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

2012 Annual Report

CONTENTS

Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Management Discussion and Analysis	6
Directors and Senior Management	11
Report of the Directors	14
Corporate Governance Report	20
Independent Auditor's Report	26
Consolidated Income Statement	28
Consolidated Statement of Comprehensive Income	29
Consolidated Statement of Financial Position	30
Statement of Financial Position	31
Consolidated Statement of Changes in Equity	32
Consolidated Statement of Cash Flows	33
Notes to the Financial Statements	35
Financial Summary	90

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wong Chit On *(Chairman)*
Ms. Ni Yun Zi
Mr. Lu Zhijie
Mr. Han Weining

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lam Ying Hung Andy
Mr. Mao Zhigang
Mr. Hu Yunlin

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Lam Ying Hung Andy *(Chairman)*
Mr. Hu Yunlin
Mr. Mao Zhigang

REMUNERATION COMMITTEE

Mr. Hu Yunlin *(Chairman)*
Mr. Lam Ying Hung Andy
Mr. Mao Zhigang

NOMINATION COMMITTEE

Mr. Mao Zhigang *(Chairman)*
Mr. Lam Ying Hung Andy
Mr. Hu Yunlin

COMPANY SECRETARY

Ms. Lam Mei Shan, *CPA, AICPA*

AUTHORISED REPRESENTATIVES

Mr. Wong Chit On
Mr. Lam Ying Hung Andy (alternate to Mr. Wong Chit On)
Ms. Lam Mei Shan

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

2–4/F, Block 1
1028 Buji Road, Luohu District
Shenzhen
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1301, 13th Floor
Henan Building
90 Jaffe Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

HONG KONG

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

PRC

Bank of China Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68, Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Alvan Liu & Partners
Rooms 701–704, Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

COMPLIANCE ADVISER

Yuanta Securities (Hong Kong) Company Limited
23rd Floor
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

AUDITOR

CCIF CPA Limited
Certified Public Accountants
34/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

CORPORATE WEBSITE

www.synertone.net

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1613

FINANCIAL HIGHLIGHTS

- Revenue of the Group remained relatively stable for the year ended 31 March 2012 at approximately HK$218.3 million, as compared to that for the year ended 31 March 2011 at approximately HK$218.8 million.

- Gross profit of the Group increased by approximately HK$5.6 million or 3.9% from approximately HK$143.1 million for the year ended 31 March 2011 to approximately HK$148.7 million for the year ended 31 March 2012, with gross profit margin increasing from approximately 65.4% for the year ended 31 March 2011 to approximately 68.1% for the year ended 31 March 2012.

- Profit for the year decreased by approximately HK$9.3 million or 12.8% from approximately HK$72.9 million for the year ended 31 March 2011 to approximately HK$63.6 million for the year ended 31 March 2012, with net profit margin decreasing from approximately 33.3% for the year ended 31 March 2011 to approximately 29.1% for the year ended 31 March 2012.

Results performance for the year ended 31 March	**2012**	2011
Total turnover *(HK$'000)*	**218,264**	218,824
Gross profit *(HK$'000)*	**148,703**	143,081
Gross profit margin *(%)*	**68.1**	65.4
Profit for the year *(HK$'000)*	**63,610**	72,853
Net profit margin *(%)*	**29.1**	33.3
Basic earning per share *(HK cents) (Note 1)*	**7.07**	8.88

Liquidity and gearing ratios as at 31 March	**2012**	2011
Inventories turnover days *(Note 2)*	**87**	93
Trade receivables turnover days *(Note 3)*	**258**	294
Trade payables turnover days *(Note 4)*	**55**	58
Current ratio	**5.1**	2.7
Gearing ratio *(%) (Note 5)*	**—**	15.2

Operating cash flow and capital expenditure for the year ended 31 March	**2012**	2011
Net cash from operating activities *(HK$'000)*	**36,334**	185,091
Capital expenditure *(HK$'000) (Note 6)*	**4,923**	8,206

Notes:

1. The shares of the Company were not listed until 18 April 2012.

2. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of goods sold for the year and multiplied by 365 days.

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

4. Calculation was based on the average of the trade payables balance at the beginning and the end of the relevant year divided by costs of goods sold for the year and multiplied by 365 days.

5. Calculation was based on total bank borrowings at the end of the relevant year over total equity at the end of the relevant year.

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

CHAIRMAN'S STATEMENT

To Shareholders,

On behalf of the board of directors (the "Board") of Synertone Communication Corporation (the "Company"), I am pleased to present the first annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2012.

On 18 April 2012, the shares of the Company have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company raised net proceeds of approximately HK$88.6 million after deducting the related commissions and other related offering expenses of HK$10.4 million. With respect to sum net proceeds raised, the Group intends to apply approximately 60% of the amount for research and development of products and technologies, approximately 20% for capacity expansion, approximately 10% for marketing and promotional activities, and approximately 10% for working capital.

The successful initial public offering represents a key milestone in the history and development of the Company, which provides the Company with a fully-integrated financial platform to support its future development. It can also help promote the Group's brand and image, increase the visibility of the Group in the specialised communication industry and improve corporate governance standards through regulation of the internal management of the Group. We believe that the Group is committed to accelerate the research and development of its products, improve its sales and market shares, and bring better returns to our shareholders.

FINANCIAL REVIEW

During the year ended 31 March 2012, the Group derived its revenue substantially from digital trunking system. The revenue of the Group remained relatively stable for the year ended 31 March 2012 at approximately HK$218.3 million, as compared to that for the year ended 31 March 2011 at approximately HK$218.8 million.

The gross profit of the Group increased by approximately HK$5.6 million or 3.9% from approximately HK$143.1 million for the year ended 31 March 2011 to approximately HK$148.7 million for the year ended 31 March 2012, with gross profit margin increasing from approximately 65.4% for the year ended 31 March 2011 to approximately 68.1% for the year ended 31 March 2012.

The net profit and earnings per share slightly decreased from approximately HK$72.9 million and HK8.88 cents for the year ended 31 March 2011 to approximately HK$63.6 million or HK7.07 cents for the year ended 31 March 2012. The decrease was mainly attributable to (i) late receipt of tax refund approval of value-added tax refund of approximately HK$15.0 million from governmental authority in the People's Republic of China ("PRC"); (ii) the expenses directly attributable to the listing in a total amount of approximately HK$9.3 million; and (iii) the increase in the PRC enterprise income tax attributable to the distribution of dividend declared by the Company's PRC subsidiaries.

Pursuant to the board meeting of the Company held on 26 June 2012, the directors have proposed a final dividend of HK4 cents per ordinary share of the Company for the year to shareholders of the Company whose names shall appear on the register of members of the Company on 30 August 2012. The final dividend will be payable on or about 11 September 2012, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting for the year ended 31 March 2012 expected to be held on or about 23 August 2012.

BUSINESS REVIEW

Despite an increasing awareness of the importance of emergency and specialised communication network to disaster relief and counter-terrorism activities, the uncertainties surrounding the overseas markets, the slow global economic recovery and the substantial increase in the cost of operation impact the Group's specialised communication business unfavourably to some degree.

The Group owns intellectual property rights relating to some aspects of the digital trunking systems. Due to the higher profit margin and increasing customer demand, the Group will further upgrade, develop and promote the digital trunking system to cater for the needs of the customers as well as to enhance the profit margin of this product segment. The sales of the digital trunking system increased by approximately HK$8.4 million or 4.8% from approximately HK$174.5 million for the year ended 31 March 2011 to approximately HK$182.9 million for the year ended 31 March 2012 mainly due to the greater demand from the customers.

The competition for the Very Small Aperture Terminal ("VSAT") satellite system supply and system integration business is intense. The sales of VSAT satellite system decreased significantly by approximately HK$18.2 million or 47.5% from approximately HK$38.3 million for the year ended 31 March 2011 to approximately HK$20.1 million for the year ended 31 March 2012, 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. Although revenue derived from system technologies increased significantly by approximately HK$7.6 million, or 131.0% from approximately HK$5.8 million for the year ended 31 March 2011 to approximately HK$13.4 million for the year ended 31 March 2012, the total revenue of the Group for the year ended 31 March 2012 decreased by approximately HK$0.5 million compared to that for the year ended 31 March 2011.

Due to the keen market competition, the selling price of VSAT satellite system has been decreasing, while the cost of satellite antenna, being the major component of the VSAT satellite system, sourced from suppliers did not reduce accordingly. In view of the low profit margin of VSAT satellite system, the Group has developed its own satellite antenna for the VSAT satellite system. We believe that if the Group is able to produce its own satellite antenna for VSAT satellite system, it will lower the overall production cost and thus increase the profit margin of VSAT satellite system. The testing of the Group's own satellite antenna was completed and the Group has commenced trial sales of the Group's own satellite antenna to its customers. It is anticipated that the Group's own satellite antenna will be officially marketed to the customers of the Group in 2013. The Group will continue to acquire and install new production equipment, as well as to recruit extra manpower for the production and testing of the satellite antenna so as to accelerate the product development.

PROSPECTS

The overall economy in the People's Republic of China ("PRC") continues to enjoy a robust and steady growth against a backdrop of macro-economic weakness and turbulence across many other parts of the world. There is an increasing awareness of the importance of emergency and specialised communication network primarily driven by the need of disaster relief and counter-terrorism activities. It is expected that the market size of PRC's specialised communications network will enjoy a growth by approximately 20% annually, which will mean opportunities for the Group further expand the business and market share. After years of dedicated research and development, the Group has developed a number of core technologies relating to digital trunking and satellite communication systems and become one of the few enterprises in the PRC with exclusive intellectual property rights in the market. Possessing such technology know-how reassures the leading position of the Company in the specialised communication market. The Group will continue focusing on developing and upgrading our portfolio of communication network products and technologies to enhance the market position and reputation.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their confidence in the Group, to the customers, suppliers and business partners for their continuous support to the Group, and to the diligent employees for their efforts and contribution in the past years. Having a clear development strategy and an experienced team, I am of confidence that the Group will continue to grow and create values for all shareholders in the future.

Wong Chit On
Chairman

26 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a provider of core components of specialised communication system and related technology solutions. The Group has designed and developed its products and technologies relating to digital trunking and satellite communication systems through its own 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 solutions that can be customarily devised according to the specific needs of client. The Group also engages in research and development of systems technologies for the operation of the specialised communication system and sale of accessory parts and components to some of its customers for further integration or other related uses. 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. Customers or end-users of the Group's products and solutions are mainly governmental bodies and private business enterprises. For the year ended 31 March 2012, products of the Group were mainly sold in the PRC which accounted for approximately HK$210.4 million or 96.4% of the total revenue. Apart from providing core components, the Group can also provide network design, network construction, installation and testing, maintenance and technical support to the customers.

