	—	—	41,897
	152,907	5,602	—	5,818	32	164,359

Note: Revenues of three customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2011 are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 25(a).

	Seven months ended 31 October 2010 (Unaudited)					
	Digital trunking system	**VSAT satellite system**	**Operation integrated system**	**Systems technologies**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers (note)	92,236	18,174	—	5,750	37	116,197
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	92,236	18,174	—	5,750	37	116,197
Sales of goods	92,236	18,174	—	5,750	37	116,197
Contract revenue	—	—	—	—	—	—
	92,236	18,174	—	5,750	37	116,197
Reportable segment profit/(loss) (adjusted EBIT)	60,140	(367)	—	3,450	8	63,231
Interest income	2	1	—	—	—	3
Finance costs	(207)	(658)	—	—	—	(865)
Amortisation of intangible assets	(2,575)	(1,161)	—	(16)	—	(3,752)
Depreciation of property, plant and equipment	(1,526)	(300)	—	(95)	(1)	(1,922)
Write down of obsolescent inventories	(570)	—	—	—	—	(570)
Income tax	(12,179)	(643)	—	(593)	(2)	(13,417)
Customer A	32,201	4,380	—	—	19	36,600
Customer C	22,777	—	—	5,750	—	28,527
Customer D	28,375	—	—	—	—	28,375
	83,353	4,380	—	5,750	19	93,502

Note: Revenues of three customers, each of them accounted for 10 percent or more of the Group's revenue for the seven months ended 31 October 2010 (Unaudited) are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 25(a).

	Seven months ended 31 October 2011					
	Digital trunking system	**VSAT satellite system**	**Operation integrated system**	**Systems technologies**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers (note)	87,575	13,796	—	—	1,000	102,371
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	87,575	13,796	—	—	1,000	102,371
Sales of goods	87,575	13,796	—	—	1,000	102,371
Contract revenue	—	—	—	—	—	—
	87,575	13,796	—	—	1,000	102,371
Reportable segment profit/(loss) (adjusted EBIT)	43,684	(13,239)	—	—	655	31,100
Interest income	76	8	—	—	1	85
Finance costs	(82)	(884)	—	—	—	(966)
Amortisation of intangible assets	(2,563)	(545)	—	—	(6)	(3,114)
Depreciation of property, plant and equipment	(1,763)	(278)	—	—	(20)	(2,061)
Loss on disposal of property, plant and equipment	(441)	(69)	—	—	—	(510)
Income tax	(8,242)	(2,256)	—	—	(105)	(10,603)
Reportable segment assets	230,546	31,647	—	—	2,310	264,503
Additions to non-current segment assets - Property, plant and equipment	594	101	—	—	—	695
Reportable segment liabilities	44,586	32,930	—	—	427	77,943
Customer A	36,909	7,027	—	—	120	44,056
Customer C	24,974	—	—	—	—	24,974
	61,883	7,027	—	—	120	69,030

Note: Revenues of two customers, each of them accounted for 10 percent or more of the Group's revenue for the seven months ended 31 October 2011 are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 25(a).

b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue					
Reportable segment revenue	161,558	214,447	218,824	116,197	102,371
Elimination of inter-segment revenue	—	—	—	—	—
Consolidated revenue	161,558	214,447	218,824	116,197	102,371
Profit					
Reportable segment profit	48,070	88,408	101,832	63,231	31,000
Elimination of inter-segment profits	—	—	—	—	—
Reportable segment profit derived from Group's external customers	48,070	88,408	101,832	63,231	31,100
Interest income	33	9	97	3	85
Finance costs	(437)	(819)	(1,378)	(865)	(966)
Unallocated corporate income and (expenses)	(2,212)	(1,573)	(2,421)	(215)	(144)
Consolidated profit before taxation	45,454	86,025	98,130	62,154	30,075

	As at 31 March			As at 31 October
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Reportable segment assets	172,805	285,051	253,235	264,503
Elimination of inter-segment receivables	—	—	—	—
	172,805	285,051	253,235	264,503
Unallocated corporate assets	1,491	1,969	6,310	8,689
Consolidated total assets	174,296	287,020	259,545	273,192
Liabilities				
Reportable segment liabilities	113,188	199,041	72,709	77,943
Elimination of inter-segment payables	—	—	—	—
	113,188	199,041	72,709	77,943
Amounts due to directors	50	849	11,569	—
Unallocated corporate liabilities	3,304	3,090	12,697	7,659
Consolidated total liabilities	116,542	202,980	96,975	85,602

c) **Geographical information**

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

(i) Revenue from external customers

	Year ended 31 March			**Seven months ended 31 October**	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Hong Kong	—	—	6,454	3,654	5,200
PRC	161,558	214,447	208,147	108,320	97,171
Germany	—	—	4,105	4,105	—
Israel	—	—	118	118	—
	161,558	214,447	218,824	116,197	102,371

(ii) Specified non-current assets

	As at 31 March			**As at 31 October**
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	146	99	53	31
PRC	19,492	27,209	25,829	21,157
	19,638	27,308	25,882	21,188

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2008	150	12,614	1,410	4,606	18,780
Additions	48	3,554	33	741	4,376
Disposals	(150)	(21)	(13)	(530)	(714)
Exchange differences	—	92	11	32	135
At 31 March 2009 and 1 April 2009	48	16,239	1,441	4,849	22,577
Additions	—	1,028	117	—	1,145
Disposals	—	(226)	—	—	(226)
Exchange differences	—	200	15	60	275
At 31 March 2010 and 1 April 2010	48	17,241	1,573	4,909	23,771
Additions	17	2,430	38	266	2,751
Disposals	(48)	—	(7)	(179)	(234)
Exchange differences	—	829	61	217	1,107
At 31 March 2011 and 1 April 2011	17	20,500	1,665	5,213	27,395
Additions	—	423	—	272	695
Disposals	—	(624)	—	(191)	(815)
Exchange differences	—	627	45	161	833
At 31 October 2011	17	20,926	1,710	5,455	28,108

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation					
At 1 April 2008	58	4,978	625	1,419	7,080
Charge for the year	11	2,363	260	491	3,125
Written back on disposals	(60)	(9)	(8)	(380)	(457)
Exchange differences	—	32	3	8	43
At 31 March 2009 and 1 April 2009	9	7,364	880	1,538	9,791
Charge for the year	10	2,459	197	511	3,177
Written back on disposals	—	(196)	—	—	(196)
Exchange differences	—	95	10	20	125
At 31 March 2010 and 1 April 2010	19	9,722	1,087	2,069	12,897
Charge for the year	4	2,651	171	564	3,390
Written back on disposals	(19)	—	(5)	(108)	(132)
Exchange differences	—	498	45	101	644
At 31 March 2011 and 1 April 2011	4	12,871	1,298	2,626	16,799
Charge for the period	2	1,632	79	348	2,061
Write back on disposals	—	(176)	—	(129)	(305)
Exchange differences	—	417	36	84	537
At 31 October 2011	6	14,744	1,413	2,929	19,092
Carrying amount					
At 31 March 2009	39	8,875	561	3,311	12,786
At 31 March 2010	29	7,519	486	2,840	10,874
At 31 March 2011	13	7,629	367	2,587	10,596
At 31 October 2011	11	6,182	297	2,526	9,016

16. INTANGIBLE ASSETS

	Technical know-how for digital trunking system	Technical know-how for VSAT satellite system	Administrative system costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 April 2008	28,700	5,500	—	34,200
Additions	—	4,000	—	4,000
At 31 March 2009 and 1 April 2009	28,700	9,500	—	38,200
Additions	15,960	—	—	15,960
At 31 March 2010 and 1 April 2010	44,660	9,500	—	54,160
Additions	—	—	5,011	5,011
At 31 March 2011, 1 April 2011 and 31 October 2011	44,660	9,500	5,011	59,171
Accumulated amortisation				
At 1 April 2008	22,170	2,475	—	24,645
Charge for the year	4,803	1,900	—	6,703
At 31 March 2009 and 1 April 2009	26,973	4,375	—	31,348
Charge for the year	4,478	1,900	—	6,378
At 31 March 2010 and 1 April 2010	31,451	6,275	—	37,726
Charge for the year	3,783	1,625	751	6,159
At 31 March 2011 and 1 April 2011	35,234	7,900	751	43,885
Charge for the period	2,062	468	584	3,114
At 31 October 2011	37,296	8,368	1,335	46,999
Carrying amount				
At 31 March 2009	1,727	5,125	—	6,852
At 31 March 2010	13,209	3,225	—	16,434
At 31 March 2011	9,426	1,600	4,260	15,286
At 31 October 2011	7,364	1,132	3,676	12,172

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

The amortisation charge for the year is included in cost of sales and administrative expenses in the consolidated income statements.

17. INVENTORIES

a) Inventories in the consolidated statements of financial position comprise:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	22,612	17,180	11,478	8,332
Work in progress	998	3,019	2,539	4,511
Finished goods	1,181	2,132	2,341	5,183
	24,791	22,331	16,358	18,026

b) The analysis of the amount of inventories recognised as an expense is as follows:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Carrying amount of inventories sold	61,155	84,028	74,373	35,050	42,044
Write down of inventories*	197	3,422	1,370	570	—
	61,352	87,450	75,743	35,620	42,044

* All the write down of inventories for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2010 (Unaudited) and 2011 are related to obsolescent inventories.

18. TRADE AND OTHER RECEIVABLES

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables (note (b), (c) & (d))	100,390	221,730	130,500	115,025
Advance to suppliers	3,420	3,788	10,118	10,473
Advance to staff	8,079	4,064	2,727	1,279
Prepayment for acquisition of intangible assets	10,580	1,560	3,315	3,315
Other prepayments and deposits	1,244	2,752	7,464	12,016
Other tax recoverable	250	893	—	309
Contract work in progress (note (e))	100	—	—	—
	124,063	234,787	154,124	142,417

a) All of the trade and other receivables, apart from repayments and deposits are expected to be recovered within one year.

b) During the Track Record Period, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days. A longer credit period of 181 days to more than 1 year may be extended to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group.

All outstanding trade receivable balances are being reviewed by the Group's sales department on a regular basis to ensure that any overdue receivable is promptly monitored and appropriate collection actions are taken. For customers who have exceeded their credit limits, the Group's sales department will follow up on the collections and the Group's finance department will monitor the progress of the collection. For those material long outstanding balances, legal actions will be taken for debt collection. During the Track Record Period, no legal actions were taken by the Group for debt collection.

c) The ageing analysis of trade receivables based on date of delivery is as follows:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 60 days	31,841	90,523	70,714	82,970
61 – 90 days	24,347	10,106	5,086	18,556
91 – 180 days	35,095	38,736	38,813	4,807
181 – 365 days	9,107	50,140	14,558	6,860
Over 365 days	—	32,225	1,329	1,832
	100,390	221,730	130,500	115,025
Less: Impairment loss on trade receivables	—	—	—	—
	100,390	221,730	130,500	115,025

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

d) **Trade receivables that are not impaired**

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

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	91,283	128,006	114,772	106,944
Less than 1 month past due	1,096	5,662	—	190
1 to 3 months past due	4,114	37,357	12,032	6,109
More than 3 months but less than 12 months past due	3,897	47,207	3,696	—
More than 12 months past due	—	3,498	—	1,782
	9,107	93,724	15,728	8,081
	100,390	221,730	130,500	115,025

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

Receivables that were past due but not impaired as at 31 March 2009, 2010 and 2011 and 31 October 2011 relate to a number of independent customers that have a good track record with the Group. For any significant amounts past due, the Group would actively seek repayment from the debtors and the Group would enforce its legal right to the contractually due amount when considered necessary. The majority of the past due balances were due from system integrators, whose customers' source of funding and process of making payment has to follow a strict governmental annual budgeting process and payment approval procedures, which in turn delayed the settlement by the system integrators of the amounts due to the Group. However, there have been no disputes over the balances due from these system integrators; therefore, the directors consider that the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

e) **Contract work in progress**

The analysis of contract work in progress is as follows:

	As at 31 March			**As at 31 October**
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	13,829	12,059	5,818	—
Less: Progress billings	(13,729)	(12,059)	(5,818)	—
	100	—	—	—
Analysed for reporting purposes as:				
Amounts due from contract customers	100	—	—	—
Amounts due to contract customers	—	—	—	—
	100	—	—	—

The contract work in progress mainly represented the turnover from digital trunking system, VSAT satellite system and the systems technologies with the provision of system installation. At 31 March 2009, 2010 and 2011 and 31 October 2011, no retentions held by customers for contract work and advances received from customers for contract work were recognised.

19. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks (note (a))	—	—	—	18,443
Cash and bank balances	3,766	1,717	57,689	66,384
Cash and cash equivalents in the consolidated statements of financial position	3,766	1,717	57,689	84,827
Less: Bank overdrafts (note (b))	(12,629)	(16,076)	(16,022)	(10,143)
Cash and cash equivalents in the consolidated statements of cash flows	(8,863)	(14,359)	41,667	74,684

(a) At 31 October 2011, bank deposits of approximately HK$18,443,000 are deposited to secure the bank borrowings of HK$15,000,000 granted to the Group. The deposits carry interest at market rates of 0.5% per annum during the seven months ended 31 October 2011.