During the year ended 31 March 2012, the Group derived its revenue substantially from digital trunking system which accounted for approximately HK$182.9 million or 83.8% of its total revenue. The revenue of the Group remained relatively stable for the year ended 31 March 2012 at approximately HK$218.3 million, as compared to that for the year ended 31 March 2011 at approximately HK$218.8 million.

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

On 18 April 2012 (the "Listing Date"), the Company issued 300,000,000 new shares of nominal value of HK$0.01 each in connection with the listing of the Company's shares on the Main Board at The Stock Exchange of Hong Kong Limited (the "Listing"). The Company will apply the net proceeds, after deducting related commission and other related offering expenses, from such new issue in the manner as set out in the Company's prospectus dated 30 March 2012. As at the date of this report, such net proceeds have not yet been fully utilised. The successful initial public offering provided the Company with a fully-integrated financial platform to support its future development. In particular, the Group plans to:

- **Focus on expansion of sales network and market share in the specialised communication industry in the PRC.** The Group seeks to deepen and capitalise 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. The Group intends to engage new system integrators and distributors who have strong network and experience in the specialised communications industry to provide products to government bodies.

- **Penetrate overseas market.** The Group intends to explore overseas business opportunities for its products and services, especially in APAC, Brazil and Turkey. The Group plans to establish overseas sales and service network and enhance the Group's corporate and brand image in overseas market by opening representative offices in various locations, engaging in marketing and promotional activities through the internet and media and participating in international exhibitions and seminars.

- **Continue to strengthen research and development capability, to enhance product quality and functionality and network design and to develop new products which cater for the needs of the market.** The Group recognises that research and development plays a crucial role in the specialised communications industry. The Group will further explore the utilisation 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 changing needs of the market.

- **Promote better awareness of the products and services offered by the Group.** The Group strives to promote better awareness of the Group's products and services 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. In addition, 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.

FINANCIAL REVIEW

TURNOVER

During the year ended 31 March 2012, the Group derived its revenue substantially from digital trunking system. The revenue of the Group remained relatively stable for the year ended 31 March 2012 at approximately HK$ 218.3 million, as compared to that for the year ended 31 March 2011 at approximately HK$218.8 million. The following table sets forth a breakdown of revenue by product category for the years indicated:

	2012		2011	
	HK$'000	**%**	HK$'000	%
Digital trunking system	**182,899**	**83.8**	174,503	79.7
VSAT satellite system	**20,127**	**9.2**	38,329	17.5
Systems technologies	**13,424**	**6.2**	5,818	2.7
Other accessory parts and components	**1,814**	**0.8**	174	0.1
	218,264	**100.0**	218,824	100.0

The sales of digital trunking system increased by approximately HK$8.4 million or 4.8% from approximately HK$174.5 million for the year ended 31 March 2011 to approximately HK$182.9 million for the year ended 31 March 2012 mainly due to greater demand from the customers. The sales of VSAT satellite system decreased significantly by approximately HK$18.2 million or 47.5% from approximately HK$38.3 million for the year ended 31 March 2011 to approximately HK$20.1 million for the year ended 31 March 2012, 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. Revenue derived from system technologies increased significantly by approximately HK$7.6 million or 131.0% from approximately HK$5.8 million for the year ended 31 March 2011 to approximately HK$13.4 million for the year ended 31 March 2012, primarily as a result of two technologies being licensed to the Group's customers for the year ended 31 March 2012, as compared to one technology being licensed for the year ended 31 March 2011. The sales of other accessory parts and components increased by approximately HK$1.6 million or 800.0% from approximately HK$0.2 million for the year ended 31 March 2011 to approximately HK$1.8 million for the year ended 31 March 2012 mainly due to the design fee of approximately HK$1.5 million for designing specialized communication system for system integrators.

COST OF SALES

Cost of sales of the Group comprises costs of raw materials, labour costs, manufacturing overheads and amortisation of intangible assets. Cost of sales of the Group decreased by approximately HK$6.1 million or 8.1% from approximately HK$75.7 million for the year ended 31 March 2011 to approximately HK$69.6 million for the year ended 31 March 2012, primarily due to greater sales of digital trunking system and system technologies, as reflected by the approximately 4.8% increase and the 131.0% increase in their respective revenues for the year, which generally have a higher profit margin than the other products, and the decrease in the proportion of revenue derived from VSAT satellite system, as reflected by the approximately 47.5% decrease in its revenue for the year, which generally have a lower profit margin.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing factors, gross profit of the Group increased by approximately HK$5.6 million or 3.9% from approximately HK$143.1 million for the year ended 31 March 2011 to approximately HK$148.7 million for the year ended 31 March 2012, with gross profit margin increasing from approximately 65.4% for the year ended 31 March 2011 to approximately 68.1% for the year ended 31 March 2012.

OTHER REVENUE

The other revenue of the Group decreased by approximately HK$11.4 million or 75.0% from approximately HK$15.2 million for the year ended 31 March 2011 to approximately HK$3.8 million for the year ended 31 March 2012. The decrease was primarily due to a delay of the PRC governmental authority in granting the tax refund approval of value-added tax refund of approximately HK$15.0 million as a financial support to the business of specialised communication system in which the Group is operating. Such tax refund was subsequently obtained by two installments in May and June 2012.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses of the Group decreased by approximately HK$3.6 million or 24.7% from approximately HK$14.6 million for the year ended 31 March 2011 to approximately HK$11.0 million for the year ended 31 March 2012, primarily due to a reduction of marketing and promotion expenses and entertainment expenses in relation to the marketing and promotion of VSAT satellite system as the group considered that the profit margin of such products was so low compared to the Group's other products and thus less sales effort was put in its promotion.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group increased by approximately HK$8.5 million or 31.7% from approximately HK$26.8 million for the year ended 31 March 2011 to approximately HK$35.3 million for the year ended 31 March 2012, primarily due to the expenses directly attributable to the Listing amounted to approximately HK$9.3 million.

RESEARCH AND DEVELOPMENT EXPENDITURE

The research and development expenditure of the Group decreased by approximately HK$2.2 million or 12.6% from approximately HK$17.4 million for the year ended 31 March 2011 to approximately HK$15.2 million for the year ended 31 March 2012. The decrease was mainly attributable to the decrease in staff costs from approximately HK$13.8 million to approximately HK$11.6 million as a result of decrease in number of staff in research and development department with higher salary.

FINANCE COSTS

The finance costs of the Group decreased by approximately HK$0.2 million or 14.3% from approximately HK$1.4 million for the year ended 31 March 2011 to approximately HK$1.2 million for the year ended 31 March 2012 mainly due to the repayment of the majority of bank loans in December 2011 and the remaining bank loans in January 2012. The Group had no outstanding bank borrowings as at 31 March 2012.

TAX EXPENSE

The tax expense of the Group increased by approximately HK$0.9 million or 3.6% from approximately HK$25.3 million for the year ended 31 March 2011 to approximately HK$26.2 million for the year ended 31 March 2012 mainly due to the combined effect of (i) the increase in the EIT by approximately HK$6.4 million from approximately HK$17.1 million for the year ended 31 March 2011 to approximately HK$23.5 million for the year ended 31 March 2012 was attributable to the distribution of dividend of the Company's PRC subsidiaries and (ii) the decrease in net withholding tax expense by approximately HK$4.6 million from approximately HK$7.4 million for the year ended 31 March 2011 to approximately HK$2.8 million for the year ended 31 March 2012 in relation to the deferred tax liabilities of withholding income tax dividend to be paid out of the retained earnings not yet distributed by the Company's PRC subsidiaries.

PROFIT FOR THE YEAR

The Group's profits for the year decreased by approximately HK$9.3 million or 12.8% from approximately HK$72.9 million for the year ended 31 March 2011 to approximately HK$63.6 million for the year ended 31 March 2012 as a result of the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

The operations of the Group are capital intensive, and its liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has historically met its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by its shareholders. In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings. The following table summarises the cash flows for the two years ended 31 March 2011 and 2012:

	2012 **HK$'000**	2011 HK$'000
Net cash generated from operating activities	**36,334**	185,091
Net cash used in investing activities	**(4,685)**	(8,109)
Net cash used in financing activities	**(41,362)**	(126,932)

OPERATING ACTIVITIES

Net cash generated from operating activities amounted to approximately HK$36.3 million for the year ended 31 March 2012 compared to approximately HK$185.1 million for the year ended 31 March 2011. The decrease in net cash generated from operating activities was primarily attributable to the decrease in cash generated from operations from approximately HK$203.6 million for the year ended 31 March 2011 to HK$57.2 million for the year ended 31 March 2012. The significant decrease in cash generated from operations was primarily attributable to the changes in working capital including the increase in trade and other receivables of approximately HK$31.6 million and the decrease in amounts due to directors of approximately HK$11.6 million as at 31 March 2012; while the trade and other receivables decreased by approximately HK$84.0 million and the amounts due to directors increased by approximately HK$10.7 million as at 31 March 2011. The net changes in these two components contributed to the significant change in the net cash generated from operating activities.

INVESTING ACTIVITIES

Net cash used in investing activities amounted to approximately HK$4.7 million for the year ended 31 March 2012 compared to approximately HK$8.1 million for the year ended 31 March 2011. The decrease in the net cash used in investing activities was mainly attributable to the absence of prepayment for acquisition of intangible assets of approximately HK$3.3 million which incurred for the year ended 31 March 2011.

FINANCING ACTIVITIES

Net cash used in financing activities amounted to approximately HK$41.4 million for the year ended 31 March 2012 compared to approximately HK$126.9 million for the year ended 31 March 2011. The significant decrease was primarily attributable to the decrease in dividend paid of approximately HK$102.0 million for the year ended 31 March 2012, and partially offset by the increase in repayment of bank borrowings and payment of transaction costs attributable to issue of new shares of approximately HK$15.6 million and HK$4.5 million respectively for the year ended 31 March 2012.

BANK BORROWINGS

As of 31 March 2012, the Group had no outstanding bank borrowings.

PLEDGE OF ASSETS

As of 31 March 2012, the Group had no assets pledged for securing any credit facilities.