(b) The bank overdrafts were borrowed by certain subsidiaries of the Company and were under financial guarantees provided by certain subsidiaries and Mr. Wong Chit On to a bank (see note 28(d)). As at 31 March 2009, 2010 and 2011 and 31 October 2011, the Group has undrawn banking facilities in relation to bank overdrafts of approximately HK$7,371,000, HK$6,924,000, HK$6,978,000 and HK$12,857,000 respectively.

Bank overdrafts are unsecured facilities and variable rate overdrafts which carry prevailing interest rates ranging from 5.00% to 7.50% per annum during the Track Record Period.

(c) Cash and cash equivalents comprise cash and bank balances held by the Group. The management of the Group considers that the carrying amounts of cash and cash equivalents approximate to their fair values.

20. TRADE AND OTHER PAYABLES

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	3,054	15,861	8,229	11,628
Accrued salaries	2,218	4,098	2,518	2,511
Accrued expenses and other payables	1,167	1,447	3,973	4,033
Payables for acquisition of intangible assets	—	—	2,871	1,700
Financial liabilities measured at amortised costs	6,439	21,406	17,591	19,872
Deposits received from customers	1,832	4,030	764	727
Other tax payables	302	5,115	8,922	7,206
	8,573	30,551	27,277	27,805

The ageing analysis of trade payables based on date of receipt of goods is as follows:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 60 days	1,554	9,904	3,538	3,045
61 – 90 days	39	2,895	1,197	2,657
91 – 180 days	623	1,981	1,247	1,053
181 – 365 days	457	629	1,581	3,327
Over 365 days	381	452	666	1,546
	3,054	15,861	8,229	11,628

The credit terms granted by the suppliers were generally ranging from 30 to 180 days during the Track Record Period. The directors consider the carrying amounts of trade payables approximate to their fair values.

21. BANK BORROWINGS

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

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities:				
Portion of term loans from a bank due for repayment within one year	—	1,385	6,311	17,741
Portion of term loans from a bank due for repayment after one year which contain a repayment on demand clause	—	3,858	2,371	1,733
	—	5,243	8,682	19,474

The bank borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities expected to be settled within one year.

As at 31 March 2009, 2010 and 2011 and 31 October 2011, the bank borrowings were due for repayable as follows:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Portion of term loans due for repayment within one year	—	1,385	6,311	17,741
Term loans due for repayment after 1 year (note (a)):				
After 1 year but within 2 years	—	1,472	1,009	1,733
After 2 years but within 5 years	—	2,386	1,362	—
	—	3,858	2,371	1,733
Total bank loans	—	5,243	8,682	19,474

	As at 31 March			As at 31 October
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured (note 19(a))	—	—	—	15,000
Unsecured	—	5,243	8,682	4,474
	—	5,243	8,682	19,474

a) The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

b) All the Group's bank borrowings are denominated in HK$ as at 31 March 2010 and 2011 and 31 October 2011.

c) All bank borrowings are variable-rate borrowings which carry prevailing interest rates ranging from 5.06% to 6.88% per annum for the years ended 31 March 2010 and 2011 and the seven months ended 31 October 2011.

d) The unsecured bank borrowings are non-revolving facilities and are under financial guarantees provided by certain subsidiaries and Mr. Wong Chit On to a bank (see note 28(d)).

e) As at 31 March 2009, 2010 and 2011 and 31 October 2011, the Group does not have undrawn banking facilities in relation to bank borrowings.

f) In the opinion of the directors, the carrying amounts of bank borrowings are not significantly different from their fair values at the end of each reporting period.

22. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

a) Current income tax recognised in the consolidated statements of financial position and the movement during the Track Record Period is as follows:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	3,604	5,738	17,473	17,776
Provision for the year (note 9(a))				
- Hong Kong Profits Tax	2,662	4,598	919	—
- PRC EIT	7,004	13,525	17,119	14,727
	9,666	18,123	18,038	14,727
Tax paid for the year				
- Hong Kong Profits Tax	(4,092)	(4,356)	(7,538)	(1,362)
- PRC EIT	(3,435)	(2,102)	(10,959)	(16,350)
	(7,527)	(6,458)	(18,497)	(17,712)
Exchange differences	(5)	70	762	502
At end of the year	5,738	17,473	17,776	15,293

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Income tax recoverable recognised in the consolidated statements of financial position	(1,355)	(837)	(5,372)	(6,734)
Income tax payable recognised in the consolidated statements of financial position	7,093	18,310	23,148	22,027
Net tax payable	5,738	17,473	17,776	15,293

b) The components of deferred tax liabilities recognised in the consolidated statements of financial position and the movement during the Track Record Period are as follows:

	Intangible assets *HK$'000*	Withholding tax on dividends *HK$'000*	Total *HK$'000*
At April 2008	—	—	—
Charged to consolidated income statement for the year (note 9(a))	528	2,751	3,279
At 31 March 2009 and 1 April 2009	528	2,751	3,279
Credited to consolidated income statement for the year (note 9(a))	(132)	(109)	(241)
At 31 March 2010 and 1 April 2010	396	2,642	3,038
(Credited)/charged to consolidated income statement for the year (note 9(a))	(132)	7,371	7,239
At 31 March 2011 and 1 April 2011	264	10,013	10,277
Credited to consolidated income statement for the period (note 9(a))	(77)	(4,047)	(4,124)
At 31 October 2011	187	5,966	6,153

c) **Deferred tax assets not recognised**

In accordance with the accounting policy set out in note 4(m), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$6,661,000, HK$1,507,000, HK$3,438,000 and HK$13,640,000 as at 31 March 2009, 2010 and 2011 and 31 October 2011 respectively as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

23. CAPITAL AND RESERVES

a) The Group

		Attributable to owners of the Company								
	Section II Note	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Translation reserve *HK$'000*	Share-based payments reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2008		—	(90)	14,274	10,437	32,563	17,723	74,907	(3)	74,904
Comprehensive income										
Profit for the year		—	—	—	—	—	32,509	32,509	—	32,509
Other comprehensive income										
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	1,238	—	—	1,238	—	1,238
Total comprehensive income for the year		—	—	—	1,238	—	32,509	33,747	—	33,747
Transactions with owners										
Contribution from consultants pursuant to the pre-IPO share option arrangement	24(e)	—	—	—	—	1,000	—	1,000	—	1,000
Dividend declared	12	—	—	—	—	—	(52,000)	(52,000)	—	(52,000)
Disposal of a subsidiary	29	—	—	—	—	—	—	—	3	3
Appropriations to statutory reserve		—	—	2,093	—	—	(2,093)	—	—	—
Total transactions with owners		—	—	2,093	—	1,000	(54,093)	(51,000)	3	(50,997)
At 31 March 2009		—	(90)	16,367	11,675	33,563	(3,861)	57,654	—	57,654

		Attributable to owners of the Company								
	Section II Note	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Translation reserve *HK$'000*	Share-based payments reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2009		—	(90)	16,367	11,675	33,563	(3,861)	57,654	—	57,654
Comprehensive income										
Profit for the year		—	—	—	—	—	68,143	68,143	—	68,143
Other comprehensive income										
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	1,143	—	—	1,143	—	1,143
Total comprehensive income for the year		—	—	—	1,143	—	68,143	69,286	—	69,286
Transactions with owners										
Contribution from senior management pursuant to the pre-IPO share option arrangement	24(e)	—	—	—	—	20,000	—	20,000	—	20,000
Dividend declared	12	—	—	—	—	—	(63,000)	(63,000)	—	(63,000)
Appropriations to statutory reserve		—	—	1,611	—	—	(1,611)	—	—	—
Total transactions with owners		—	—	1,611	—	20,000	(64,611)	(43,000)	—	(43,000)
At 31 March 2010 and 1 April 2010		—	(90)	17,978	12,818	53,563	(329)	83,940	—	83,940
Comprehensive income										
Profit for the year		—	—	—	—	—	72,853	72,853	—	72,853
Other comprehensive income										
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	5,677	—	—	5,677	—	5,677
Total comprehensive income for the year		—	—	—	5,677	—	72,853	78,530	—	78,530
Transactions with owners										
Issue of shares under the pre-IPO share option arrangement	24(e)	52,663	—	—	—	(53,563)	—	(900)	—	(900)
Issue of bonus shares		—	—	—	—	—	(8,000)	(8,000)	—	(8,000)
Total transactions with owners		52,663	—	—	—	(53,563)	(8,000)	(8,900)	—	(8,900)
At 31 March 2011 and 1 April 2011		52,663	(90)	17,978	18,495	—	64,524	153,570	—	153,570

		Attributable to owners of the Company								
	Section II Note	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Translation reserve *HK$'000*	Share-based payments reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2011		52,663	(90)	17,978	18,495	—	64,524	153,570	—	153,570
Comprehensive income										
Profit for the period		—	—	—	—	—	19,472	19,472	—	19,472
Other comprehensive income										
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	5,548	—	—	5,548	—	5,548
Total comprehensive income for the period		—	—	—	5,548	—	19,472	25,020	—	25,020
At 31 October 2011		52,663	(90)	17,978	24,043	—	83,996	178,590	—	178,590
At 1 April 2010		—	(90)	17,978	12,818	53,563	(329)	83,940	—	83,940
Comprehensive income										
Profit for the period		—	—	—	—	—	48,737	48,737	—	48,737
Other comprehensive income										
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	2,285	—	—	2,285	—	2,285
Total comprehensive income for the period		—	—	—	2,285	—	48,737	51,022	—	51,022
At 31 October 2010 (Unaudited)		—	(90)	17,978	15,103	53,563	48,408	134,962	—	134,962

The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		Attributable to owners of the Company				
	Section II Note	**Share premium** *HK$'000*	**Merger reserve** *HK$'000*	**Share-based payments reserve** *HK$'000*	**(Accumulated losses)/ Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 April 2008		—	71,349	32,563	(82)	103,830
Comprehensive income						
Profit for the year		—	—	—	53,875	53,875
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year		—	—	—	53,875	53,875
Transactions with owners						
Contribution from consultants pursuant to the pre-IPO share option arrangement	24(e)	—	—	1,000	—	1,000
Dividend declared	12	—	—	—	(52,000)	(52,000)
Total transactions with owners		—	—	1,000	(52,000)	(51,000)
At 31 March 2009 and 1 April 2009		—	71,349	33,563	1,793	106,705
Comprehensive income						
Profit for the year		—	—	—	62,997	62,997
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year		—	—	—	62,997	62,997
Transactions with owners						
Contribution from senior management pursuant to the pre-IPO share option arrangement	24(e)	—	—	20,000	—	20,000
Dividend declared	12	—	—	—	(63,000)	(63,000)
Total transactions with owners		—	—	20,000	(63,000)	(43,000)
At 31 March 2010 and 1 April 2010		—	71,349	53,563	1,790	126,702

	Section II Note	Share premium HK$'000	Merger reserve HK$'000	Share-based payments reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
		Attributable to owners of the Company				
Comprehensive income						
Profit for the year		—	—	—	7,550	7,550
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year		—	—	—	7,550	7,550
Transactions with owners						
Issue of shares under the pre-IPO share option arrangement	24(e)	52,663	—	(53,563)	—	(900)
Issue of bonus shares		—	—	—	(8,000)	(8,000)
Total transactions with owners		52,663	—	(53,563)	(8,000)	(8,900)
At 31 March 2011 and 1 April 2011		52,663	71,349	—	1,340	125,352
At 1 April 2011		52,663	71,349	—	1,340	125,352
Comprehensive income						
Profit for the period		—	—	—	(4)	(4)
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the period		—	—	—	(4)	(4)
At 31 October 2011		52,663	71,349	—	1,336	125,348

b) **Share capital**

The share capital as at 31 March 2009, 2010 and 2011 represented the issued and fully paid capital of the Company as follows:

	Number of shares	Amount
		HK$'000
Authorised — Ordinary shares of HK$0.01 each		
At 11 October 2006 (date of incorporation), 1 April 2008 and 31 March 2009	10,000,000	100
Increase in authorised share capital	1,990,000,000	19,900
At 31 March 2010 and 2011 and 31 October 2011	2,000,000,000	20,000
Issued and fully paid - Ordinary shares of HK$0.01 each		
Issue of one share on 11 October 2006 (date of incorporation)	1	—
Issue of shares pursuant to the Reorganisation on 27 December 2006	9,999,999	100
At 1 April 2008, 31 March 2009, 2010 and 31 October 2010 (Unaudited)	10,000,000	100
Issue of bonus shares on 16 February 2011	800,000,000	8,000
Issue of shares under the pre-IPO share option arrangement on 17 February 2011	90,000,000	900
At 31 March 2011 and 31 October 2011	900,000,000	9,000

The movements in the Company's authorised and issued share capital during the period from 11 October 2006 (date of incorporation) to 31 October 2011 are as follows:

i) Upon incorporation, the authorised share capital of the Company was HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each of which one subscriber share was allotted and issued in cash at par on 11 October 2006.

ii) On 27 December 2006, as part of the Reorganisation, the then immediate holding company (i.e. Excel Time) of Synertone Group has swapped its interest in Synertone Group for shares in the Company. In consideration for such exchange, in addition to the existing one share issued at the date of incorporation, the Company allotted and issued an aggregate of 9,999,999 shares, credited as fully paid at par for all the share capital of 9,999,999 ordinary shares of HK$0.01 each.

iii) By a special resolution passed on 9 February 2010, the authorised share capital of the Company was increased from HK$100,000 to HK$20,000,000 by the creation of 1,990,000,000 ordinary shares of HK$0.01 each.

iv) By a special resolution passed on 16 February 2011 bonus issue was approved to the shareholders of the Company in which 800,000,000 bonus shares of HK$0.01 each was issued to Excel Time. The bonus shares which rank pari passu in all respects with the ordinary shares of the Company were credited as fully paid by way of capitalisation of an amount of approximately HK$8,000,000 in the retained profits of the Company.

v) On 17 February 2011, the Company allotted and issued 90,000,000 ordinary shares by way of share options exercised under pre-IPO arrangement detailed in note 24.

All of the shares issued by the Company during the period subsequent to the date of incorporation rank pari passu with the then existing share in all respects.

c) **Nature and purpose of reserves**

i) *Share premium*

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

ii) *Capital reserve*

The capital reserve of the Group represents the differences between the nominal value of Synertone Group's shares issued and the nominal value of the Company's shares issued for the acquisition of Synertone Group at the time of Reorganisation.

iii) *Statutory reserve*

Pursuant to the Articles of Association and board resolutions of the PRC subsidiaries, appropriations to each of the general reserve fund and enterprise expansion fund (collectively refer to as statutory reserve) were made at 5% of profit after taxation as determined under the relevant accounting rules and regulations in the PRC. During the years ended 31 March 2009 and 2010, HK$2,093,000 and HK$1,611,000 were transferred from retained profits to statutory reserve, respectively.

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

iv) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(p).

v) *Share-based payments reserve*

The share-based payments reserve comprises the following:

— the portion of the grant date fair value of unexercised share options granted to senior management and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 4(l)(iii); and

— the portion of the amount contributed by senior management and consultants of the Group in respect of the pre-IPO share option arrangement, which was transferred to share capital and share premium as shares are issued. Any excess of par value of issued shares was transferred to share premium.

vi) *Distributable reserve*

At 31 March 2009, 2010 and 2011 and 31 October 2011, the Company's reserve available for distribution to owners was approximately HK$1,793,000, HK$1,790,000, HK$1,340,000 and HK$1,336,000 respectively. This includes the Company's retained profits and is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

d) **Capital management**

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher stakeholder returns that might be possible with higher levels of borrowings afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

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

The details of the debt to equity ratio of the Group are as follows:

		As at 31 March			As at 31 October
	Note	**2009**	**2010**	**2011**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	19	12,629	16,076	16,022	10,143
Bank borrowings	21	—	5,243	8,682	19,474
Total debts		12,629	21,319	24,704	29,617
Less: Cash and cash equivalents	19	(3,766)	(1,717)	(57,689)	(84,827)
Adjusted net (cash)/debt		8,863	19,602	(32,985)	(55,210)
Total equity		57,754	84,040	162,570	187,590
Adjusted net debt to equity ratio		15.35%	23.32%	N/A	N/A

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

24. PRE-IPO SHARE OPTION ARRANGEMENT

In 2006, when the Company proposed to apply for the listing of the Group's business in Hong Kong and the Company expected to encourage some members of senior management to work for the Group on a stable and long-term basis by issuing shares at a preferential price, and expected to grant share options to consultants outside the Group as reward in relation to past consultancy services rendered to the Group in areas including strategic planning, business development and communication technology development.

On 28 December 2006, the Company resolved that members of the Group's senior management have the right to contribute into Jumbo Harbour Group Limited ("Jumbo") and Pak Fu Enterprises Limited ("Pak Fu") respectively, in an aggregate amount of HK$20,000,000 to subscribe for 60,000,000 shares, acquiring an interest in a total of approximately 6.67% shareholding in the Company before completion of the global offering through Jumbo and Pak Fu. Meanwhile, 3 independent consultants have the right to invest into the Company, in an aggregate amount of HK$10,000,000 to directly subscribe for 30,000,000 shares, acquiring an interest in a total of approximately 3.33% shareholding in the Company before completion of the global offering. On 30 December 2006, a share subscription agreement for the senior management and independent consultants was signed among the Company and Jumbo, Pak Fu, the relevant senior management members of the Group, and the 3 consultants in relation to the proposed investments (the "Pre-IPO Share Option Arrangement").

The principal terms of the Pre-IPO Share Option Arrangement, approved by written resolutions of the Company's sole shareholder originally passed on 28 December 2006 and further resolved on 25 November 2009, are as follows:

(a) **The grantees**

The Pre-IPO Share Option Arrangement is available to the 3 consultants and the relevant senior management members of the Group (the "Consultants and Senior Management").

(b) **Maximum number of shares to be allotted**

The maximum number of the shares in respect of which options may be granted under the Pre-IPO Share Option Arrangement shall be 90,000,000 shares representing approximately 7.5% of the total issued share capital of the Company immediately after completion of the global offering.

(c) **Subscription price**

The subscription price in respect of each share under the Pre-IPO Share Option Arrangement is determined by the board of directors at HK$0.33 per share and set out in the relevant share subscription agreements dated 30 December 2006 and 1 December 2009.

(d) **Exercise period and vesting period**

The share options for the Consultants and Senior Management of the Group can be exercised at anytime from 30 December 2006 to six months and nine months before the submission of Form Al to The Stock Exchange of Hong Kong Limited ("HKEx") respectively.

(e) **Exercise of options**

The options granted to the Consultants and Senior Management should be fully paid in six months and nine months before the submission of Form Al to HKEx respectively. The amount was non-refundable once paid up. As at 31 March 2009 and 2010, the Consultants and Senior Management contributed with an aggregate amount of HK$10,000,000 and HK$20,000,000 to the Company respectively.

Share options do not confer rights on the holders to dividends until issuance of shares to the holders.

The fair value of the pre-IPO share options granted to the relevant senior management members of the Group was estimated at HK$14,069,000, of which the Company recognised a share option expense of HK$14,069,000 during the year ended 31 March 2007.

The fair value of the pre-IPO share options granted to the relevant senior management members of the Group was estimated as at the date of grant by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professional qualified valuers, using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Exercise price per share	HK$0.33
Expected dividend yield	6.87%
Expected volatility	58.89%
Risk-free interest rate	3.49%
Discount for lack of Marketability	25.10%
Expected life of share options	1.33 years
Share price at grant date	HK$0.64

Expected volatility was determined by using the historical volatility of share price of four listed companies with similar business as at 31 December 2006. The expected IPO date is not necessarily indicative of the exercise patterns that may occur. The expected volatility may not necessarily reflect the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The fair value of the pre-IPO share option granted to the 3 consultants was determined by the directors based on the past and estimated financial performances of the relevant products. The fair value was estimated at HK$9,494,000 of which the Company recognised a share option expense of HK$9,494,000 during the year ended 31 March 2007.

As at 31 March 2009 and 2010, the Company had outstanding pre-IPO share options for the subscription of 90,000,000 shares under the Pre-IPO Share Option Arrangement, and on 17 February 2011, the Company issued of 90,000,000 ordinary shares to the Consultants and Senior Management, as a result, HK$900,000 and HK$52,663,000 were transferred from share-based payments reserve to share capital and share premium respectively.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, trade and other receivables, amounts due from/(to) directors, trade and other payables, amount due from/(to) ultimate holding company, amounts due from/(to) related companies and bank overdrafts and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk arising in the normal course of the Group's business.

a) **Credit risk**

i) As at 31 March 2009, 2010, 2011 and 31 October 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position after deducting any impairment allowance.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 March 2009, 2010, 2011 and 31 October 2011, the Group has a certain concentration of credit risk as 88%, 59%, 54% and 48% of the total trade receivables were due from the Groups' largest customer respectively and 100%, 95%, 98% and 98% of the total trade receivables were due from the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

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

b) **Liquidity risk**

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

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

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Maturity Analysis — Undiscounted cash outflows					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total contractual undiscounted cash outflows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2009						
Trade payables	3,054	—	—	—	3,054	3,054
Accrued salaries	2,218	—	—	—	2,218	2,218
Accrued expenses and other payables	1,167	—	—	—	1,167	1,167
Amount due to ultimate holding company	84,918	—	—	—	84,918	84,918
Amount due to a director	50	—	—	—	50	50
Bank overdrafts	12,629	—	—	—	12,629	12,629
	104,036	—	—	—	104,036	104,036

	Maturity Analysis — Undiscounted cash outflows					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total contractual undiscounted cash outflows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2010						
Trade payables	15,861	—	—	—	15,861	15,861
Accrued salaries	4,098	—	—	—	4,098	4,098
Accrued expenses and other payables	1,447	—	—	—	1,447	1,447
Amount due to ultimate holding company	128,913	—	—	—	128,913	128,913
Amounts due to directors	849	—	—	—	849	849
Bank overdrafts	16,076	—	—	—	16,076	16,076
Term loans subject to a repayment on demand clause	5,243	—	—	—	5,243	5,243
	172,487	—	—	—	172,487	172,487

	Maturity Analysis — Undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash outflows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2011						
Trade payables	8,229	—	—	—	8,229	8,229
Accrued salaries	2,518	—	—	—	2,518	2,518
Accrued expenses and other payables	3,973	—	—	—	3,973	3,973
Amount due to a director	11,569	—	—	—	11,569	11,569
Bank overdrafts	16,022	—	—	—	16,022	16,022
Payables for acquisition of intangible assets	2,871	—	—	—	2,871	2,871
Term loans subject to a repayment on demand clause	8,682	—	—	—	8,682	8,682
	53,864	—	—	—	53,864	53,864

	Maturity Analysis — Undiscounted cash outflows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash outflows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 October 2011						
Trade payables	11,628	—	—	—	11,628	11,628
Accrued salaries	2,511	—	—	—	2,511	2,511
Accrued expenses and other payables	4,033	—	—	—	4,033	4,033
Bank overdrafts	10,143	—	—	—	10,143	10,143
Payables for acquisition of intangible assets	1,700	—	—	—	1,700	1,700
Term loans subject to a repayment on demand clause	19,474	—	—	—	19,474	19,474
	49,489	—	—	—	49,489	49,489

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis — Term loans subject to a repayment on demand clause based on scheduled repayments					
	On demand	**Within 1 year**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total undiscounted cash outflows**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2009	—	—	—	—	—	—
31 March 2010	—	1,655	1,655	2,553	—	5,863
31 March 2011	—	6,614	1,101	1,452	—	9,167
31 October 2011	—	18,273	1,834	—	—	20,107

c) **Interest rate risk**

The Group is exposed to cash flow interest rate risk in relation to bank overdrafts and bank borrowings at floating interest rate.

i) *Interest rate profile*

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

	As at 31 March						As at 31 October	
	2009		2010		2011		2011	
	Effective interest rate	*HK$'000*	*Effective interest rate*	*HK$'000*	*Effective interest rate*	*HK$'000*	*Effective interest rate*	*HK$'000*
Variable rate bank overdrafts	4.97%	12,629	5.40%	16,076	5.45%	16,022	5.47%	10,143
Variable rate bank borrowings	N/A	—	5.86%	5,243	5.80%	8,682	5.18%	19,474
Total bank overdrafts and bank borrowings	4.97%	12,629	5.52%	21,319	5.58%	24,704	5.28%	29,617
Fixed rate bank overdrafts and borrowings as a percentage of total bank overdrafts and bank borrowings		0%		0%		0%		0%

ii) *Sensitivity analysis*

At 31 March 2009, 2010, 2011 and 31 October 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank overdrafts and bank borrowings, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by approximately HK$88,000, HK$150,000, HK$207,000 and HK$175,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date.

The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for the Track Record Period.

d) **Currency risk**

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash and cash equivalents balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars and Euro. The Group does not use financial derivatives to hedge against the foreign currency risk.

i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK$'000)							
	As at 31 March						**As at 31 October**	
	2009		**2010**		**2011**		**2011**	
	United States Dollars	*Euro*	*United States Dollars*	*Euro*	*United States Dollars*	*Euro*	*United States Dollars*	*Euro*
Trade and other receivables	—	—	15,985	—	—	205	123	212
Cash and cash equivalents	34	—	104	1,231	61	64	80	67
Trade and other payables	—	—	(7,525)	—	(2,050)	—	(1,203)	—
Overall net exposure arising from recognised assets and liabilities	34	—	8,564	1,231	(1,989)	269	(1,000)	279

ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits in response to reasonably possible changes in foreign exchange rates to which the Group has significant exposure at the end of each reporting period.

	As at 31 March						As at 31 October	
	2009		2010		2011		2011	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits
		HK$'000		*HK$'000*		*HK$'000*		*HK$'000*
United States Dollars	5%	2	5%	358	5%	(83)	5%	(41)
	(5)%	(2)	(5)%	(358)	(5)%	83	(5)%	41
Euro	5%	—	5%	62	5%	12	5%	14
	(5)%	—	(5)%	(62)	(5)%	(12)	(5)%	(14)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit after taxation. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next reporting period. The analysis is performed on the same basis for the Track Record Period.

e) **Fair value measurements recognised in the statements of financial position**

The fair values of cash and cash equivalents, trade and other receivables, bank overdrafts, trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of bank borrowings approximate to their fair values.

f) **Estimation of fair values**

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

Interest-bearing borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

26. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2011, there were additions of intangible assets of approximately HK$2,871,000 which had not been settled as at 31 March 2011 and the balance was recognised as trade and other payables in the consolidated statements of financial position as at 31 March 2011.