CONTINGENT LIABILITIES

As at 31 March 2012, the Group had no material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2012, the Group had 228 employees. For the year ended 31 March 2012, the staff cost of the Group was approximately HK$49.3 million.

The Group's employee remuneration policy is determined based on a number of factors such as their performance, experience and prevailing industry practices. Compensation policies and packages of employees are being reviewed on a yearly basis. In addition to basic salary, performance related salary such as bonus may also be awarded to employees based on internal performance evaluation.

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

EXECUTIVE DIRECTORS

Wong Chit On, (formerly known as Wang Gang Jun) aged 53, is an executive Director, the chairman and the chief executive offices of the Group. He is the founder of the Group and was appointed as a Director in October 2006. He is 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 (formerly known as Neolink Cyber Technology (Holding) Limited and Global Resources Development (Holding) Limited) 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. From 2005 to 2009, he served as a committee member of electronics and communications specialist working committee of Shenzhen City Specialist Working Association. In 2009, Mr. Wong was recognized as one of the "2009 Outstanding and Innovation Entrepreneur in China". 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, (formerly known as Ni Xiaochen), aged 42, is an executive Director of the Group. She was appointed as a Director of the Group in October 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 from 1988 to 1994. From 1995 to 1999, she worked as a marketing executive of Shenzhen Zhong Hang Advertising Co., Ltd. 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, 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 from 2003 to 2009. He was also the legal representative and director of Bonson Technology Co., Ltd from 1994 to 2001, and 1998 to 2002, respectively. He graduated from Guilin University of Electronic Technology (formerly known as Guilin Institute of Electronics) in 1981, major in communication machine manufacturing. He further received education at Guangxi Radio and TV University, 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, 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 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, 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, aged 50, was appointed as an independent non-executive Director in February 2011. Mr. Mao served as a professor at Harbin Institute of Technology, responsible for scientific research, from 1992 to 2006. Mr. Mao has worked at Shanghai JiaoTong University, 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 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, 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 in 1986, major in wireless electronic engineering. He has served as chief manager in Zhuhai Ji Di Te Communication Utilities Company Limited since 1995. He has also served as director in Zhuhai Gao Ling Information Technology Company Limited since 2000. Save as disclosed herein, Mr. Hu does not hold any directorship in any listed companies in the past three years.

SENIOR MANAGEMENT

Fan Zhiwen, 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. 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 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 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, 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 from 1993 to 1999 and as an associate professor in the telecommunications engineering department of the University of Science and Technology 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 in 1988 and 1991, respectively.

Tian Hua Chen, 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. from 2005 to 2007. He graduated from Hubei College of Finance, later renamed as Hubei University of Economic with major in accounting in 1991. He also obtained a Master Degree in Chinese ethnic minority economics from South-Central University for Nationalities in 2000 and a Doctoral Degree in Economics in Western Countries in Huazhong University of Science and Technology in 2005.

Ma Jin Bu, 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 in 2000. Mr. Ma worked as the human resources manager and assistant to general manager of Kirisun Electronics (Shenzhen) Ltd. from 2001 to 2004 and the assistant to general manager of Shenzhen City He Xin Tong Technology Co., Ltd. from 2004 to 2006. Mr. Ma obtained his Bachelor Degree in Political Science from Yan'an University in 1996.

Sun Peng, 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. from 1999 to 2003. Mr. Sun obtained his Bachelor Degree in Logistic Management from Hubei University of Technology in 2008.

Wu Jie, 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. 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, 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. 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 in 2000. He started his studies in 2003 and further obtained a Doctor Degree in Signal and Information Management from Shanghai JiaoTong University in 2008.

Xu Qing, 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 from 1989 to 2005. From 2005 to 2007, he worked in research and development management team of the Shenzhen People Communication Co., Ltd. He also worked as research and development manager of RFS Radio Frequency Systems (Shanghai) Co., Ltd., and was responsible for research team management in antenna products from 2007 to 2008. He worked as senior engineer of Scientific-Atlanta (Shanghai) Co., Ltd from 2008 to 2009 and Cisco Systems (China) Research and Development Co., Ltd 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 in 1986, a Master Degree in Engineering from China Electronic Science and Technology University in 1989 and diploma in senior engineering technology in No. 607 of China Astronautics Industry Laboratory 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.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present the Company's annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2012.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the principal activities of its principal subsidiaries are set out in note 17 to the consolidated financial statements of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement and consolidated statements of comprehensive income on page 28 and 29 of this annual report respectively.

An interim dividend of HK$27.0 million was declared and fully settled for the year ended 31 March 2012.

After the end of the reporting period and the Listing, the Directors have proposed a final dividend of HK4 cents per Share for the year ended 31 March 2012. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

In April 2012, the Group completed the Listing and raised net proceeds of approximately HK$88.6 million after deducting the related commissions and other related offering expenses of HK$10.4 million. As at the date of this report, the Company has not yet fully utilised such proceeds. The net proceeds will be utilised in the manner consistent with that stated under the section headed "Future Plans and Use of Proceeds" of the Prospectus.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 90 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date.

RESERVES

The movements in the reserves of the Group during the year are set out in the consolidated statement of comprehensive income and the consolidated statement of changes in equity of this annual report.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company's reserve available for distribution to owners was approximately HK$44.2 million. 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2012, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 20.7% (2011: 24.1%) and 36.1% (2011: 37.7%) of the Group's total purchases respectively.

For the year ended 31 March 2012, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 44.6% (2011: 39.0%) and 94.8% (2011: 82.4%) of the Group's total turnover respectively.

At all time during the year ended 31 March 2012, none of the Directors or any of their associates or any shareholders of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Wong Chit On *(appointed as Director on 11 October 2006 and as Chairman on 22 March 2012)*
Ms. Ni Yun Zi *(appointed on 11 October 2006)*
Mr. Lu Zhijie *(appointed on 28 February 2011)*
Mr. Han Weining *(appointed on 28 February 2011)*

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lam Ying Hung Andy *(appointed on 28 February 2011)*
Mr. Mao Zhigang *(appointed on 28 February 2011)*
Mr. Hu Yunlin *(appointed on 28 February 2011)*

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

DIRECTORS' SERVICE CONTRACTS

Each of 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 Independent Non-executive Directors have been appointed for a term of three years in accordance with their respective appointment letters.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during the year ended 31 March 2012.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save and except one of the Directors' service contracts was entered into between Mr. Wong Chit On and the Company as referred to in the paragraph headed "Directors' Service Contracts", above no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 March 2012.

NON-COMPETITION UNDERTAKINGS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2012.

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

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company in any of the Company's shares ("Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571, Laws of Hong Kong ("SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

(A) LONG POSITIONS IN SHARES

Name of Director	Capacity/Nature of interest	Number and class of securities held	Approximate percentage of shareholding as at 31 March 2012	Approximate percentage of shareholding as at 18 April 2012
Mr. Wong Chit On *(Note 1)*	Interest in a controlled corporation	810,000,000	90%	67.5%
Ms. Ni Yun Zi *(Note 1)*	Interest of spouse	810,000,000	90%	67.5%
Mr. Lu Zhijie *(Note 2)*	Interest in a controlled corporation	30,000,000	3.333%	2.5%
Mr. Han Weining	Beneficial owner	12,000,000	1.333%	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/Nature of interest	Number and class of securities held	Approximate percentage of shareholding as at 31 March 2012 and 18 April 2012
Mr. Wong Chit On	Excel Time	Beneficial owner	78,000	100%
Mr. Lu Zhijie	Jumbo	Beneficial owner	13,260,000	44.2%

Save as disclosed above, as at 31 March 2012, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 March 2012, the interests and short positions of the then shareholders of the Company (other than a Director or chief executive of the Company) in the Shares or underlying Shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number and class of securities held	Approximate percentage of shareholding as at 31 March 2012	Approximate percentage of shareholding as at 18 April 2012
Excel Time *(Note 1)*	Beneficial owner	810,000,000	90%	67.5%

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.

Save as disclosed herein, as at 31 March 2012, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

As the Company was listed on the Listing Date, the Company was not required to comply with the requirements under the code provisions set out in Appendix 14 — Code on Corporate Governance Practices (the "CG Code") to the Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the year ended 31 March 2012. Whereas the roles of chairman and chief executive officer should be separate under the CG Code, Mr. Wong Chit On has been appointed by the Board to both roles in the commercial interest of the Company. The Directors consider that save as mentioned in the preceding paragraph, since the Listing Date, the Company has applied the principles of the CG Code and complied with the applicable code provisions as set out in the CG Code.

A report on the principal corporate governance practice adopted by the Company is set out in pages 20 to 25 of this annual report.

CONNECTED TRANSACTIONS

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

EVENTS AFTER THE REPORTING PERIOD

On 18 April 2012, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of global offering of 300,000,000 ordinary shares of HK$0.01 each issued at a price of HK$0.33 per share, raising net proceeds of approximately HK$88.6 million after deducting the related commission and other related offering expenses of HK$10.4 million upon Listing.

After the end of the reporting period and the Listing, the directors proposed a final dividend for the year ended 31 March 2012 (subject to approval by the shareholders of the Company at the forthcoming annual general meeting) which has not been recognised as a liability at the end of the reporting period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an Audit Committee. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam Ying Hung Andy (Chairman), Mr. Hu Yunlin and Mr. Mao Zhigang. An Audit Committee meeting was held on 26 June 2012 to review the Company's annual report and financial statements for the year ended 31 March 2012.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The Company has appointed CCIF CPA Limited as the auditor of the Company for the year ended 31 March 2012. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to reappoint CCIF CPA Limited as the auditor of the Company.

On behalf of the Board

Wong Chit On
Chairman

26 June 2012

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As the Company was not yet listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") until 18 April 2012 (the "Listing Date"), the CG Code was not applicable to the Company in the period under review. However, the Board considers that the Company was in compliance with all the mandatory code provisions of the CG Code throughout the period from the Listing Date to the date of publication of this annual report.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

(A) THE COMPOSITION OF THE BOARD

The Board currently comprises four executive Directors and three independent non-executive Directors. As of the date of this annual report, the Board consisted of the following Directors:

Executive Directors
Mr. Wong Chit On *(Chairman)*
Ms. Ni Yun Zi
Mr. Lu Zhijie
Mr. Han Weining

Independent Non-Executive Directors
Mr. Lam Ying Hung Andy
Mr. Mao Zhigang
Mr. Hu Yunlin

Note: Ms. Ni, an executive Director, is the spouse of Mr. Wong Chit On.