27. COMMITMENTS

As at 31 March 2009, 2010, 2011 and 31 October 2011, the Group had the following commitments, not provided for in the Financial Information:

a) Capital commitments in respect of acquisition of intangible assets:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for	—	4,680	3,120	2,329

b) Operating lease commitment for future minimum lease payments under non-cancellable operating leases in respect of land and building which fall due as follows:

	As at 31 March			As at 31 October
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,187	3,945	3,644	3,925
In the second to fifth year inclusive	4,989	3,913	479	14,422
Over five years	—	—	—	17,569
	8,176	7,858	4,123	35,916

Operating lease payments represent rental payable by the Group for certain of its office and factory premises. Leases and rentals are negotiated and fixed for an average of 1 to 10 years. None of the leases includes contingent rentals.

28. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions.

For the Track Record Period, the directors are of the view that the followings are related parties of the Group:

Name of party	Relationship
Guangzhou Techtone Communication Equipment Company Limited ("廣州市天珩通通信設備有限公司") ("Techtone")*	Formerly managed and owned by directors and key management personnel of the Group
Synertone Telecom Technology (Shenzhen) Limited ("協同信聯通信技術(深圳)有限公司") ("Synertone Telecom")	Effectively managed and wholly owned by Mr. Wong Chit On
Yusman	Former shareholder of Synertone Group
Excel Time	Ultimate holding company and immediate holding company of the Company
Pak Fu	Effectively owned by certain key management personnel of the Group
Jumbo	Effectively owned by certain key management personnel of the Group

* Techtone ceased to be a related party of the Group since Ms. Ni Yun Zi, the spouse of Mr. Wong Chit On fully disposed her effective interest of 28% in Techtone to an independent third party and resigned as a director of two

immediate holding companies of Techtone during the year ended 31 March 2008. For the years ended 31 March 2009, 2010, 2011 and the seven months ended 31 October 2010 (Unaudited) and 2011, the Group sold specialised communication systems and systems technologies to Techtone totalling approximately HK$100,668,000, HK$107,167,000, HK$85,247,000, HK$36,600,000 and HK$44,056,000 respectively. Included in trade receivables as set out in note 18 are amounts due from Techtone of approximately HK$88,081,000, HK$131,508,000, HK$70,176,000 and HK$55,781,000 as at 31 March 2009, 2010, 2011 and 31 October 2011 respectively in relation to sales made thereto.

a) **Recurring transactions**

Particulars of significant transactions between the Group and the above related parties for the Track Record Period and expected to continue are as follows:

		Year ended 31 March			Seven months ended 31 October	
Name of party	**Nature of transaction**	**2009**	**2010**	**2011**	**2010**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Synertone Telecom	Sales of specialised communication systems	—	—	2,803	—	—
Excel Time	Dividend declared	52,000	63,000	—	—	27,000

The directors of the Company are of the opinion that the above related transactions were conducted on normal commercial terms and in the ordinary course of business. The directors have confirmed that the above transactions will continue in future.

b) **Balances with related parties**

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

i) *Amounts due from related companies*

	As at 31 March			As at 31 October
Name of party	**2009**	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Pak Fu	—	20	20	—
Jumbo	—	20	20	—
	—	40	40	—

ii) *Amounts due from/(to) directors*

	As at 31 March			As at 31 October	Maximum amount outstanding during the Year ended 31 March			Maximum amount outstanding during the Seven months ended 31 October	
	2009	**2010**	**2011**	**2011**	**2009**	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Chit On	683	(799)	(11,490)	—	1,066	N/A	N/A	N/A	N/A
Ni Yun Zi	(50)	(50)	(79)	—	N/A	N/A	N/A	N/A	N/A
	633	(849)	(11,569)	—					

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

iii) *Amount due from/(to) ultimate holding company*

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

c) **Transactions with key management personnel**

Emoluments for key management personnel, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11 are as follows:

	Year ended 31 March			Seven months ended 31 October	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Short-term employee benefits	5,004	4,917	7,446	3,594	4,024
Post-employment benefits	90	53	116	97	76
	5,094	4,970	7,562	3,691	4,100

d) The following guarantees were provided to a bank to secure general banking facilities of bank overdrafts and bank borrowings granted to the Group at each of the end of reporting period:

		Guarantee amount			
		As at 31 March			**As at 31 October**
Name of party	**Type of guarantee**	**2009**	**2010**	**2011**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wong Chit On	Personal guarantee	20,000	32,000	40,000	55,000
Synertone Communication	Corporate and cross guarantees	20,000	32,000	40,000	55,000
Synertone Wireless	Corporate and cross guarantees	20,000	20,000	40,000	55,000

i) As at 31 March 2009 and 2010, Synertone Communication and Synertone Wireless were covered by a cross guarantee arrangement issued by both of them to a bank in respect of banking facilities granted to them to the extent of HK$20,000,000 which remains in force so long as they have drawn down under the banking facilities. Under the guarantee, Synertone Communication, Synertone Wireless and Mr. Wong Chit On, that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of Synertone Communication and Synertone Wireless from the bank which is the beneficiary of the guarantee. As 31 March 2011 and 31 October 2011, the arrangement was updated by increasing the cross guarantee to the extent of HK$28,000,000.

ii) As at 31 March 2010 and 2011 and 31 October 2011, Synertone Communication, and Mr. Wong Chit On and Government of the Hong Kong Special Administrative Region had given guarantees to the extent of HK$12,000,000 and HK$9,100,000 respectively to a bank in connection with banking facilities granted by the bank to Synertone Wireless.

iii) As at 31 October 2011, Synertone Communication and Mr. Wong Chit On had jointly given additional corporate and personal guarantee of HK$15,000,000 to a bank in connection with banking facilities granted by the bank to Synertone Wireless.

29. DISPOSAL OF A SUBSIDIARY

On 10 September 2008, the Group disposed 60% of the equity interest in Best Tender at a consideration of HK$6,000 satisfied by an amount due from a director. The gain on disposal of HK$10,000 was recognised during the year ended 31 March 2009.

The liability disposed as at 10 September 2008 is as follows:

	HK$'000
Amount due to a director	(7)
Non-controlling interests (note 23(a))	3
	(4)
Gain on disposal (note 7)	10
Total consideration	6
Satisfied by:	
Amount due from a director	6
Net cash inflow/(outflow) arising from the disposal:	
Cash consideration received	—
Bank balances and cash disposed of	—
	—

30. THE COMPANY'S STATEMENTS OF FINANCIAL POSITION

The statements of financial position of the Company are as follows:

	Note	As at 31 March			As at 31 October
		2009	**2010**	**2011**	**2011**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Investments in subsidiaries	(a)	95,012	95,012	95,012	95,012
Current assets					
Prepayments and deposits		—	—	1,699	1,763
Amounts due from subsidiaries	(b)	96,772	160,698	37,575	37,532
Amount due from ultimate holding company	(b)	—	—	3	—
Amounts due from related companies	(b)	—	40	40	—
Cash and cash equivalents		12	44	24	42
		96,784	160,782	39,341	39,337
Current liabilities					
Accrued expenses and other payables		—	1	1	1
Amount due to ultimate holding company	(b)	84,991	128,991	—	—
		84,991	128,992	1	1
Net current assets		11,793	31,790	39,340	39,336
Net assets		106,805	126,802	134,352	134,348
Capital and reserves					
Share capital	(c)	100	100	9,000	9,000
Share premium	(d)	—	—	52,663	52,663
Merger reserve	(e)	71,349	71,349	71,349	71,349
Share-based payments reserve	(f)	33,563	53,563	—	—
Retained profits		1,793	1,790	1,340	1,336
Total equity		106,805	126,802	134,352	134,348

a) Investments in subsidiaries represent the net asset value of Synertone Group and its subsidiaries acquired through an exchange of shares as at 27 December 2006 pursuant to the Reorganisation amounting to approximately HK$71,449,000 and deemed investments in subsidiaries of approximately HK$23,563,000 in respect of the Pre-IPO Share Option Arrangement.

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

c) The details of the Company's authorised and issued share capital are set out in note 23(b).

d) The details of the Company's share premium are set out in note 23(c)(i).

e) The merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of Synertone Group and its subsidiaries acquired through an exchange of shares as at 27 December 2006 pursuant to the Reorganisation, which was not available for distribution.

f) The details of the Company's share-based payments reserve are set out in note 23(c)(v).

31. NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of the reporting period the directors proposed an interim dividend. Further details are disclosed in note 12.

32. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

As at 31 October 2011, the directors consider the immediate parent and ultimate controlling party of the Group to be Excel Time, which is incorporated in the BVI with limited liability. This entity does not produce financial statements available for public use.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 31 October 2011.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong,

Ho Chun Shing
Practising Certificate Number P04396

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information about how the proposed Listing might have affected the financial position of the Group after completion of the Global Offering.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance of the Group and financial position of the Group as at 31 October 2011 or at any future date.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 31 October 2011 and based on the audited consolidated net assets of the Group as at 31 October 2011 as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus, and is adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 October 2011	**Add: Estimated net proceeds from the Global Offering**	**Less: Declaration of interim dividend**	**Unaudited pro forma adjusted net tangible assets attributable to owners of the Company**	**Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*
Based on an Offer Price of HK$0.30 per Share	181,571	76,695	27,000	231,266	0.193
Based on an Offer Price of HK$0.60 per Share	181,571	164,445	27,000	319,016	0.266

This statement has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group following the Global Offering.

Notes:

1. It represented the consolidated net assets of the Group of HK$187,590,000 less intangible assets of HK$12,172,000 and add deferred tax liabilities of HK$6,153,000 as extracted from the audited consolidated statements of financial position of the Group as at 31 October 2011 as set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK$0.30 and HK$0.60 per Share, being the lowest point and the highest point in the estimated Offer Price range of HK$0.30 per Share to HK$0.60 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Further Information about the Directors and Substantial Shareholders" in Appendix V to this prospectus.

3. The Company has declared an interim dividend of HK$27,000,000 for the year ending 31 March 2012, which was a non-adjusting event after the reporting period as disclosed in note 12 and note 31 in Appendix I to this prospectus, and had been fully settled on 23 February 2012.

4. The unaudited pro forma adjusted net tangible assets value per Share is arrived at based on the 1,200,000,000 Shares expected to be in issue immediately following completion of the Global Offering but takes no account of any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the section headed "Further Information about the Directors and Substantial Shareholders" in Appendix V of this prospectus.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

CCIF

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

30 March 2012

THE DIRECTORS
SYNERTONE COMMUNICATION CORPORATION

Dear Sirs,

We report on the unaudited pro forma financial information of Synertone Communication Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the global offering of the shares of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 30 March 2012 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Section A in Appendix II to the Prospectus.

Respective Responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) 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.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment

Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 October 2011 or at any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company 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 4.29(1) of the Listing Rules.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong,

Ho Chun Shing
Practising Certificate Number P04396

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2012 of the property interests of the Group.

JONES LANG LASALLE 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

30 March 2012

The Board of Directors
Synertone Communication Corporation

Dear Sirs,

In accordance with your instructions to value the properties in which Synertone Communication Corporation (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 January 2012 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have attributed no commercial value to the property interests in Group I and II, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of tenancy agreements relating to the property interests and have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various tenancy agreements and title documents including Real Estate Title Certificates, Building Ownership Certificates, relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Alpha Law Firm, concerning the validity of the tenancy agreements of property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

The site inspections were carried out in the period between 30 October 2009 and 6 March 2012 by Kelvin K. F. Lan, who is a probationer of HKIS with 2 years experience in the valuation of properties in the PRC and Hong Kong.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK$).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 20 years' experience in the valuation of properties in the PRC and 19 years of property valuation experience in Hong Kong, the United Kingdom as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I — PROPERTY INTEREST RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Capital value attributable to the Group as at 31 January 2012 *HK$*
1	Room 1301 on 13 floor Henan Building Nos. 90 & 92 Jaffe Road Nos. 15-19 Luard Road Hong Kong	No Commercial Value
	Sub-total:	Nil

GROUP II — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value attributable to the Group as at 31 January 2012 *HK$*
2.	Block 268, 2nd Floor Tower 2, 21 Century Plaza No. 168 Longpan Road Central Xuanwu District Nanjing City Jiangsu Province the PRC	No Commercial Value
3.	8 Factory Units located at Blocks 1, 2 and 3 No. 1028 Buji Road Luohu District Shenzhen City Guangdong Province the PRC	No Commercial Value

No.	Property	Capital value attributable to the Group as at 31 January 2012 *HK$*
4.	15 Units located at Block B Teng Bang Building Qingshuihe Yi Road North Luohu District Shenzhen City Guangdong Province the PRC	No Commercial Value
	Sub-total:	Nil
	Grand total:	Nil

VALUATION CERTIFICATE

GROUP I — PROPERTY INTEREST RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2012 *HK$*
1.	Room 1301 on 13 floor Henan Building Nos. 90 & 92 Jaffe Road Nos. 15-19 Luard Road Hong Kong	The property comprises an office unit on the 13 floor of a 23-storey commercial building completed in about 1985. The unit has a leased area of approximately 1,284 sq.ft.(or 119.29 sq.m.) Pursuant to a Tenancy Agreement dated 29 March 2010, the property is rented by Synertone Communication Limited, a wholly owned subsidiary of the Company from Excess Gain Company Limited, an Independent Third Party for a term of 2 years commencing on 10 April 2010 and expiring on 9 April 2012, at a monthly rent of HK$23,112, exclusive of Government rates and surcharge with an option to renew for a further term of two years.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The registered owner of the property is Excess Gain Company Limited.

2. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 January 2012** *HK$*
2.	Block 268 2nd Floor Tower 2 21 Century Plaza No. 168 Longpan Road Central Xuanwu District Nanjing City Jiangsu Province the PRC	The property comprises an office unit on the 2nd floor of a 3-storey office building completed in about 2000. The property has a gross floor area of approximately 1,053 sq.m. Pursuant to a Tenancy Agreement dated 2 December 2011, the property is rented by Synertone Soontend Electronic (Shenzhen) Company Limited Nanjing Office ("Synertone Soontend Nanjing"), a wholly owned subsidiary of the Company from Nanjing 21 Century Electronic Technology Plaza Company Limited authorised agent of the property owner an Independent Third Party for a term commencing from 1 January 2012 and expiring on 31 March 2012, at a monthly rent of RMB27,378 exclusive of management fees, water and electricity charges. As advised by the Group, renewal of the tenancy is under negotiation with the Landlord.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is owned by Panda Electronic Group Company Limited, an Independent Third Party, vide State Owned Uses Right Certificate No. Ning Xuan 200501739, the Landlord. Nanjing 21 Century Electronic Technology Plaza Company Limited is the authorised leasing agent of the property owner.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Panda Electronic Group Company Limited is the legal owner of the property and has the right to lease out the property to Synertone Soontend;

   b. The aforesaid tenancy agreement has been registered in accordance to the PRC law(s);

   c. There is no material encumbrance that may adversely affect the enforceability of the tenancy agreement;

   d. The tenancy agreement signed between Synertone Soontend and the property owner is legally binding and enforceable to both parties; and

   e. The property has been used in accordance to its designated purpose.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2012 *HK$*
3.	8 Factory Units located at Blocks 1, 2 and 3 No. 1028 Bu Ji Road Lo Wu District Shenzhen City Guangdong Province the PRC	The property comprises 8 factory units on Levels 1, 2 and 3 of three 5-storey industrial buildings completed in about 1984. The property has a total gross floor area of approximately 4,860 sq.m. The respective areas of individual units are set out as follows:	The property is currently occupied by the Group for industrial and ancillary office purpose.	No commercial value

Level	Block	Gross Floor Area *(sq.m.)*
2 (A)	1	220
2 (B)	1	920
3 (A)	1	1,000
4	1	700
2	2	660
3 (portion)	2	580
3 (portion)	2	500
1	3	280
Total		4,860

Pursuant to 8 Tenancy Agreements, the property are rented to Synertone Soontend and Synertone Smartend Communication Technology (Shenzhen) Company Limited ("Synertone Smartend") from Shenzhen CMEC Industry Co. Ltd, an Independent Third Party for various terms, at a total monthly rent of RMB195,800, exclusive of management fees, water and electricity charges.

(Please refer to note 2 below for details.)

Notes:

1. The property is owned by Shenzhen CMEC Industry Co. Ltd vide Building Ownership Certificate Nos. 2000080172.

2. Pursuant to 8 Tenancy Agreements, the property is rented to Synertone Soontend and Synertone Smartend for various terms as follows:

Level	Block	Gross Floor Area *(sq.m.)*	Tenant	Commencement Date	Ending date	Monthly Rent *(RMB)*
2 (A)	1	220	Synertone Smartend	1 April 2009	31 March 2012	8,800
2 (B)	1	920	Synertone Soontend	1 April 2009	31 March 2012	36,800
3 (A)	1	1,000	Synertone Soontend	1 February 2009	31 March 2012	40,000
4	1	700	Synertone Smartend	1 February 2009	31 March 2012	28,000
2	2	660	Synertone Smartend	21 December 2008	31 March 2012	26,400
3 (portion)	2	580	Synertone Smartend	9 January 2009	31 March 2012	23,200
3 (portion)	2	500	Synertone Smartend	1 April 2009	31 March 2012	20,000
1	3	280	Synertone Smartend	1 December 2010	30 November 2011	12,600
Total		4,860				195,800

As advised by the Company, the term of the tenancy of Level 1 of Block 3 with an area of approximately 280 sq.m. will not be renewed upon expiration.

3. Pursuant to an Application for Extension of Tenancy Agreement, the Company will discuss the extension with the owner of the property at the end of March 2012.

4. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenzhen CMEC Industry Co. Ltd is the legal owner of the property and has the right to lease out the property to Synertone Soontend;

   b. The aforesaid eight tenancy agreements have been registered in accordance to the PRC law;

   c. There is no material encumbrance that may adversely affect the enforceability of the tenancy agreement;

   d. All tenancy agreements signed by Synertone Soontend and Synertone Smartend with the property owner are legally binding and enforceable to both parties; and

   e. The property has been used in accordance to its designated purpose.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2012 *HK$*
4.	15 Units located at Block B Teng Bang Building Qingshuihe Yi Road North Luohu District Shenzhen City Guangdong Province the PRC	The property comprises 15 units on Levels 2, 3, 4 and 5 of a 11-storey composite building completed in about 2009. The property has a total gross floor area of approximately 12,308.84 sq.m. The details of uses and their respective areas are set out as follows:	The properties are currently occupied by the Group for office, production and storage purpose.	No commercial value

Level	Zone	Gross Floor Area *(sq.m.)*
2	2-2A	634.41
3	3-2A	635.70
4	4-1A	635.70
4	4-2A	635.70
6	6-1	1271.40
6	6-2D	871.40
2	2-2B	634.41
3	3-2B	635.70
4	4-1B	635.70
4	4-2B	635.70
5	whole	2,542.80
2	2-1A	634.41
3	3-1A	635.70
2	2-1B	634.41
3	3-1B	635.70
Total:		12,308.84

Pursuant to 4 Tenancy Agreements, the properties are rented to Synertone Soontend and Synertone Smartend from Shenzhen Teng Bang Logistics Holdings Limited ("Shenzhen Teng Bang") (深圳市滕邦物流股份有限公司), an independent party for a term, commencing from 10 April 2011 and expiring on 10 April 2021 at a total monthly rent of RMB246,176.80, exclusive of management fees, water and electricity charges.

(Please refer to note 2 below for details.)

Notes:

1. The property is owned by Shenzhen Teng Bang vide Real Estate Title Certificate No. Shen Fang Di Zi Di No. 2000509973.

2. Pursuant to 4 Tenancy Agreements, the property is rented to Synertone Soontend and Synertone Smartend as follows:

Level	Zone	Gross Floor Area *(sq.m.)*	Tenant	Start	End	Monthly Rent *(RMB)*
2	2-2A	634.41	Synertone Smartend	10 April 2011	10 April 2021	93,686.20
3	3-2A	635.70				
4	4-1A	635.70				
4	4-2A	635.70				
6	6-1	1271.40				
6	6-2D	871.40				
2	2-2B	634.41	Synertone Soontend			101,686.20
3	3-2B	635.70				
4	4-1B	635.70				
4	4-2B	635.70				
5	whole	2,542.80				
2	2-1A	634.41	Synertone Smartend			25,402.20
3	3-1A	635.70				
2	2-1B	634.41	Synertone Soontend			25,402.20
3	3-1B	635.70				
Total		12,308.84				246,176.80

3. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The above property is legally owned by Shenzhen Teng Bang which has the right to lease out the property to Synertone Soontend and Synertone Smartend;

   b. The aforesaid four tenancy agreements have been registered in accordance to the PRC law;

   c. There is no material encumbrance that may adversely affect the enforceability of the tenancy agreement;

   d. All tenancy agreements signed by Synertone Soontend and Synertone Smartend with the property owner are legally binding and enforceable to both parties; and

   e. The property has been used in accordance to the designated purpose.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 October 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 March 2012. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has lapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms or purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 24 October, 2006.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 11 October 2006. It has established its head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance. The principal place of business in Hong Kong is at Room 1301, 13th Floor Henan Building, 90 Jaffe Road, Wanchai, Hong Kong. The address for service of process and notices of the Company is the same as its principal place of business in Hong Kong. On 26 May 2010, the Company was registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Ms. Lam Mei Shan and Mr. Wong Chit On have been appointed as the authorised representatives of the Company for the acceptance of service of process and notices in Hong Kong. Mr. Lam Ying Hung Andy has been appointed as the alternate authorised representative to Mr. Wong Chit On.

The Company was subject to the Cayman Islands law and to its constitution which comprises the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

The following changes in the share capital of the Company have taken place since the date of incorporation up to the Latest Practicable Date:

(a) as at the date of incorporation of the Company, the authorised share capital of HK$100,000.00 was divided into 10,000,000 Shares of HK$0.01 each, one Share and 9,999,999 Shares of which were respectively issued and allotted nil-paid to Codan Trust Company (Cayman) Limited and Excel Time on 11 October 2006. The one nil-paid Share was transferred to Excel Time on the same day, which together with the 9,999,999 Shares issued and allotted to Excel Time were subsequently credited as fully-paid in the manner prescribed in paragraph 4 below;

(b) the authorised share capital of the Company was increased to HK$20,000,000.00 by the creation of a further 1,990,000,000 Shares pursuant to the written resolutions of its sole shareholder Excel Time passed on 9 February 2010.

Assuming that the Hong Kong Public Offer becomes unconditional and is completed but taking into no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options granted under the Share Option Scheme, the authorised share capital of the Company will be HK$20,000,000.00 divided into 2,000,000,000 Shares of HK$0.01 each, of which 1,200,000,000 Shares will be issued fully paid or credited as fully paid, and 800,000,000 Shares will remain unissued.

Other than the issue of the Offer Shares or any option which may be granted under the Share Option Scheme and pursuant to the issuing mandate referred to in paragraph 3 below, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions passed by all Shareholders on 22 March 2012

On 22 March 2012, pursuant to the resolutions in writing passed by the Shareholders:

(a) the Company approved and adopted the Articles of Association as the articles of association of the Company;

(b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such date(s) as may be specified in the Underwriting Agreements; and (iii) the Offer Price being determined by entering into the Price Determination Agreement by the Price Determination Date:

(i) the Global Offering on the terms and subject to conditions set forth in this prospectus and the Application Forms and the Over-allotment Options were approved and the Directors were authorised unconditionally to allot and issue the Offer Shares;

(ii) the Share Option Scheme, the principal terms of which are set out in paragraph 11 of this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;

(iii) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any option which may be granted under the Share Option Scheme or under the Global Offering, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering (excluding Shares to be issued pursuant to the exercise of the Over-allotment Option) and (bb) the aggregate nominal amount of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (iv) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required to be held by the Articles or any applicable Cayman Islands laws, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Global Offering (excluding Shares to be issued pursuant to the exercise of the Over-allotment Option) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required to be held by the Articles or any applicable Cayman Islands laws, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

4. Corporate reorganisation

The companies comprising the Group underwent the Reorganisation to rationalize the Group's structure in preparation for the Listing. A diagram illustrating the Group's corporate structure after completion of the Reorganisation as of the Latest Practicable Date is set forth in the section headed "History and Development and Reorganisation" of this prospectus.

The Reorganisation involved the following:

(a) Radio World was incorporated in the BVI on 18 August 1999 and 500 fully-paid shares in Radio World were allotted and issued respectively to each of Mr. Wong Chit On and Cai Zuping. The 500 shares in Radio World held by Cai Zuping were transferred to Mr. Wong Chit On for cash at par on 1 December 2000. Mr. Wong Chit On subsequently transferred all of the entire issued capital of Radio World to Synertone Group for cash at par on 31 December 2001.

(b) Vastsuccess was incorporated in the BVI on 8 September 2000 and one fully-paid share in Vastsuccess was transferred from the initial subscriber to Synertone Group for cash at par on 31 December 2001.

(c) Synertone Group was incorporated in Hong Kong on 12 December 2001 and 9,999 shares and 1 share in Synertone Group were allotted and issued to Excel Time and Mr. Wong Chit On respectively on 12 December 2001. On 19 March 2002, Excel Time transferred 2,999 shares in Synertone Group to Yusman for cash at par value, and Mr. Wong Chit On transferred 1 share in Synertone Group to Yusman in consideration for cash at par value.

(d) On 8 May 2004, the registered capital of Synertone Soontend was approved to increase from HK$1,000,000.00 to HK$1,600,000.00.

On 29 September 2006, the 3,000 shares in Synertone Group then held by Yusman were transferred to Excel Time for a consideration of HK$15,921,000.00.

(e) the Company was incorporated in the Cayman Islands on 11 October 2006 and 9,999,999 nil-paid Shares in the Company were allotted and issued to Excel Time and one nil-paid Share in the Company was allotted and issued to the initial subscriber, which was transferred to Excel Time on the same day.

(f) On 27 December 2006, the Company credited the one nil-paid subscriber Share and the 9,999,999 nil-paid Shares held by Excel Time as fully paid in consideration of the entire issued share capital of Synertone Group acquired from Excel Time.

(g) On 28 December 2006, the Company resolved that members of the Group's senior management have the right to contribute into Jumbo and Pak Fu respectively, in an aggregate amount of HK$20,000,000.00 to subscribe for 60,000,000 shares, acquiring an interest in a total of approximately 6.67% shareholding in the Company before completion of the Global Offering through Jumbo and Pak Fu. Meanwhile, 3 independent consultants have the right to invest into the Company, in an aggregate amount of HK$10,000,000.00 to acquire an interest in a total of approximately 3.33% shareholding in the Company before completion of the Global Offering. On 30 December 2006, a share subscription agreement for the senior management and independent consultants was signed among the Company on the one side and Jumbo, Pak Fu, the relevant senior management members of the Group, and the 3 independent consultants on the other side in relation to the proposed contributions or investments as resolved on 28 December 2006. The terms of this share subscription agreement were confirmed with amendments in 2009, taking into account of a subscription right transfer agreement dated 14 May 2009 regarding the right to invest for one of the independent consultants and as reflected in an option transfer agreement entered into between the Company and the relevant parties on 1 December 2009. Details of the options granted thereunder can be found in sub-paragraph (n) in this paragraph.

(h) On 22 October 2007, the registered capital of Synertone Smartend was approved to increase from HK$1,000,000.00 to HK$15,000,000.00.

(i) On 8 August 2008, Vastsuccess transferred 100 fully-paid shares in Synertone Wireless to Radio World for cash at par. Radio World transferred 100 fully-paid shares in SCL for cash at par on the same day.

(j) On 2 February 2010, Excel Time entered into 2 subscription agreements separately with Jumbo and Pak Fu respectively as the subscribers. Pursuant to the subscription agreements, each of Jumbo and Pak Fu subscribed for 30,000,000 Shares at a consideration of HK$10,000,000.00, and Excel Time procured the Company to allot and issue to each of them the Shares as subscribed.

(k) On 2 February 2010, Excel Time also entered into 3 subscription agreements separately with Han Weining, John Edward Hunt and Zhao Xiaoyan respectively as the subscribers. Pursuant to the subscription agreements, each of Han Weining and John Edward Hunt subscribed for 12,000,000 Shares at a consideration of HK$4,000,000.00, while Zhao Xiaoyan subscribed for 6,000,000 Shares at a consideration of HK$2,000,000.00, and Excel Time procured the Company to allot and issue to each of them the Shares as subscribed.

(l) On 9 February 2010, the authorised share capital of the Company was increased from HK$100,000.00 divided by 10,000,000 Shares to HK$20,000,000.00 divided by 2,000,000,000 Shares.

(m) On 16 February 2011, the Company issued additional 800,000,000 fully paid Shares to Excel Time, its then sole shareholder, by way of bonus issue on the proportion of 80 Shares of the Company for every issued Share of the Company.

(n) On 17 February 2011, the Company issued 30,000,000 Shares and 30,000,000 Shares respectively to Jumbo and Pak Fu in consideration of HK$10,000,000 and HK$10,000,000 respectively. On 17 February 2011, the Company also allotted and issued 12,000,000 Shares, 12,000,000 Shares and 6,000,000 Shares respectively to Han Weining, an executive Director, John Edward Hunt and Zhao Xiaoyan, two Independent Third Parties, in consideration of HK$4,000,000.00, HK$4,000,000.00 and HK$2,000,000.00 respectively.

(o) On 20 March 2010, Excel Time and Victory Investment, an independent investor, entered into a subscription agreement pursuant to which Excel Time agreed to issue Convertible Notes to Victory Investment at a total value of HK$90,000,000.00. The Convertible Notes were convertible into Shares of the Company at a conversion price of HK$0.5, subject to adjustment and pursuant to the terms of a note instrument (the "**Instrument**") executed by Excel Time and Victory Investment dated 31 March 2010. Victory Investment subscribed for all the Convertible Notes under the subscription agreement and the subscription money in the total sum of HK$90,000,000 was fully paid by 6 December 2010. The Instrument was supplemented and amended by a deed executed by the parties on 26 February 2011 (the "**Supplemental Deed**"). Pursuant to the Instrument as amended and supplemented by the Supplemental Deed, the entire principal amount of the Convertible Notes was converted into 180,000,000 Shares on the conversion date of 28 February 2011 at the conversion price of HK$0.50 per Share. On 1 April 2011, Excel Time transferred 180,000,000 Shares to Victory Investment.

(p) On 22 December 2011, Excel Time as the purchaser, Victory Investment as the vendor and Mr. Wang Ruiyun entered into an agreement for the sale and purchase of 180,000,000 Shares (the "**S&P Agreement**"). Under the S&P Agreement, the consideration for the 180,000,000 Shares was HK$0.50 per Share in the total sum of HK$90,000,000. Completion of the S&P Agreement took place on 12 January 2012 after Excel Time had paid by instalments a total sum of HK$90,000,000 to Victory Investment pursuant to the S&P Agreement. On 12 January 2012, Victory Investment transferred 180,000,000 Shares to Excel Time.

Upon completion of the corporate reorganisation, the Company became the holding company of the Group.

Further information on the Reorganisation of the Company is set forth in the paragraph headed "Reorganisation" in the section headed "History and Development and Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the accountants' report, the text of which is set out in Appendix I to this prospectus and in the paragraph under "Further Information about Subsidiaries of the Group" in this appendix.

There has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Further information about subsidiaries of the Group

The Group has established three subsidiaries in Hong Kong, the basic information of which is set out as follows:

(a) *Synertone Group*

(i)	Company no.:	779088
(ii)	Date of incorporation:	12 December 2001
(iii)	Authorised share capital:	10,000 shares of HK$1.00 each
(iv)	Issued share capital:	10,000 shares of HK$1.00 each
(v)	Address of registered office:	Room 1301, 13th Floor Henan Building, 90 Jaffe Road, Wanchai, Hong Kong
(vi)	Scope of business:	Investment holding
(vii)	Existing Shareholder(s):	The Company
(viii)	Existing Director(s):	Mr. Wong Chit On

(b) *Synertone Wireless*

(i)	Company no.:	776840
(ii)	Date of incorporation:	21 November 2001
(iii)	Authorised share capital:	10,000 shares of HK$1.00 each
(iv)	Issued share capital:	10,000 shares of HK$1.00 each
(v)	Address of registered office:	Room 1301, 13th Floor, Henan Building, 90 Jaffe Road, Wanchai, Hong Kong
(vi)	Scope of business:	Manufacturing, trading and investment holding
(vii)	Existing Shareholder(s):	Radio World
(viii)	Existing Director(s):	Mr. Wong Chit On

(c) *SCL*

(i)	Company no.:	776841
(ii)	Date of incorporation:	21 November 2001
(iii)	Authorised share capital:	10,000 shares of HK$1.00 each
(iv)	Issued share capital:	10,000 shares of HK$1.00 each
(v)	Address of registered office:	Room 1301, 13th Floor, Henan Building, 90 Jaffe Road, Wanchai, Hong Kong
(vi)	Scope of business:	Manufacturing, trading and investment holding
(vii)	Existing Shareholder(s):	Vastsuccess
(viii)	Existing Director(s):	Mr. Wong Chit On

The Group has established two subsidiaries in the PRC, the basic information of which is set out as follows:

(a) *Synertone Smartend*

(i)	Date of establishment:	6 February 2002
(ii)	Type of company:	Wholly foreign owned enterprise with limited liability
(iii)	Business licence number of enterprise legal person:	440301503261462
(iv)	Registered capital:	HK$15,000,000.00
(v)	Registered owner:	Synertone Wireless
(vi)	Term of operation:	6 February 2002 to 6 February 2022
(vii)	Total investment:	HK$15,000,000.00
(viii)	Address of registered office:	2nd to 4th Floor, Building 1, Luohu Second Science Park, 1028 Buji Road, Luohu District, Shenzhen, the People's Republic of China
(ix)	Scope of business:	Wireless communication, data communication product and system technology development, production and the wholesale, import and export and related ancillary business of the above products (the exports of the above products do not include products subject to special management of international trade, auction of import and export quotas and import and export licensed products)
(x)	Legal representative:	Mr. Wong Chit On

(b) *Synertone Soontend*

(i)	Date of establishment:	5 February 2002
(ii)	Type of company:	Wholly foreign owned enterprise with limited liability
(iii)	Business licence number of enterprise legal person:	440301503298501
(iv)	Registered capital:	HK$16,000,000.00
(v)	Registered owner:	SCL
(vi)	Term of operation:	5 February 2002 to 5 February 2022
(vii)	Total investment:	HK$22,000,000.00
(viii)	Address of registered office:	2nd to 4th Floor, Building 1, Luohu Second Science Park, 1028 Buji Road, Luohu District, Shenzhen, the People's Republic of China
(ix)	Scope of business:	Development of computers communication products and systems technologies, provision of electronic technology and information consultancy; production and operation of base station of trunking information system and relevant terminal facilities and base station controller
(x)	Legal representative:	Mr. Wong Chit On

The Group has established two subsidiaries in the BVI, the basic information of which is set out as follows:

(a) *Radio World*

(i)	Company no.:	339586
(ii)	Date of incorporation:	18 August 1999
(iii)	Authorised share capital:	50,000 shares of US$1.00 each
(iv)	Issued share capital:	1,000 shares of US$1.00 each
(v)	Address of registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
(vi)	Scope of business:	Investment holding
(vii)	Existing Shareholder(s):	Synertone Group
(viii)	Existing Director(s):	Mr. Wong Chit On

(b) *Vastsuccess*

(i)	Company no.:	405846
(ii)	Date of incorporation:	8 September 2000
(iii)	Authorised share capital:	50,000 shares of US$1.00 each
(iv)	Issued share capital:	1 share of US$1.00 each
(v)	Address of registered office:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
(vi)	Scope of business:	Investment holding
(vii)	Existing Shareholder(s):	Synertone Group
(viii)	Existing Director(s):	Mr. Wong Chit On

7. Repurchase by the Company of its own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions. Such restrictions include:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to resolutions in writing passed by the Shareholders on 22 March 2012, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising any repurchase of Shares by the Company on the Stock Exchange (or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose) of up to 10% of the total nominal amount of the share capital of the Company in issue and to be issued as mentioned in this prospectus, such mandate to expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required to be held by the Articles or any applicable laws of the Cayman Islands, or when revoked or varied by an ordinary resolution of shareholders of the Company in general meeting, whichever shall first occur.

(ii) Connected persons

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or his or her associates and a connected person shall not knowingly sell his securities to the company.

(iii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company is prohibited from repurchasing its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the Cayman Islands laws, any repurchase by the Company may be made out of profits or share premium of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing the credit of the share premium account of the Company or, subject to the Companies Law, out of capital.

(iv) Status of repurchased Shares

The Listing of all repurchased Shares (whether offered on the Stock Exchange or otherwise) will automatically be cancelled and the certificates for those Shares shall be cancelled and destroyed.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its subsidiaries and/or the earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

The exercise in full of the Repurchase Mandate, on the basis of 1,200,000,000 Shares in issue immediately after the listing of the Shares, would result in up to 120,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company and its subsidiaries or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company and its subsidiaries.

(d) *General*

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates have any present intention to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a Share repurchase, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code").

Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate.

Assuming that Excel Time (being the Controlling Shareholder immediately after completion of the Global Offering) does not dispose of its Shares, if the Repurchase Mandate is exercised in full, the percentage shareholding of Excel Time in the Company would be increased from 67.5% before such repurchase to approximately 75% after such repurchase. Such increase will be treated as an acquisition for the purpose of the Takeovers Code. However, as

Excel Time will hold more than 50% of the total issued share capital of the Company, the acquisition of further voting rights in the Company pursuant to such repurchase will not give rise to any obligation on Excel Time under Rule 26 of the Takeovers Code to make a mandatory offer.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public fall below 25% of the total number of Shares in issue.

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months prior to the Latest Practicable Date.

No connected person has notified the Company that he or she or it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

8. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) the Framework Development Agreement;

(b) Authorised merchandising agreement (委托採購協議) signed on 16 March 2010 between Synertone Smartend and Synertone Telecom pursuant to which Synertone Smartend purchased certain raw materials at a total amount not exceeding RMB 500,000.00 as needed by Synertone Telecom on its behalf until Synertone Telecom is fully established and able to make purchases by itself;

(c) a deed of undertaking dated 13 May 2011 executed by Victory Investment and Wang Ruiyun in favour of the Company and Excel Time, whereby Victory Investment undertook not to dispose of its interest in the 180,000,000 Shares and Wang Ruiyun undertook not to dispose of his interest in the share capital of Victory Investment within six months from the Listing Date;

(d) a letter dated 22 December 2011 from the Company to Victory Investment, whereby the Company gave consent to the transfer of 180,000,000 Shares at a consideration of HK$0.50 per Share, being a total sum of HK$90,000,000, from Victory Investment to Excel Time and released each of Victory Investment and Wang Ruiyun from their respective undertakings and obligations under the deed of undertaking referred to in sub-paragraph (c) above;

(e) a deed of indemnity dated 25 March 2012 executed by Excel Time and Mr. Wong Chit On jointly and severally in favour of the Company and its present subsidiaries containing indemnities in respect of the estate duty and taxation referred to in paragraph 12 of this Appendix;

(f) a deed of non-competition dated 25 March 2012 executed by Excel Time and Mr. Wong Chit On in favour of the Company and its present subsidiaries containing undertakings not to be involved in competition with the business of the Group; and

(g) the Hong Kong Underwriting Agreement.