Each Director possesses skills and experience appropriate to the business of the Group and the biographical details of the Directors and senior management are set out on pages 11 to 13 of this annual report.

(B) RESPONSIBILITY OF DIRECTORS

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

(C) BOARD MEETINGS AND ATTENDANCE

In compliance with the code provision A.1.1 of the CG Code, there are at least four regular board meetings should be held each year at approximately quarterly intervals. As the Company was listed on the Stock Exchange on 18 April 2012, the CG Code was not applicable to the Company in the period under review. Upon listing on the Stock Exchange, it is expected that the Company will hold Board meetings regularly for at least four times a year at approximately quarterly intervals.

During the year, four Board meeting was held and the attendance record of Directors is set out below:

	Number of board meetings attended/held	Attendance ratio
Executive Directors		
Mr. Wong Chit On *(Chairman)*	**4/4**	**100%**
Ms. Ni Yun Zi	**4/4**	**100%**
Mr. Lu Zhijie	**4/4**	**100%**
Mr. Han Weining	**4/4**	**100%**
Independent Non-executive Directors		
Mr. Lam Ying Hung Andy	**4/4**	**100%**
Mr. Mao Zhigang	**4/4**	**100%**
Mr. Hu Yunlin	**4/4**	**100%**

(D) INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with the Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors, representing one-third of the members of the Board. The Board considers that all independent non-executive Directors possess appropriate and sufficient industry and finance experience and qualification to carry out their duties so as to protect the interest of the Shareholders. One of the independent non-executive Directors, Mr. Lam Ying Hung Andy, has over 20 years of experience in accounting and finance industry and he is a fellow of the Association of Chartered Certified Accountants of United Kingdom. Mr. Lam has been the finance director and administrative accountant in two logistics companies.

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

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

The independent non-executive Directors were appointed for a term of three years commencing from 18 April 2012.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

An audit committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and monitor the Group's financial reporting process and internal control system. The members of the audit committee are 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.

The Company's annual results for the year ended 31 March 2012 have been reviewed and discussed by the audit committee.

As the audit committee was established on 22 March 2012, there was no meeting held by the audit committee during the period under review. One meeting was held since the Listing Date and up to the date of publication of this annual report, with all the members of the committee attended.

REMUNERATION COMMITTEE

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

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

As the remuneration committee was established on 22 March 2012, there was no meeting held by the remuneration committee during the period under review.

NOMINATION COMMITTEE

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

As the nomination committee was established on 22 March 2012, there was no meeting held by the nomination committee during the period under review.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

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

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

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

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

The procedures for shareholders to convene and put forward proposals at an annual general meeting or extraordinary general meeting are set out in Article 58 of the Company's articles of association, which can be accessed on the Company's website at www.synertone.net or on the website of the Stock Exchange.

ACCOUNTABILITY AND AUDIT

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2012 under the section headed "Management Discussion and Analysis" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2012, apart from the provision of annual audit services, the Company's external auditor, CCIF CPA Limited, also acted as the reporting accountants for the Company's initial public offering. The amount of fees paid or payable in respect of audit and non-audit services rendered for the year ended 31 March 2012 by CCIF CPA Limited is set out below:

	Fee paid/payable for services rendered HK$'000
Audit service	**500**
Non-audit service	**25**
Total	**525**

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group for the year ended 31 March 2012 and confirm that the financial statements give a true and fair view of the state of affairs of the Group in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The statement of the auditor as to its responsibility for the financial statements is set out in the Independent Auditor's Report set out in page 26 to 27 of this annual report. There are no material uncertainties relating to events or circumstances which would otherwise cast significant doubt upon the Company's and the Group's ability to operate as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

The Board is responsible for maintaining the effectiveness of the Group's internal control systems, which includes financial, operational, and compliance controls and risk management functions. During the period under review, a review of the effectiveness of the Group's internal control system was conducted in preparation for the Listing of the Company and a series of measures have been implemented to further strengthen the internal control system (for example, the establishment of new board committees). The Audit Committee has been established with effect from the Listing for reviewing the effectiveness of the Group's internal control system and its compliance with the Listing Rules.

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

COMPLIANCE OF NON-COMPETITION UNDERTAKING

None of the controlling shareholders and Directors 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.

Mr. Wong Chit On and Excel Time Limited (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").

Details of the non-competition undertaking was set out in the paragraph headed "Non-Competition Undertaking" in the section "Relationship with Controlling Shareholders" of the prospectus of the Company dated 30 March 2012 regarding its initial public offering.

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.

On behalf of the Board
Wong Chit On
Chairman

26 June 2012

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

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

We have audited the consolidated financial statements of Synertone Communication Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 89, which comprise the consolidated and Company statements of financial position as at 31 March 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 26 June 2012

Ho Chun Shing
Practising Certificate Number P04396

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	*5*	**218,264**	218,824
Cost of sales		**(69,561)**	(75,743)
Gross profit		**148,703**	143,081
Other revenue	*6*	**3,844**	15,185
Selling and distribution expenses		**(11,008)**	(14,583)
Administrative expenses		**(35,307)**	(26,783)
Research and development expenditure	*7(c)*	**(15,184)**	(17,392)
Profit from operations		**91,048**	99,508
Finance costs	*7(a)*	**(1,231)**	(1,378)
Profit before taxation	*7*	**89,817**	98,130
Income tax	*8*	**(26,207)**	(25,277)
Profit for the year attributable to owners of the Company		**63,610**	72,853
		HK(cents)	HK(cents)
Earnings per share	*13*		
— Basic		**7.07**	8.88
— Diluted		**7.07**	8.10

The accompanying notes from pages 35 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**63,610**	72,853
Other comprehensive income for the year (net of tax):		
Exchange differences on translation of financial statements of foreign operations	**4,900**	5,677
Total comprehensive income for the year attributable to owners of the Company	**68,510**	78,530

The accompanying notes from pages 35 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**9,686**	10,596
Intangible assets	16	**9,948**	15,286
		19,634	25,882
Current assets			
Inventories	18(a)	**16,674**	16,358
Trade and other receivables	19	**190,285**	154,124
Amount due from ultimate holding company	29(b)	**—**	80
Amounts due from related companies	29(b)	**—**	40
Tax recoverable	23(a)	**919**	5,372
Cash and cash equivalents	20	**37,232**	57,689
		245,110	233,663
Current liabilities			
Trade and other payables	21	**25,550**	27,277
Amounts due to directors	29(b)	**—**	11,569
Tax payable	23(a)	**22,178**	23,148
Bank overdrafts	20	**—**	16,022
Bank borrowings due within one year	22	**—**	8,682
		47,728	86,698
Net current assets		**197,382**	146,965
Total assets less current liabilities		**217,016**	172,847
Non-current liabilities			
Deferred tax liabilities	23(b)	**12,936**	10,277
Net assets		**204,080**	162,570
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	24(b)	**9,000**	9,000
Reserves		**195,080**	153,570
Total equity		**204,080**	162,570

Approved and authorised for issue by the board of directors on 26 June 2012

Wong Chit On
Director

Lu Zhijie
Director

The accompanying notes from pages 35 to 89 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	17	**95,012**	95,012
Current assets			
Prepayment and deposits	19	**4,529**	1,699
Amounts due from subsidiaries	29(b)	**27,263**	37,575
Amount due from ultimate holding company	29(b)	**—**	3
Amounts due from related companies	29(b)	**—**	40
Cash and cash equivalents	20	**35**	24
		31,827	39,341
Current liabilities			
Trade and other payables	21	**1,516**	1
Amount due to a subsidiary	29(b)	**732**	—
		2,248	1
Net current assets		**29,579**	39,340
Net assets		**124,591**	134,352
Capital and reserves			
Share capital	24(b)	**9,000**	9,000
Reserves	24(a)	**115,591**	125,352
Total equity		**124,591**	134,352

Approved and authorised for issue by the board of directors on 26 June 2012

Wong Chit On
Director

Lu Zhijie
Director

The accompanying notes from pages 35 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

		Attributable to owners of the Company							
	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
At 1 April 2010		100	—	(90)	17,978	12,818	53,563	(329)	84,040
Comprehensive income									
Profit for the year		—	—	—	—	—	—	72,853	72,853
Other comprehensive income									
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	—	5,677	—	—	5,677
Total comprehensive income for the year		—	—	—	—	5,677	—	72,853	78,530
Transaction with owners									
Issue of shares under the pre-IPO share option arrangement	*25(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
Comprehensive income									
Profit for the year		—	—	—	—	—	—	63,610	63,610
Other comprehensive income									
Exchange differences arising on translation of financial statements of foreign operations		—	—	—	—	4,900	—	—	4,900
Total comprehensive income for the year		—	—	—	—	4,900	—	63,610	68,510
Transaction with owners									
Dividend declared	*12*	—	(27,000)	—	—	—	—	—	(27,000)
Total transaction with owners		—	(27,000)	—	—	—	—	—	(27,000)
At 31 March 2012		9,000	25,663	(90)	17,978	23,395	—	128,134	204,080

The accompanying notes from pages 35 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Profit before taxation		**89,817**	98,130
Adjustments for:			
Interest income	*6*	**(191)**	(97)
Finance costs	*7(a)*	**1,231**	1,378
Amortisation of intangible assets	*7(c)*	**5,338**	6,159
Depreciation of property, plant and equipment	*7(c)*	**3,357**	3,390
Loss on disposal of property, plant and equipment	*7(c)*	**468**	102
Write down of obsolescent inventories	*18(b)*	**964**	1,370
Reversal of write down of inventories	*18(b)*	**(1,877)**	—
Operating cash flows before changes in working capital		**99,107**	110,432
Decrease in inventories		**597**	4,603
(Increase)/decrease in trade and other receivables		**(31,632)**	83,978
Decrease in amount due from related companies		**40**	—
(Decrease)/increase in amounts due to directors		**(11,569)**	10,720
Increase/(decrease) in trade and other payables		**611**	(6,145)
Cash generated from operations		**57,154**	203,588
Income tax refund/(paid)			
Hong Kong Profits Tax	*23(a)*	**4,453**	(7,538)
PRC Enterprise Income Tax	*23(a)*	**(25,273)**	(10,959)
Net cash generated from operating activities		**36,334**	185,091
Investing activities			
Proceeds from disposal of property, plant and equipment		**47**	—
Payment of acquisition of property, plant and equipment		**(2,052)**	(2,751)
Payment for acquisition of intangible assets		**(2,871)**	(2,140)
Prepayment for acquisition of intangible assets		**—**	(3,315)
Interest received	*6*	**191**	97
Net cash used in investing activities		**(4,685)**	(8,109)

The accompanying notes from pages 35 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Financing activities			
Change in current account with ultimate holding company		**80**	—
Proceeds from new bank borrowings		**14,992**	11,580
Repayment of bank borrowings		**(23,674)**	(8,141)
Payment of transaction costs attributable to issue of new shares		**(4,529)**	—
Dividend paid		**(27,000)**	(128,993)
Interest paid	*7(a)*	**(1,231)**	(1,378)
Net cash used in financing activities		**(41,362)**	(126,932)
Net (decrease)/increase in cash and cash equivalents for the year		**(9,713)**	50,050
Cash and cash equivalents at beginning of the year		**41,667**	(14,359)
Effect of changes in foreign exchange rate		**5,278**	5,976
Cash and cash equivalents at end of the year		**37,232**	41,667
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	*20*	**37,232**	57,689
Bank overdrafts	*20*	**—**	(16,022)
		37,232	41,667

The accompanying notes from pages 35 to 89 form part of these financial statements.

1. GENERAL

Synertone Communication Corporation (the "Company") was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and 2–4/F., Building 1, Luohu Second Science Park, 1028 Buji Road, Luohu District, Shenzhen, the People's Republic of China (the "PRC") respectively.

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies and providing a total solution of specialized communication system, including digital trunking system, Very Small Aperture Terminal ("VSAT") satellite system and operation integrated system.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2012 comprise the financial statements of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except those disclosed otherwise in the accounting policies below.

The preparation of financial statements 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 judgements about the carrying values 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 a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(c) SUBSIDIARIES

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 statements 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 statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

(d) 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 2(g)(ii)).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

(e) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

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

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

Technical know-how for digital trunking system	3–5 years
Technical know-how for VSAT satellite system	5 years
Administrative system costs	5 years

Both the period and method of amortisation are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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 expenses in the accounting period in which they are incurred.

(g) IMPAIRMENT OF ASSETS

(i) Impairment of receivables

Current and non-current receivables that are carried 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) IMPAIRMENT OF ASSETS *(Continued)*

(i) Impairment of receivables (Continued)

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other assets (Continued)

— 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.

(h) 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.

(i) CONTRACT WORK IN PROGRESS

Contact work in progress refer 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 2(q)(ii). When the outcome of a contract work in progress can be estimated reliably, contract costs are recognised as an expense 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".

(j) TRADE AND OTHER RECEIVABLES

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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.

(l) 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.

(m) TRADE AND OTHER PAYABLES

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

(n) EMPLOYEE BENEFITS

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

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

(ii) Termination benefits

Termination benefits are recognised 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 grant date 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).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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 income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) INCOME TAX *(Continued)*

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, and only 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.

(p) 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.

(q) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) REVENUE RECOGNITION *(Continued)*

(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.

(r) 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 are translated into HK$ at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

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.

(s) 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 which they are incurred.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) RELATED PARTIES

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(u) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, 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.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Right Issues
Amendments HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

HKAS 24 RELATED PARTY DISCLOSURES (AS REVISED IN 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) does not have any material impact on the Group's related party disclosures in the current and previous years. The Group is not government-related entities. As a result, this does not impact the Group in the current year.

IMPROVEMENTS TO HKFRSs ISSUED IN 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 *Financial instruments: Disclosures*. The disclosures about the Group's and the Company's financial instruments in note 26 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting period have been prepared presented. Accordingly, no prior year adjustment is required.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

IMPROVEMENTS TO HKFRSs ISSUED IN 2010 *(Continued)*

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2012 and which have not been adopted in these financial statements:

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 Disclosures[6]
HKFRS 9	Financial Instruments[6]
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

The Group is in the process of making an assessment of what the impact of these new and revised standards, amendments or interpretation 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. 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 2, 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 2012, the carrying amounts of property, plant and equipment and intangible assets were approximately HK$19,634,000 (2011: HK$25,882,000) 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 2(d). 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 2012, the carrying amount of property, plant and equipment was approximately HK$9,686,000 (2011: HK$10,596,000).

(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 2(e). 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 2012, the carrying amount of intangible assets was approximately HK$9,948,000 (2011: HK$15,286,000).

(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 2012, the carrying amount of inventories was approximately HK$16,674,000 (2011: HK$16,358,000).

(v) *Estimation of impairment of receivables*

The policy for recognising impairment on receivables of the Group is based on an evaluation of the collectability, ageing analysis of accounts 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 2012, the carrying amount of trade receivables was approximately HK$178,100,000 (2011: HK$130,500,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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

(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 year ended 31 March 2012, and no provision for warranty has been made in the consolidated financial statements. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place.

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

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

(i) Taxation and deferred taxation

The Group is subject to income tax in Hong Kong and various taxes in PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the 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 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 2012, and the Group has recognised deferred tax liabilities of approximately HK$12,936,000 (2011: HK$10,277,000) as at 31 March 2012.

(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 8(a)(v), the directors considered that, withholding taxes have been provided for approximately HK$12,804,000 (2011: HK$10,013,000) as at 31 March 2012.

5. 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 year is as follows:

	2012 HK$'000	2011 HK$'000
Digital trunking system	**182,899**	174,503
VSAT satellite system	**20,127**	38,329
Systems technologies	**13,424**	5,818
Other accessory parts and components	**1,814**	174
	218,264	218,824

6. OTHER REVENUE

	2012 HK$'000	2011 HK$'000
Bank interest income *(note a)*	**191**	97
Government grants *(note b)*	**983**	219
Business and value-added taxes refund	**2,531**	14,743
Sundry income	**139**	126
	3,844	15,185

Note:

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

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

7. PROFIT BEFORE TAXATION

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

(a) FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on bank borrowings wholly repayable within five years	**1,231**	1,378

7. PROFIT BEFORE TAXATION *(Continued)*

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

	2012 **HK$'000**	2011 HK$'000
Salaries, wages and other benefits	**48,062**	47,590
Retirement benefit scheme contributions	**1,222**	1,792
	49,284	49,382

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of Group are required to contribute a state-sponsored retirement plan, which is a defined contribution pension schemes, for all of their employees at a rate of 11% (2011: 11%) of the employee's basic salary. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance 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

	2012 **HK$'000**	2011 HK$'000
Auditor's remuneration	**500**	178
Cost of inventories *(note 18(b))*	**69,561**	75,743
Amortisation of intangible assets	**5,338**	6,159
Depreciation of property, plant and equipment	**3,357**	3,390
Loss on disposal of property, plant and equipment	**468**	102
Net exchange gain	**(2,087)**	(687)
Operating lease charges in respect of leased property	**5,373**	4,720
Research and development expenditure *	**15,184**	17,392

* Research and development expenditure for the years ended 31 March 2012 included approximately HK$11,550,000 (2011: HK$13,809,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 7(b).

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

(a) Income tax in the consolidated income statements represents:

	2012 HK$'000	2011 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year *(note 23(a))*	—	919
Current tax — PRC Enterprise Income Tax ("EIT")		
Provision for the year *(note 23(a))*	23,548	17,119
Deferred taxation		
Origination and reversal of temporary differences *(note 23(b))*	2,659	7,239
	26,207	25,277

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

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

(iii) The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 16.5%) for the year.

(iv) Under the Corporate Income Tax Law of the PRC (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards.

The PRC subsidiaries of the Group, Synertone Soontend Electronic (Shenzhen) Company Limited ("Synertone Soontend") and Synertone Smartend Communication Technology (Shenzhen) Company Limited ("Synertone Smartend"), being the foreign invested "encouraged hi-tech enterprise" were entitled to a preferential income tax rate of 15% (2011: 15%) for the year ended 31 March 2012.

(v) Under the EIT Law with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval of the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% on 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. Deferred tax liabilities of approximately HK$12,804,000 (2011: HK$10,013,000), 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 2012.

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS *(Continued)*

(b) Reconciliation between income tax charge and accounting profit at applicable tax rates is as follows:

	2012 HK$'000	2011 HK$'000
Profit before taxation	**89,817**	98,130
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	**13,155**	15,501
Tax effect of non-deductible expenses	**1,637**	3,808
Tax effect of non-taxable income	**(2,287)**	(3,489)
Tax effect of unused tax losses not recognised	**808**	322
Tax effect of tax loss not allowed for tax deduction	**2,270**	19
Withholding tax on dividend	**10,624**	9,116
Income tax expense	**26,207**	25,277

9. DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	2012 HK$'000	2011 HK$'000
Fees	**—**	—
Salaries allowances and benefits in kind	**4,225**	4,064
Bonus	**—**	—
Retirement benefit scheme contributions	**24**	24
	4,249	4,088

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Details of directors' remuneration by individual director for the years ended 31 March 2012 and 2011 are as follows:

	Year ended 31 March 2012				
	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Wong Chit On*	—	3,265	—	12	3,277
Ni Yun Zi	—	960	—	12	972
Lu Zhijie	—	—	—	—	—
Han Weining	—	—	—	—	—
Independent non- executive directors					
Lam Ying Hung Andy	—	—	—	—	—
Mao Zhigang	—	—	—	—	—
Hu Yunlin	—	—	—	—	—
	—	4,225	—	24	4,249

	Year ended 31 March 2011				
	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total 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

* Mr. Wong Chit On was the chief executive officer of the Group during the two years ended 31 March 2012 and 2011.

During the two years ended 31 March 2012 and 2011, no directors waived any emoluments. No inducement payments to join or upon joining the Group or as compensation for loss of office was paid or payable to any director for the two years ended 31 March 2012 and 2011.

(c) There were no emoluments payable to two of the executive directors and independent non-executive directors, including Lu Zhijie, Han Weining, Lam Ying Hung Andy, Mao Zhigang and Hu Yunjin.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments two (2011: two) were directors of the Company whose emoluments are disclosed in note 9. The emoluments of the remaining three (2011: three) were as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowance and benefits in kind	**1,404**	1,726
Bonus	**516**	350
Retirement benefit scheme contributions	**55**	40
	1,975	2,116

The emoluments of the three (2011: three) individuals with the highest emoluments are within the following bands:

	2012 HK$'000	2011 HK$'000
HK$Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**—**	—
	3	3

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of approximately HK$17,239,000 (2011: HK$7,550,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year are as follows:

	2012 HK$'000	2011 HK$'000
Interim dividends declared and paid of HK3 cents per ordinary share	**27,000**	—
Final dividend proposed of HK4 cents per ordinary share after the end of the reporting period	**48,000**	—
	75,000	—

The final dividend proposed after the end of the reporting period is based on 1,200,000,000 ordinary shares (2011: 900,000,000 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final dividend proposed after the end of the reporting period and the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting and has not been recognised as a liability at the end of the reporting period.

13. EARNINGS PER SHARE

(a) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profits attributable to owners of the Company of approximately HK$63,610,000 (2011: HK$72,853,000) and the weighted average number of 900,000,000 ordinary shares (2011: 820,603,000 ordinary shares) in issue during the year calculated as follows:

	2012 **HK$'000**	2011 HK$'000
Profits attributable to owners of the Company	**63,610**	72,853

	2012 **'000**	2011 '000
Issued ordinary shares at beginning of the year	**900,000**	10,000
Effect of issue of shares by bonus issue	**—**	800,000
Effect of issue of shares by pre-IPO share option arrangement	**—**	10,603
Weighted average number of ordinary shares at end of the year	**900,000**	820,603

(b) DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share for the years ended 31 March 2012 is based on the profits attributable to owners of the Company of approximately HK$63,610,000 (2011: HK$72,853,000) and the weighted average number of 900,000,000 ordinary shares (2011: 900,000,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

	2012 **HK$'000**	2011 HK$'000
Profits attributable to owners of the Company	**63,610**	72,853

	2012 **'000**	2011 '000
Weighted average number of ordinary shares at end of the year	**900,000**	820,603
Effect of issue of shares by pre-IPO share option arrangement	**—**	79,397
Weighted average number of ordinary shares (diluted) at end of the year	**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. 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 antennae, the Group offers different VSAT satellite systems including (a) VSAT low speed satellite transmission system; (b) VSAT high speed dynamic digital satellite system and (c) VSAT high speed stationary digital satellite system.

Systems technologies: This segment developed a wide variety of technical know-how and technology relating to specialised communication system. The customers (a) paid a licensing 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.

14. SEGMENT REPORTING *(Continued)*

(a) SEGMENT RESULTS, ASSETS AND LIABILITIES

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

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables attributable to the production and sales activities of the individual segments 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 measure used for reporting segment profit is adjusted earnings before interest and taxes ("Adjusted EBIT"). To arrive at adjusted earnings before interest and taxes, the Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as interest income, finance costs, income tax and other unallocated corporate expenses.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income 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.

14. SEGMENT REPORTING *(Continued)*

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

Information regarding the Group's reportable segments as provided to the Group's chairman and executive director for the purpose for resource allocation and assessment of segment performance for the year is as follows:

	Digital trunking system		VSAT satellite system		Systems technologies		Other		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue from external customers *(note)*	**182,899**	174,503	**20,127**	38,329	**13,424**	5,818	**1,814**	174	**218,264**	218,824
Inter-segment revenue	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Reportable segment revenue	**182,899**	174,503	**20,127**	38,329	**13,424**	5,818	**1,814**	174	**218,264**	218,824
Reportable segment profit/(loss) (adjusted EBIT)	**100,871**	97,773	**(9,440)**	1,249	**11,050**	2,833	**1,480**	(23)	**103,961**	101,832
Interest income	**164**	84	**13**	8	**13**	5	**1**	—	**191**	97
Finance costs	**(89)**	(362)	**(1,142)**	(1,015)	**—**	—	**—**	(1)	**(1,231)**	(1,378)
Amortisation of intangible assets	**(4,376)**	(4,382)	**(892)**	(1,757)	**(62)**	(20)	**(8)**	—	**(5,338)**	(6,159)
Depreciation of property, plant and equipment	**(2,813)**	(2,703)	**(310)**	(594)	**(206)**	(90)	**(28)**	(3)	**(3,357)**	(3,390)
Write down of obsolescent inventories	**(964)**	(1,370)	**—**	—	**—**	—	**—**	—	**(964)**	(1,370)
Reversal of write down of inventories	**1,877**	—	**—**	—	**—**	—	**—**	—	**1,877**	—
Loss on disposal of property, plant and equipment	**(416)**	(102)	**(18)**	—	**(30)**	—	**(4)**	—	**(468)**	(102)
Research and development expenditure	**(11,735)**	(13,392)	**(3,356)**	(3,826)	**(93)**	(174)	**—**	—	**(15,184)**	(17,392)
Income tax	**(23,238)**	(22,300)	**(1,101)**	(2,505)	**(1,597)**	(444)	**(271)**	(28)	**(26,207)**	(25,277)
Reportable segment assets	**219,812**	220,606	**22,108**	29,152	**16,817**	3,328	**1,406**	149	**260,143**	253,235
Additions to non-current segment assets										
— Property, plant and equipment	**2,166**	2,194	**238**	482	**159**	73	**22**	2	**2,585**	2,751
— Intangible assets	**—**	3,996	**—**	878	**—**	133	**—**	4	**—**	5,011
	2,166	6,190	**238**	1,360	**159**	206	**22**	6	**2,585**	7,762
Reportable segment liabilities	**41,351**	43,659	**2,578**	28,140	**2,073**	839	**338**	71	**46,340**	72,709
Customer A	**75,725**	79,613	**8,066**	5,602	**13,424**	—	**138**	32	**97,353**	85,247
Customer B	**54,369**	31,397	**—**	—	**—**	5,818	**—**	—	**54,369**	37,215
Customer C	**38,676**	41,897	**—**	—	**—**	—	**1,540**	—	**40,216**	41,897
	168,770	152,907	**8,066**	5,602	**13,424**	5,818	**1,678**	32	**191,938**	164,359

Note: Revenues of three (2011: three) customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2012 are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 25(a).

14. SEGMENT REPORTING *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Revenue		
Reportable segment revenue	**218,264**	218,824
Elimination of inter-segment revenue	**—**	—
Consolidated revenue	**218,264**	218,824
Profit		
Reportable segment profit	**103,961**	101,832
Elimination of inter-segment profits	**—**	—
Reportable segment profit derived from Group's external customers	**103,961**	101,832
Interest income	**191**	97
Finance costs	**(1,231)**	(1,378)
Unallocated corporate expenses	**(13,104)**	(2,421)
Consolidated profit before taxation	**89,817**	98,130

	2012 HK$'000	2011 HK$'000
Assets		
Reportable segment assets	**260,143**	253,235
Elimination of inter-segment receivables	**—**	—
	260,143	253,235
Unallocated corporate assets	**4,601**	6,310
Consolidated total assets	**264,744**	259,545
Liabilities		
Reportable segment liabilities	**46,340**	72,709
Elimination of inter-segment payables	**—**	—
	46,340	72,709
Amount due to directors	**—**	11,569
Unallocated corporate liabilities	**14,324**	12,697
Consolidated total liabilities	**60,664**	96,975

14. SEGMENT REPORTING *(Continued)*

(c) GEOGRAPHICAL INFORMATION

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment 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.

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**7,885**	6,454	**22**	53
PRC	**210,379**	208,147	**19,612**	25,829
Germany	**—**	4,105	**—**	—
Israel	**—**	118	**—**	—
	218,264	218,824	**19,634**	25,882

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 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	—	2,310	—	275	2,585
Disposals	—	(629)	—	(193)	(822)
Exchange differences	—	783	54	195	1,032
At 31 March 2012	**17**	**22,964**	**1,719**	**5,490**	**30,190**
Accumulated depreciation					
At 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 year	4	2,636	123	594	3,357
Write back on disposals	—	(177)	—	(130)	(307)
Exchange differences	—	509	43	103	655
At 31 March 2012	**8**	**15,839**	**1,464**	**3,193**	**20,504**
Carrying amount					
At 31 March 2012	**9**	**7,125**	**255**	**2,297**	**9,686**
At 31 March 2011	13	7,629	367	2,587	10,596

16. INTANGIBLE ASSETS

THE GROUP

	Technical know-how for digital trunking system HK$'000	Technical know-how for VSAT satellite system HK$'000	Administrative system costs HK$'000	Total HK$'000
Cost				
At 1 April 2010	44,660	9,500	—	54,160
Additions	—	—	5,011	5,011
At 31 March 2011 and 1 April 2011	44,660	9,500	5,011	59,171
Additions	—	—	—	—
At 31 March 2012	**44,660**	**9,500**	**5,011**	**59,171**
Accumulated amortisation				
At 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 year	3,536	800	1,002	5,338
At 31 March 2012	**38,770**	**8,700**	**1,753**	**49,223**
Carrying amount				
At 31 March 2012	**5,890**	**800**	**3,258**	**9,948**
At 31 March 2011	9,426	1,600	4,260	15,286

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. INVESTMENTS IN SUBSIDIARIES

	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**95,012**	95,012

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

At as 31 March 2012, the details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment	Particulars of issued and paid-up share/ registered capital	Proportion of equity interest hold: Group's effective interest	Proportion of equity interest hold: Direct	Proportion of equity interest hold: Indirect	Principal activities/ place of operation
Synertone Group Holdings Limited ("Synertone Group") *(note (a))*	Hong Kong	10,000 ordinary share of HK$1.00 each	100%	100%	—	Investment holding
Vastsuccess Holdings Limited *(note (b))*	BVI	1 ordinary shares of US$1.00 each	100%	—	100%	Investment holding/Hong Kong
Radio World Holding Limited *(note (b))*	BVI	1,000 ordinary shares of US$1.00 each	100%	—	100%	Investment holding/Hong Kong
Synertone Communication Limited *(note (a))*	Hong Kong	10,000 ordinary shares of HK$1.00 each	100%	—	100%	Trading of specialised communication systems, investment holding/Hong Kong
Synertone Wireless Limited *(note (a))*	Hong Kong	10,000 ordinary shares of HK$1.00 each	100%	—	100%	Trading of specialised communication systems, investment holding/Hong Kong
Synertone Soontend Electric (Shenzhen) Company Limited ("Synertone Soontend") *(note (c))*	PRC	Registered capital of HK$16,000,000	100%	—	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC
Synertone Smartend Communication Technology (Shenzhen) Company Limited ("Synertone Smartend") *(note (c))*	PRC	Registered capital of HK$15,000,000	100%	—	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC

Notes:

(a) Registered under the Hong Kong Companies Ordinance as a limited company.

(b) Registered under the law of the BVI as a limited liability enterprise.

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

18. INVENTORIES

(a) INVENTORIES IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION COMPRISES:

	2012 HK$'000	2011 HK$'000
Raw materials	**5,022**	11,478
Work in progress	**3,477**	2,539
Finished goods	**8,175**	2,341
	16,674	16,358

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2012 HK$'000	2011 HK$'000
Carrying amount of inventories sold	**70,474**	74,373
Write down of obsolescent inventories	**964**	1,370
Reversal of write down of inventories	**(1,877)**	—
	69,561	75,743

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

19. TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade receivables *(note (b), (c) and (d))*	**178,100**	130,500	**—**	—
Advance to suppliers	**1,033**	10,118	**—**	—
Advance to staff	**720**	2,727	**—**	—
Loans and receivables	**179,853**	143,345	**—**	—
Prepayment for acquisition of intangible assets	**3,315**	3,315	**—**	—
Other prepayments and deposits	**7,117**	7,464	**4,529**	1,699
Contract work in progress *(note (e))*	**—**	—	**—**	—
	190,285	154,124	**4,529**	1,699

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) For certain contracts, retention money representing 5% to 10% of the contract is not due until the warranty period expired, which varies from one year to two years. Included in trade receivables as at 31 March 2012 are retention money of HK$1,205,000 (2011: HK$308,000). All of the trade and other receivables, except for the retention money which are expected to be recovered after the warranty period, apart from prepayments and deposits are expected to be recovered within one year.

(b) For the year ended 31 March 2012, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2011: 30 to 180 days). A longer credit period of 181 to 365 days (2011: 181 to 365 days) may be extended to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group.

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 year ended 31 March 2011 and 2012, 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:

	The Group	
	2012	2011
	HK$'000	HK$'000
0–60 days	**84,294**	70,714
61–90 days	**4,530**	5,086
91–180 days	**87,405**	38,813
181–365 days	**—**	14,558
Over 365 days	**1,871**	1,329
	178,100	130,500
Less: Impairment loss on trade receivables	**—**	—
	178,100	130,500

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

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(d) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**176,105**	114,772
Less than 1 month past due	**1,995**	—
1 to 3 months past due	**—**	12,032
More than 3 months but less than 12 months past due	**—**	3,696
More than 12 months past due	**—**	—
	1,995	15,728
	178,100	130,500

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. For any significant amounts past due, the Group would actively seek repayment from the debtors and the Group would enforce its legal right to the contractually due amount when considered necessary. The majority of the past due balances were due from government organisations in various places. They recognised all payment obligations, although the process of making payment has to follow a strict 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.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) CONTRACT WORK IN PROGRESS

The analysis of contract work in progress is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Contract costs incurred plus recognised profits less recognised losses	**—**	5,818
Less: Progress billings	**—**	(5,818)
	—	—
Analysed for reporting purposes as:		
Amounts due from contract customers	**—**	—
Amount due to contract customers	**—**	—
	—	—

The contract work in progress represented the turnover from digital trunking system, VSAT satellite system and the system technologies with the provision of system installation. At 31 March 2011 and 2012, no retentions held by customers for contract work and advances received from customers for contract work were recognised.

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**37,232**	57,689	**35**	24
Cash and cash equivalents in the statements of financial position	**37,232**	57,689	**35**	24
Less: Bank overdrafts	**—**	(16,022)		
Cash and cash equivalents in the consolidated statements of cash flows	**37,232**	41,667		

(a) As at 31 March 2011, 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 29(d)). During the year ended 31 March 2012, the bank overdrafts were settled. As at 31 March 2012, the Group has undrawn banking facilities in relation to bank overdrafts of approximately HK$Nil (2011: HK$6,978,000).

Bank overdrafts are unsecured facilities and variable rate overdrafts which carry prevailing interest rates ranging from 5.00% to 7.50% (2011: 5.00% to 7.50%) per annum during the year.

(b) 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 value.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**12,666**	8,229	**—**	—
Accrued salaries	**1,711**	2,518	**—**	—
Accrued expenses and other payables	**2,249**	3,973	**1,516**	1
Payables for acquisition of intangible assets	**—**	2,871	**—**	—
Financial liabilities measured at amortised costs	**16,626**	17,591	**1,516**	1
Deposits received from customers	**653**	764	**—**	—
Other tax payables	**8,271**	8,922	**—**	—
	25,550	27,277	**1,516**	1

The ageing analysis of trade payables based on date of receipt of goods is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
0–60 days	**2,983**	3,538
61–90 days	**871**	1,197
91–180 days	**3,200**	1,247
181–365 days	**2,741**	1,581
Over 365 days	**2,871**	666
	12,666	8,229

The credit terms granted by the suppliers were generally ranging from 30 to 180 days during the year. The directors consider the carrying amounts of trade payables approximate to their fair values.

22. BANK BORROWINGS

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Current liabilities:		
Portion of term loans from a bank due for repayment within one year	—	6,311
Portion of term loans from a bank due for repayment after one year which contain a repayment on demand clause	—	2,371
	—	8,682

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 2012, the bank borrowings were due for repayable as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Portion of term loans due for repayment within one year	—	6,311
Term loans due for repayment after 1 year *(note (a))*		
After 1 year but within 2 years	—	1,009
After 2 years but within 5 years	—	1,362
	—	2,371
Total bank loans	—	8,682
Secured *(note 20 (a))*	—	—
Unsecured	—	8,682
	—	8,682

22. BANK BORROWINGS *(Continued)*

(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$.

(c) All bank borrowings are variable-rate borrowings which carry prevailing interest rates ranging from 5.06% to 6.88% (2011: 5.06% to 6.88%) per annum for the year ended 31 March 2012.

(d) The unsecured bank borrowings were non-revolving facilities and were under financial guarantees provided by certain subsidiaries and Mr. Wong Chit On to a bank (see note 29(d)).

(e) The Group did not have undrawn banking facilities in relation to bank borrowings as at 31 March 2012 and 2011.

(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.

(g) All bank borrowings were settled during the year ended 31 March 2012.

23. 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 year is as follows:

	2012 **HK$'000**	2011 HK$'000
At beginning of the year	**17,776**	17,473
Provision for the year *(Note 8(a))*		
— Hong Kong Profits Tax	**—**	919
— PRC EIT	**23,548**	17,119
	23,548	18,038
Tax refund/(paid) for the year		
— Hong Kong Profits Tax	**4,453**	(7,538)
— PRC EIT	**(25,273)**	(10,959)
	(20,820)	(18,497)
Exchange differences	**755**	762
At end of the year	**21,259**	17,776
Income tax recoverable recognised in the consolidated statements of financial position	**(919)**	(5,372)
Income tax payable recognised in the consolidated statements of financial position	**22,178**	23,148
Net tax payable	**21,259**	17,776

23. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(Continued)*

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

	Intangible assets HK$'000	Withholding tax on dividends HK$'000	Total HK$'000
At 1 April 2010	396	2,642	3,038
(Credited)/charge to consolidated income statement for the year *(note 8(a))*	(132)	7,371	7,239
At 31 March 2011 and 1 April 2011	264	10,013	10,277
(Credited)/charge to consolidated income statement for the year *(note 8(a))*	(132)	2,791	2,659
At 31 March 2012	132	12,804	12,936

(c) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in note 2(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$8,334,000 (2011: HK$3,438,000) as at 31 March 2012 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.

24. SHARE CAPITAL AND RESERVES

(a) RESERVES

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

	Note	Attributable to owners of the Company				
		Share premium HK$'000	**Merger reserve (note 24(c)(vii))** HK$'000	**Share-based payments reserve** HK$'000	**Retained profit/ (accumulated losses)** HK$'000	**Total** HK$'000
At 1 April 2010		—	71,349	53,563	1,790	126,702
Comprehensive income						
Profit for the year		—	—	—	7,550	7,550
Total comprehensive income for the year		—	—	—	7,550	7,550
Transactions with owners						
Issue of shares under the pre-IPO share option arrangement	*25(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
Comprehensive income						
Profit for the year		—	—	—	17,239	17,239
Total comprehensive income for the year		—	—	—	17,239	17,239
Transaction with owners						
Dividend declared	*12*	(27,000)	—	—	—	(27,000)
Total transaction with owners		(27,000)	—	—	—	(27,000)
At 31 March 2012		25,663	71,349	—	18,579	115,591

24. SHARE CAPITAL AND RESERVES *(Continued)*

(b) AUTHORISED AND ISSUED SHARE CAPITAL

	The Group and the Company			
	2012		2011	
	No. of shares ’000	**Amount HK$’000**	No. of shares ’000	Amount HK$’000
Authorised — Ordinary shares of HK$0.01 each				
At beginning and end of the year	**2,000,000**	**20,000**	2,000,000	20,000
Issued and fully paid — Ordinary shares of HK$0.01 each				
At beginning of the year	**900,000**	**9,000**	10,000	100
Issue of bonus shares on 16 February 2011	**—**	**—**	800,000	8,000
Issue of shares under the pre-IPO share option arrangement on 17 February 2011	**—**	**—**	90,000	900
At end of the year	**900,000**	**9,000**	900,000	9,000

(i) *Capitalisation upon incorporation/reorganisation*

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.

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.

(ii) *Capitalisation issue*

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.

(iii) *Bonus issue*

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.

(iv) *Pre-IPO share option arrangement*

On 17 February 2011, the Company allotted and issued 90,000,000 ordinary shares by way of share options exercised under pre-IPO share option arrangement detailed in note 25.

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

24. SHARE CAPITAL AND RESERVES *(Continued)*

(c) NATURE AND PURPOSE OF RESERVES

(i) Share premium

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

(ii) Capital reserve

The capital reserve of the Group represents the differences between the nominal value of 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

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

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

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

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

(iv) Translation reserve

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

(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 2(n)(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.

24. SHARE CAPITAL AND RESERVES *(Continued)*

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

(vi) Distributable reserve

As at 31 March 2012, the aggregate amount of the Company's reserves available for distribution to owners was approximately HK$18,579,000 (2011: HK$1,340,000) respectively. This includes the Group'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.

As at 31 March 2012, the aggregate amount of reserves available for distribution to owners of the Company, which included retained earnings and share premium, was approximately HK$44,242,000 (2011: HK$54,003,000).

(vii) Merger reserve

The merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of Synertone Group and its subsidiaries acquired through an exchange of shares as at 27 December 2006 pursuant to the reorganisation, which was not available for distribution.

(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:

	Note	**2012** **HK$'000**	2011 HK$'000
Bank overdrafts	*20*	**—**	16,022
Bank borrowings	*22*	**—**	8,682
Total debts		**—**	24,704
Less: Cash and cash equivalents	*20*	**(37,232)**	(57,689)
Adjusted net cash		**(37,232)**	(32,985)
Total equity		**204,080**	162,570
Adjusted net debt to equity ratio		**N/A**	N/A

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

25. PRE-IPO SHARE OPTION ARRANGEMENT

In 2006, when the Company proposed to apply for the listing of the Group's business in Hong Kong, 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 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 AI 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 AI to HKEx respectively. The amount was non-refundable once paid up. As at 31 March 2009 and 2010, the Senior Management and Consultants contributed 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.

25. PRE-IPO SHARE OPTION ARRANGEMENT *(Continued)*

(e) EXERCISE OF OPTIONS *(Continued)*

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 Group 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 Sallmanns 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 pre-IPO share options 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 Group recognised share option expense of HK$9,494,000 during the year ended 31 March 2007.

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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, trade and other receivables, amounts due to directors, trade and other payables, amount due from ultimate holding company, amounts due from 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 2012, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) CREDIT RISK *(Continued)*

(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 and the Company do 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 2012, the Group has a certain concentration of credit risk as 36% (2011: 54%) of the total trade receivables were due from the Groups' largest customer respectively and 98% (2011: 98%) of the total trade receivables were due from the five largest customers respectively.

Further quantitative disclosures in respect of the Group's and the Company exposure to credit risk arising from trade and other receivables are set out in note 19.

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

(b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to 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 and the Company rely 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 and the Company'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 and the Company 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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) LIQUIDITY RISK *(Continued)*

The Group

	Maturity Analyses — 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 flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2012						
Trade payables	**12,666**	**—**	**—**	**—**	**12,666**	**12,666**
Accrued salaries	**1,711**	**—**	**—**	**—**	**1,711**	**1,711**
Accrued expenses and other payables	**2,249**	**—**	**—**	**—**	**2,249**	**2,249**
	16,626	**—**	**—**	**—**	**16,626**	**16,626**

	Maturity Analyses — 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 flows	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 directors	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

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) LIQUIDITY RISK *(Continued)*

The Company

	Maturity Analyses — Undiscounted cash outflows					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2012						
Accrued expenses and other payables	**1,516**	**—**	**—**	**—**	**1,516**	**1,516**

	Maturity Analyses — Undiscounted cash outflows					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2011						
Accrued expenses and other payables	1	—	—	—	1	1

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 Analyses — Term loans subject to a repayment on demand clause based on scheduled repayments					
	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash outflows HK$'000
31 March 2012	**—**	**—**	**—**	**—**	**—**	**—**
31 March 2011	—	6,614	1,101	1,452	—	9,167

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(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:

	2012		2011	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable rate bank overdrafts	**N/A**	—	5.45%	16,022
Variable rate bank borrowings	**N/A**	—	5.80%	8,682
Total bank overdrafts and bank borrowings		—	5.58%	24,704
Fixed rate bank overdrafts and borrowings as a percentage of total bank overdrafts and bank borrowings		**N/A**		0%

(ii) Sensitivity analysis

At 31 March 2012, 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$Nil (2011: HK$207,000).

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

The 100 basis points increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates over the period until the end of the reasonably possible changes in interest rates. The analysis is performed on the same basis for 2011.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) CURRENCY RISK

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

(i) *Exposure to currency risk*

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

The Group

	Exposure to foreign currencies (expressed in HK$'000)			
	2012		2011	
	United States Dollars	**Euro**	United States Dollars	Euro
Trade and other receivables	**—**	**204**	—	205
Cash and cash equivalents	**68**	**64**	61	64
Trade and other payables	**(1,170)**	**—**	(2,050)	—
Overall net exposure arising from recognised assets and liabilities	**(1,102)**	**268**	(1,989)	269

The Company

	Exposure to foreign currencies (expressed in HK$'000)	
	2012	2011
	United States Dollars	United States Dollars
Cash and cash equivalents	**12**	12
Overall net exposure arising from recognised assets	**12**	12

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) CURRENCY RISK *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits HK$'000
United States Dollars	**5%**	**(45)**	5%	(83)
	(5%)	**45**	(5%)	83
Euro	**5%**	**12**	5%	12
	(5%)	**(12)**	(5%)	(12)

The Company

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits HK$'000
United States Dollars	**5%**	**(1)**	5%	(1)
	(5%)	**1**	(5%)	1

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

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group at the end of the reporting period. The analysis is performed on the same basis for 2011.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) FAIR VALUE

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 March 2011 and 2012.

(i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying values approximate their fair values because of the short maturity of these items.

(ii) Bank borrowings

The carrying amount of bank borrowings approximates their fair value based on the borrowing rates currently available for bank borrowings with similar terms and maturities.

(f) FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED 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.

(g) 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.

27. 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. The amount was settled during the year ended 31 March 2012.

During the year ended 31 March 2012, there were additions of property, plant and equipment of approximately HK$533,000 which had not been settled as at 31 March 2012 and the balance was recognised as trade and other payables in the consolidated statements of financial position as at 31 March 2012.

28. COMMITMENTS

As at 31 March 2012, the Group had the following commitments, not provided for in the financial statements:

(a) Capital commitments in respect of:

	2012 HK$'000	2011 HK$'000
Contracted but not provided for:		
Acquisition of intangible assets	**3,120**	3,120
Renovation of new office	**469**	—
	3,589	3,120

(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:

	2012 HK$'000	2011 HK$'000
Within one year	**3,950**	3,644
In the second to fifth year inclusive	**16,452**	479
Over five years	**19,789**	—
	40,191	4,123

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

29. MATERIAL RELATED PARTY TRANSACTIONS

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

For the year ended 31 March 2012, the directors are of the view that the followings are related parties of the Group and the Company:

Name of party	Relationship
Synertone Telecom Technology (Shenzhen) Limited (“協同信聯通信技術(深圳)有限公司” (“Synertone Telecom”)) *(note)*	Effectively managed and wholly owned by Mr. Wong Chit On
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

Note: Synertone Telecom ceased to be a related party of the Group since Mr. Wong Chit On fully disposed his interest in Synertone Telecom to an independent third party and resigned as director of Synertone Telecom during the year ended 31 March 2012.

(a) RECURRING TRANSACTIONS

Particulars of significant transactions between the Group or the Company and the above related parties for the year and expected to continue are as follows:

The Group

Name of party	Name of transaction	2012 HK$'000	2011 HK$'000
Synertone Telecom	Sales of specialised communication system	—	2,803
Excel Time	Dividend declared	27,000	—

The Company

Name of party	Name of transaction	2012 HK$'000	2011 HK$'000
Excel Time	Dividend declared	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.

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) BALANCES WITH RELATED PARTIES

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

(i) *Amounts due from related companies*

Name of party	The Group and the Company **2012** **HK$'000**	 2011 HK$'000
Pak Fu	—	20
Jumbo	—	20
	—	40

(ii) *Amounts due to directors*

The Group

	2012 **HK$'000**	2011 HK$'000
Wong Chit On	—	(11,490)
Ni Yun Zi	—	(79)
	—	(11,569)

The Company did not have any amounts due to directors.

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

(iii) *Amounts due from subsidiaries and ultimate holding company*
The amounts were 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 9 and certain of the highest paid employees as disclosed in note 10 are as follows:

	2012 **HK$'000**	2011 HK$'000
Short-term employee benefits	**7,213**	7,446
Post-employment benefit	**141**	116
	7,354	7,562

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(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:

Name of party	Type of guarantee	Guarantee Amount 2012 HK$'000	2011 HK$'000
Wong Chit On	Personal guarantee	—	40,000
Synertone Communication	Corporate and cross guarantees	—	40,000
Synertone Wireless	Corporation and cross guarantees	—	40,000

(i) As at 31 March 2011, 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$28,000,000 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. No recognition was made for the guarantee because its fair value was insignificant and the director did not consider it was probable that a claim would be made against the Group under the guarantee. These banking facilities were settled during the year ended 31 March 2012.

(ii) As at 31 March 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. No recognition was made for the guarantee because its fair value was insignificant and the director did not consider it was probable that a claim would be made against the Group under the guarantee. These banking facilities were settled during the year ended 31 March 2012.

30. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 18 April 2012, the Company was successfully listed on the Main Board of the HKEx following the completion of global offering of 300,000,000 ordinary shares of HK$0.01 each issued at a price of HK$0.33 per share, raising net proceeds of approximately HK$88.6 million after deducting the related commission and other related offering expenses of HK$10.4 million upon Listing.

(b) After the end of the reporting period and the listing of the Company on the Main Board of the HKEx, the directors proposed a final dividend for the year ended 31 March 2012 (subject to the approval by the shareholders of the Company at the forthcoming annual general meeting) which has not been recognised as a liability at the end of the reporting period. Further details are disclosed in note 12.

31. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTIES

As at 31 March 2012, the directors consider the immediate parent and ultimate controlling company of the Group to be Excel Time Investments Limited ("Excel Time"), which is incorporated in the BVI with limited liability. The ultimate controlling party is Mr. Wong Chit On. Excel Time do not produce financial statements available for public use.

FINANCIAL SUMMARY

	For the year ended 31 March			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**218,264**	218,824	214,447	161,558
Cost of sales	**(69,561)**	(75,743)	(87,450)	(61,352)
Gross profit	**148,703**	143,081	126,997	100,206
Profit before taxation	**89,817**	98,130	86,025	45,454
Income tax	**(26,207)**	(25,277)	(17,882)	(12,945)
Profit for the year	**63,610**	72,853	68,143	32,509
Attributable to:				
Owners of the Company	**63,610**	72,853	68,143	32,509

	As at 31 March			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	**245,110**	233,663	259,712	154,658
Non-current assets	**19,634**	25,882	27,308	19,638
Total assets	**264,744**	259,545	287,020	174,296
Current liabilities	**47,728**	86,698	199,942	113,263
Non-current liabilities	**12,936**	10,277	3,038	3,279
Total liabilities	**60,664**	96,975	202,980	116,542
Net assets	**204,080**	162,570	84,040	57,754
Share capital	**9,000**	9,000	100	100
Reserves	**195,080**	153,570	83,940	57,654
Equity attributable to owners of the Company	**204,080**	162,570	84,040	57,754