9. Intellectual property rights of the Group

(a) *Trade marks*

As at the Latest Practicable Date, the Group is the owner of the following trademark(s) registered in the PRC:

Trademark	Class	Trademark number	Date of Registration	Date of Expiry
SYNERTONE	9	5391606	28 May 2009	27 May 2019
SYNERTONE	38	5391607	28 October 2009	27 October 2019

As at the Latest Practicable Date, the Group is the owner of the following trademark registered in Hong Kong:

Trademark	Class	Trademark number	Date of Registration	Date of Expiry
SYNERTONE	9	301512459	30 December 2009	29 December 2019
SYNERTONE	38	301517292	7 January 2010	6 January 2020

(b) *Patents*

As at the Latest Practicable Date, the Group is the owner of the following patents registered in the PRC:

Patent	Nature of patent	Patent number	Date of Application	Date of Expiry
"雙工手持機"	design	ZL2004 30097827.6	26 November 2004	25 November 2014
"在終端中增加尋呼接收單元的通信方法及其系統"	invention	ZL 02 1 34352.7	10 July 2002	9 July 2022
"實現控制信道動態自適應跳變的方法"	invention	ZL 200610063540.X	8 November 2006	7 November 2026
"具有控制信道跳頻功能的數字集群通信方法"	invention	ZL 200710072898.3	22 January 2007	21 January 2027

(c) *Domain names*

As at the Latest Practicable Date, the Group is the owner of the following domain name(s):

Domain name *(Note)*	**Date of Registration**	**Date of Expiry**
synertone.net	26 August 2004	26 August 2014
协同通信.中国	23 March 2007	23 March 2013
协同通信.公司	23 March 2007	23 March 2013
协同集团.net	02 April 2007	02 April 2013
协同通信.网络	23 March 2007	23 March 2013
协同通信.com	02 April 2007	02 April 2017
synertone.cc	27 August 2004	27 August 2014
synertone.com.cn	27 August 2004	27 August 2014

Note: The contents of the websites do not form part of this prospectus.

(d) *Software registration*

As at the Latest Practicable Date, the Group has registered the following software copyright with the Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會) of the PRC:

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certification (軟件產品登記證書) (協同Citone數字集群TBR-180BA手持機射頻嵌入式軟件V4.0.3)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2008
Software Product Registration Certification (軟件產品登記證書) (協同集群通信系統維護台軟件V3.0.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	28 November 2008
Software Product Registration Certification (軟件產品登記證書) (協同Citone區域交換機主控板軟件V1.0.0.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone遙控基站通信遙控板軟件V1.5)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone區域交換機中繼接口板軟件V1.0.0.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone固定基站控制器主控單元軟件V5.3)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 April 2009

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certification (軟件產品登記證書) (協同Citone區域交換機有綫控制板軟件V1.0.0.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone固定基站控制器有綫控制單元軟件V3.1)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone遙控基站控制板軟件V2.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone固定基站控制器無綫控制單元軟件V3.2)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone 180BA手持機基帶軟件V4.0.7)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站信道機控制軟件V1.08)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone 181車台控制軟件V2.02)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	29 April 2009

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站信道擴展控制板軟件V1.08)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站控制板軟件V5.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone健伍改造手持機軟件V3.0.2)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone固定基站信道機控制軟件V5.1)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站控制器信道接口板軟件V2.1.2)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	29 April 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站有綫用戶板軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone固定基站信道機接收軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站接收軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站激勵軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站功放板軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站數據轉接板軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone綜控台轉接板軟件V1.2)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certification (軟件產品登記證書) (協同全綫通控制板軟件V2.2.8)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certification (軟件產品登記證書) (協同Citone便携式基站射頻轉接板軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certificate (軟件產品登記證書) (協同Citone 固定基站功率四分配器軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certificate (軟件產品登記證書) (協同全綫通核心板軟件V2.2.8)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certificate (軟件產品登記證書) (協同全線通信息處理板軟件V2.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certificate (軟件產品登記證書) (協同Citone 181車台收發單元軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certificate (軟件產品登記證書) (協同Citone 固定基站信道機激勵軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certificate (軟件產品登記證書) (協同Citone 固定基站信道機功放軟件V1.0)	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	30 June 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站切換器控制板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站資料伺服器控制板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站呼叫伺服器控制板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站媒體閘道聲碼介面板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站組呼伺服器控制板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站乙太網交換機板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站網管管理軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站媒體閘道控制板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站短信管理軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站錄音管理軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone中心站調度管理軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone基站通道控制軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone基站功放控制板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone基站控制軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone基站發射信號控制板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone基站時基控制軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certificate (軟件產品登記證書)協同Ditone基站接收信號控制板軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Ditone核心網測試軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Citone區域交換機調度台軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站雙工基地台功放單元軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站雙工基地台通道控制板軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站有綫介面單元中繼板軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站系統控制器主控板軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站有綫介面單元用戶板軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站系統控制器記發器板軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站雙工基地台發信機單元軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站系統控制器主控交換板軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站雙工基地台發信機單元軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站雙工基地台通道轉換板軟體V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010
Software Product Registration Certificate (軟件產品登記證書)協同Citone固定基站系統調度維護軟體V4.00.000.0042	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Soontend	29 July 2010

Awards/Certificates	Awarded by	Awarded to	Date of Award
Software Product Registration Certificate (軟件產品登記證書)協同Ditone DS-01手持機指揮調度終端控制軟體 V1.0.0.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	1 December 2009
Software Product Registration Certificate (軟件產品登記證書)協同格式化XML資料模組軟體 V1.0	Shenzhen Bureau of Science Technology & Information (深圳市科技和信息局)	Synertone Smartend	3 February 2010

FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

10. Disclosure of interests

Directors

Immediately following completion of the Global Offering without taking into consideration the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, the interests and short positions of the Directors and the chief executive in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions), or which will be required, pursuant to section 347 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange, or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, once the Shares are listed, are as follows:

(a) *Long positions in Shares*

Name of Director	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding *(%)*
Mr. Wong Chit On *(Note 1)*	Interest in a controlled corporation	810,000,000	67.5
Ms. Ni Yun Zi *(Note 1)*	Interest of spouse	810,000,000	67.5
Mr. Lu Zhijie *(Note 2)*	Interest in a controlled corporation	30,000,000	2.5
Mr. Han Weining	Beneficial owner	12,000,000	1

Note 1: Mr. Wong Chit On is the beneficial owner of all the issued share capital of Excel Time which holds 810,000,000 Shares. Therefore, Mr. Wong Chit On is deemed, or taken to be, interested in all the Shares which are beneficially owned by Excel Time for the purposes of the SFO. Being the spouse of Mr. Wong Chit On, Ms. Ni Yun Zi is also deemed to be interested in all the Shares which are beneficially owned by Excel Time for the purposes of the SFO.

Note 2: Mr. Lu Zhijie is a director of Jumbo and the beneficial owner of 44.2% of the issued share capital of Jumbo which holds 30,000,000 Shares. Therefore, Mr. Lu Zhijie is deemed, or taken to be, interested in all the Shares which are beneficially owned by Jumbo for the purposes of the SFO.

(b) *Long positions in the shares of associated corporations*

Name of Director	Name of associated corporations	Capacity	Number of Shares	Percentage of issued shares
				(%)
Mr. Wong Chit On	Excel Time	Beneficial owner	78,000	100
Mr. Lu Zhijie	Jumbo	Beneficial owner	13,260,000	44.2

Substantial Shareholders

As far as the Directors are aware, each of the following persons (not being a Director or chief executive of the Company) will, immediately following completion of the Global Offering that may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, have an interest and/or a short position in Shares or underlying Shares which will be required 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of the Group:

Name	Capacity and nature of interests	Number of shares held	Approximate percentage of shareholding
			(%)
Excel Time *(Note 1)*	Beneficial Owner	810,000,000	67.5%

Notes:

1. Mr. Wong Chit On is the beneficial owner of all the issued share capital of Excel Time which holds 810,000,000 Shares. Therefore, Mr. Wong Chit On is deemed, or taken to be, interested in all the Shares which are beneficially owned by Excel Time for the purposes of the SFO. Being the spouse of Mr. Wong Chit On, Ms. Ni Yun Zi is also deemed to be interested in all the Shares which are beneficially owned by Excel Time for the purposes of the SFO.

Save as disclosed above, the Directors are not aware of any other person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering without taking into consideration the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, have an interest and/or a short position in Shares or underlying Shares which would have 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

(c) *Particulars of service agreements and letters of appointment*

Each of Messrs. Wong Chit On, Ni Yun Zi, Lu Zhijie and Han Weining, being all the executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date. During the initial term, either party to the service agreement shall be entitled to terminate the service agreement by serving not less than six months' written notice upon the other side. After the expiry of the initial term, the service agreement will continue until terminated by either party serving not less than three months' written notice upon the other party. Other than the Director's remuneration and benefits in kind set out below, each of these executive Directors shall also be eligible to participate in all senior executive incentive, bonus and other schemes as may be operated by the Group during the term of her/his employment, on such terms and at such levels as the Board may from time to time determine.

The annual salaries (inclusive of directors' fees) of the executive Directors pursuant to the respective service agreements with the Company are as follows:

Name	**Amount** *(HK$)*
Wong Chit On	3,100,000
Ni Yun Zi	1,060,000
Lu Zhijie	340,000
Han Weining	340,000

Each of the independent non-executive Directors has been appointed for a fixed term of three year commencing from the Listing Date pursuant to the respective letters of appointment from the Company. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

The annual directors' fees of each of the independent non-executive Directors pursuant to the respective letters of appointment from the Company are as follows:

Name	**Amount** *(HK$)*
Lam Ying Hung Andy	100,000
Hu Yunlin	100,000
Mao Zhigang	100,000

Save as aforesaid, none of the Directors has or is proposed to have a service agreement with the Company or any of its subsidiaries (other than agreements expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(d) *Directors' remuneration*

The remuneration received by the Directors (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011 was approximately HK$2.9 million, HK$3.0 million, HK$4.1 million and HK$2.6 million, respectively.

The Group has not paid any remuneration to the Directors as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011. Further, none of the Directors had waived any remuneration during the same period.

Except as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 March 2009, 2010 and 2011 and the seven months ended 31 October 2011, by the Group to the Directors.

(e) *Related party transactions*

Save as disclosed in the section headed "Relationship with Techtone Communication and Synertone Telecom" of this prospectus, the sub-section headed "Material related party transactions" set out in note 28 of the accountants' report in Appendix I to this prospectus, paragraphs 4 and 8 of this Appendix, the Group had not engaged in any other material transactions with its related parties.

(f) *Interests in competing businesses*

Save as disclosed in this prospectus, none of the Directors are interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

(g) *Disclaimers*

Save as aforesaid and save as disclosed elsewhere in this prospectus:

(i) none of the Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group;

(ii) none of the Directors or the chief executive of the Company, as at the Latest Practicable Date, has any interest or short position in any Share, underlying Share and debenture of the Company or any of its associated corporations (within the meaning of the SFO), which will have to be notified to the Company and the Stock Exchange once the Shares are listed on the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed on the Stock Exchange, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange once the Shares are listed on the Stock Exchange;

(iii) none of the experts referred to in paragraph 18 of this Appendix has any shareholding in any member of the Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save as contemplated under the Underwriting Agreements;

(iv) none of the experts referred to in paragraph 18 of this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, 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;

(v) none of the Directors has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group;

(vi) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and

(vii) the Directors confirm that none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interest in the five largest customers or the five largest suppliers of the Group.

11. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by written resolutions of all Shareholders on 22 March 2012:

(a) *Purpose of the Share Option Scheme*

The Share Option Scheme is set up for the purpose of recognising and motivating the contribution of the eligible persons (as more particularly set out in sub-paragraph (b) below) to the Company and/or any of its subsidiaries and/or any Invested Entity (as defined below).

(b) *Who may join*

The board of Directors or a duly authorised committee thereof (the "Board") may at any time on any business day following the date of adoption and before the tenth anniversary thereof, offer to grant to any person belonging to any of the following classes of participants, an option to subscribe for Shares at a price determined as described in paragraph (e) below.

(aa) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Company or any of its subsidiaries holds an equity interest, including any executive Director of the Company, any of its subsidiaries or any Invested Entity;

(bb) any non-executive Director (including any independent non-executive Director) of the Company, any of its subsidiaries or any Invested Entity;

(cc) any shareholder of the Company, any of its subsidiaries or any Invested Entity or any holder of any securities issued by the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity;

(dd) any person or entity that provides research, development or other technological support to the Company, any of its subsidiaries or any Invested Entity;

(ee) any supplier of goods and/or services to the Company, any of its subsidiaries or any Invested Entity;

(ff) any business collaborator, business consultant, joint venture or business partner, technical, financial, legal and other professional advisers engaged by the Company, any of its subsidiaries or any Invested Entity;

(gg) any associate of the directors or the substantial shareholders of the Company, any of its subsidiaries or any Invested Entity who has, in the opinion of the Board, made contribution to the business growth of the Company, any of its subsidiaries or any Invested Entity; or (hh) the trustee of any trust pre-approved by the Board, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to the above classes of participants. For the avoidance of doubt, the grant of any option by the Company for the subscription of Shares or other securities of the Company or its subsidiaries to any person who fall within any of the above classes of participants shall not, by itself, unless the Board otherwise determines, be construed as a grant of option under the Share Option Scheme.

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

(c) *Maximum number of Shares*

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

(aa) the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of listing of the Shares on the Main Board unless Shareholders' approval has been obtained pursuant to sub-paragraphs (bb) and (cc) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the 10% limit;

(bb) the Board may, after issuing a circular to the Shareholders, seek approval by Shareholders in general meeting to refresh the 10% limit. However, the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes in these circumstances must not exceed 10% of the issued share capital of the Company as at the date of approval of the limit. Options previously granted under the Share Option Scheme and any other schemes (including those outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed; and

(cc) the Board may, after issuing a circular to the Shareholders, seek separate Shareholders' approval in general meeting to grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specified by the Board before such approval is sought.

No option may be granted to any one person in any 12-month period which, if exercised in full, would result in the total number of Shares already issued to him/her under all the options previously granted to him/her which have been exercised and, issuable to him/her under all the options previously granted to him/her which are for the time being subsisting and unexercised, exceeding 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval by the Shareholders in a general meeting with such person and his/her associates abstaining from voting has been obtained in accordance with the Listing Rules.

No offer for grant of option shall be made by the Board after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the relevant requirements in the Listing Rules. In particular, during the period commencing 1 month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of the Company's annual results or interim results, and (ii) the deadline for the Company to publish announcement of its annual results or interim results (whether or not required under the Listing Rules) and ending on the date of the results announcement, no option may be granted.

(d) *Grant of option to connected persons*

Any grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where options are proposed to be granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates, and the proposed grant of options, when aggregated with the options already granted to (including options exercised, cancelled and outstanding) that person in the past 12-month period, would entitle him/her to receive more than 0.1% of the total issued Shares for the time being having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000, the proposed grant shall be subject to the approval of Shareholders in general meeting in accordance with the Listing Rules.

For this purpose, the Company shall prepare and deliver to the Shareholders a circular. All connected persons for the time being of the Company (if any) (except where any connected person intends to vote against the proposed grant of options and that his/ her intention to do so has been stated in the circular) shall abstain from voting at such general meeting and at which any vote taken shall be taken on a poll.

(e) *Price for Shares*

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

(f) *Time of acceptance and exercise of option*

An offer of grant of an option may be accepted by a participant within the time period specified in the offer letter. A consideration of HK$1.00 is payable on acceptance of the offer of grant of option. Subject to the provisions of the Share Option Scheme regarding expiry of options, an option may be exercised in whole (or in part) in accordance with the terms of the Share Option Scheme during the period to be notified by the Board to each grantee but shall in any event not more than 10 years from the date of grant of the option. The Share Option Scheme does not contain specific provisions on the minimum period during which an option must be held before it can be exercised.

(g) *Performance target*

Unless the Board otherwise determines and sets out in the offer letter for the grant of options to a grantee, a grantee shall not be required to achieve any performance target before the options can be exercised. No performance targets are specifically stipulated under the Share Option Scheme.

(h) *Rights are personal to grantee*

An option may not be sold, transferred, charged, mortgaged or assigned and is personal to the grantee.

(i) *Rights on ceasing employment*

If the grantee ceases to be an eligible employee or Director of the Group under the Share Option Scheme, his/her outstanding options must lapse on:

(aa) the date of cessation, if the grantee has been dismissed on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction for criminal offence;

(bb) the date which is 12 months after the date of cessation, where cessation occurs by reason of death of the grantee; or

(cc) the date of cessation, in the case of resignation, retirement, expiry of employment contract or termination of employment of the grantee on grounds other than those set out in sub-paragraphs (aa) and (bb) above.

(j) *Rights on winding-up*

In the event of notice being given by the Company at a general meeting of the Company at which a resolution will be proposed for the voluntary winding-up of the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his/her personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than 2 business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. If such resolution is duly passed at the proposed general meeting, all options shall to the extent that they have not been exercised, thereon lapse and not be exercisable.

(k) *Rights on a general (or partial) offer*

If a general (or partial) offer (whether by way of take-over offer, share re-purchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), the Company will use its best endeavours to procure that an appropriate offer is extended to all the grantees (on comparable terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders). If such general (or partial) offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option (to the extent not already lapsed or exercised) to its full extent or to the extent specified in the grantee's notice to the Company at any time within 30 days after the date on which such general (or partial) offer becomes or is declared unconditional.

(l) *Rights on a compromise or arrangement*

In the event that a compromise or arrangement between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees on the same day as it gives notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement. Each grantee (or his/her personal representative(s)) is entitled to exercise his/her option in whole or in part (to the extent not already exercised), at any time no later than 2 business days prior to the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement by notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as exercised pursuant to this sub-paragraph.

(m) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry any voting rights until completion of the registration of the grantee as the holder thereof in accordance with the Articles. Subject to the aforesaid, the Shares to be allotted will be subject to all the provisions of the Articles for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option rather than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of exercise of the option.

(n) *Effect of alteration to capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable arising from capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company, but excluding any alteration in the share capital of the Company as a result of the issue of securities of the Company as consideration in a transaction, such corresponding adjustments shall be made to the number or nominal amount of Shares (insofar as the relevant option has not been lapsed or exercised) and/or the subscription price, provided that no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value or which would be to increase or reduce the proportion of the issued share capital of the Company for which any grantee would have been entitled to subscribe had he/she exercised all the options held by him/her immediately prior to such adjustments. Any such adjustments (except in case of an alteration in the share capital of the Company by way of capitalisation of profits or reserves) shall be certified by an independent financial adviser or the auditors for the time being of the Company as being fair and reasonable, and on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such alteration.

(o) *Period of the Share Option Scheme*

The Share Option Scheme shall remain in force for a period of 10 years commencing on the date of its adoption.

(p) *Cancellation*

Any cancellation of options granted but not exercised must be approved by the Shareholders in general meeting, with the grantees and their associates abstaining from voting. The vote taken at the general meeting to approve such cancellation shall be taken by poll. The cancelled option shall be treated as if it were outstanding option granted under the Share Option Scheme for the purpose of calculating the aggregate number of Shares issued or issuable or which may be issuable under the Share Option Scheme. Any grant of new options to the same participant may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) and in compliance with the terms of the Share Option Scheme, in particular within the limit approved by the Shareholders and, subject to the maximum number of Shares available for subscription referred to in paragraph (c) above.

(q) *Termination of the Share Option Scheme*

The Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force. All options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(r) *Lapse of Option*

An option shall lapse automatically on the earliest of:

(aa) the expiry of the option period;

(bb) the expiry of the periods referred to in paragraphs (f), (i), (j) or (k) above, respectively;

(cc) subject to the compromise or arrangement referred to in paragraph (l) above becoming effective, the date on which such compromise or arrangement becomes effective;

(dd) the date of the commencement of the winding-up of the Company; and

(ee) the date on which the grantee ceases to be an eligible employee by reason of the termination of his/her employment on any one or more of the grounds that he/ she has been guilty of misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/ her integrity or honesty. A resolution of the Board or the board of directors of the relevant subsidiary or Invested Entity to the effect that the employment of a Grantee has or has not been terminated on one or more of the above grounds shall be conclusive.

(s) *Alterations to the Share Option Scheme*

The rules of the Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of options to the advantage of any of the grantees or prospective grantees without the prior approval of the Shareholders in general meeting where the grantees and their associates must abstain from voting. Any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted under the Share Option Scheme must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. Any change to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting. The amended terms of the Share Option Scheme or the options to be granted thereunder must still comply with the relevant requirements of Chapter 17 of the Listing Rules from time to time.

(t) *Present status of the Share Option Scheme*

(i) Approval of the Listing Committee of the Stock Exchange required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of options to eligible persons stated therein to subscribe for shares for up to 10% of the issued share capital of the Company as at the date of listing of the Shares on the Main Board.

(iii) Grant of option

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

OTHER INFORMATION

12. Estate duty and tax indemnity

Each of Excel Time and Mr. Wong Chit On (collectively the "Indemnifiers") has entered into a deed of indemnity dated 25 March 2012 with and in favour of the Company as described under sub-paragraph (e) in paragraph 8 of this Appendix (the "Deed of Indemnity"), to jointly and severally give indemnities in respect of, among other things:

(a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended)) to any member of the Group on or before the date on which the Global Offering becomes unconditional;

(b) any tax liabilities which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date;

(c) any tax liabilities which might be payable by any member of the Group under or by reason of any transfer of property to any member of the Group or to any other person, entity or company made or deemed to have been made on or before the Listing Date; and

(d) all such other relevant payments, suits, settlement payment, cost, liability, fines, damages or expense under the relevant PRC or Cayman Islands or Hong Kong laws, rules and regulations or any other applicable laws, rules and regulations, on or before the Listing Date or as a result of or in relation to all litigations, arbitration, claims (including counterclaims), complaints, demands, non-compliance and/or legal proceedings by or against the Group which was issued, accrued and/or arising from any act of the Group at any time on or before the Listing Date, save as to such circumstances including:

(i) to the extent that full provision or allowance has been made for such taxation in the audited accounts of the Group for the Track Record Period;

(ii) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or the interpretation thereof or retrospective increase in tax rates coming into force after the Listing Date;

(iii) to the extent that such taxation or liability would not have arisen but for any act or omission voluntarily effected by any of the members of the Group without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business before and after the Listing Date; or

(iv) to the extent of any provisions or reserve made for taxation in the audited accounts of the Group for the Track Record Period which is finally established to be an overprovision or an excessive reserve.

13. Litigation

No member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

14. Application for Listing of the Shares

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued under the Global Offering, any Shares which may be issued pursuant to the Over-allotment Option, and any Shares which may fall to be issued pursuant to any exercise of options which may be granted under the Share Option Scheme (provided that any such Shares must not, in aggregate, exceed 10% of the Shares in issue at the time of the listing of the Shares on the Stock Exchange).

All necessary arrangements have been made enabling such Shares to be admitted to CCASS.

15. Preliminary expenses

The preliminary expenses incurred or proposed to be incurred by the Company are estimated to be approximately US$8,500 (equivalent to HK$66,300) and are payable by the Company.

16. Agency fees or commissions granted

The Underwriters will receive an underwriting commission as mentioned in the subsection headed "Commissions" under the section headed "Underwriting" of this prospectus.

17. Promoter

The promoter of the Company is Mr. Wong Chit On. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given, or was proposed to be paid, allotted or given, to the promoter in connection with the Global Offering or the related transactions as described in this prospectus within the two years immediately preceding the date of this prospectus.

18. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Emperor Capital Limited	Licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
CCIF CPA Limited	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys
Alpha Law Firm	Registered law firm in the PRC
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Professional property valuers

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in the Group or the right (whether legally enforceable or not) to subscribe for or, to nominate persons to subscribe for securities in any member of the Group.

Emperor Capital Limited, CCIF CPA Limited, Conyers Dill & Pearman, Alpha Law Firm and Jones Lang LaSalle Corporate Appraisal and Advisory Limited have given and have not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, valuation, opinions and/or advice (as the case may be) and references to its name in the form and context in which it is respectively included.

19. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

20. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

(iii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iv) the Company has no outstanding convertible debt securities or debentures;

(v) the Directors confirm that, save as disclosed in the paragraph headed "Recent Market Developments" in the section headed "Summary" of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 October 2011 (being the date to which the latest audited combined financial statements of the Group were made up) and up to the date of this prospectus;

(vi) the Company has no founder share, management share or deferred share;

(vii) none of the experts named in paragraph 18 of this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in an company in the Group; and

(viii) there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the twelve months immediately preceding the date of this prospectus.

(b) No member of the Group is presently listed on any stock exchange or traded on any trading system.

(c) There is no arrangement under which future dividends are waived or agreed to be waived.

(d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

21. Compliance Adviser

The Company has appointed Yuanta Securities (Hong Kong) Company Limited as its compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

22. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus which was delivered to the Registrar of Companies in Hong Kong for registration were the Application Forms, the written consents referred to in paragraph 18 headed "Qualifications and consents of experts" in Appendix V to this prospectus, and copies of the material contracts referred to in paragraph 8 headed "Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Alvan Liu & Partners at Rooms 701-4, 7th Floor, Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the rules of the Share Option Scheme;

(c) the accountants' report prepared by CCIF CPA Limited, the text of which is set out in Appendix I to this prospectus;

(d) the audited financial statements of each member of the Group under the statutory requirements for each of the three years ended 31 March 2011 and seven months ended 31 October 2011;

(e) the letter from CCIF CPA Limited in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(f) the letter, summary of valuation and valuation certificate relating to the property interests of the Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which is set out in Appendix III to this prospectus;

(g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;

(h) the legal opinions prepared by Alpha Law Firm in respect of, among other things, the Group, its operation and its property interest in the PRC;

(i) the material contracts referred to in paragraph 8 headed "Summary of material contracts" in Appendix V to this prospectus;

(j) the service agreements referred to in sub-paragraph (c) under paragraph 10 headed "Disclosure of interests" in Appendix V to this prospectus;

(k) the written consents referred to in paragraph 18 headed "Qualifications and Consents of experts" in Appendix V to this prospectus; and

(l) the Companies Law.

SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation