



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 | Interim
Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chit On (*Chairman*)

Mr. Lu Zhijie

Mr. Han Weining

Mr. Zhang Jinbing (appointed on
23 August 2012)

Ms. Ni Yun Zi (resigned on
8 November 2012)

Independent Non-executive Directors

Mr. Lam Ying Hung Andy

Mr. Hu Yunlin

Mr. Wu Xiaowen (appointed on
23 August 2012)

Mr. Mao Zhigang (resigned on
8 November 2012)

BOARD COMMITTEES

Audit Committee

Mr. Lam Ying Hung Andy (*Chairman*)

Mr. Hu Yunlin

Mr. Wu Xiaowen (appointed on
8 November 2012)

Mr. Mao Zhigang (resigned on
8 November 2012)

Remuneration Committee

Mr. Hu Yunlin (*Chairman*)

Mr. Lam Ying Hung Andy

Mr. Wu Xiaowen (appointed on
8 November 2012)

Mr. Mao Zhigang (resigned on
8 November 2012)

Nomination Committee

Mr. Wu Xiaowen (*Chairman*) (appointed on
8 November 2012)

Mr. Lam Ying Hung Andy

Mr. Hu Yunlin

Mr. Mao Zhigang (resigned on
8 November 2012)

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

Block B, Teng Bang Building

Qingshuihe Yi Road North, Luohu District
Shenzhen

China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1301, 13th Floor

Henan Building

90 Jaffe Road

Wanchai, Hong Kong

CORPORATE INFORMATION *(Continued)***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 ADVISOR

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
9/F, Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong

CORPORATE WEBSITE

www.synertone.net

**STOCK CODE ON THE
STOCK EXCHANGE OF
HONG KONG LIMITED**

1613

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of core components of specialised communication system. 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 business enterprises.

Though there is an increasing awareness of the importance of emergency and specialized communication network to disaster relief and counter-terrorism activities, the economic and political uncertainties surrounding the domestic and foreign territories, the slow global economic recovery and the substantial increase in the cost of operation did, to certain extent, unfavourably impact the Group's specialised communication business.

During the six months ended 30 September 2012, the Group derived its revenue substantially from digital trunking system which accounted for approximately HK\$43.8 million or 88.8% of its total revenue. The revenue of the Group for the six months ended 30 September 2012 decreased by approximately HK\$5.0 million as compared to the corresponding period last year. The decrease in revenue was mainly attributable to a delay of the sales orders from some of the major customers from the first half to the second half of the year ending 31 March 2013.

Though the revenue for the six months ended 30 September 2012 decreased when compared with the corresponding period last year, the Group's gross profit margin increased from approximately 50.3% to 54.2%. The increase was mainly attributable to a higher portion of sales of Very Small Aperture Terminal ("VSAT") low speed satellite transmission system during the period. Comparing with the Group's other modules of VSAT satellite system, namely VSAT high speed dynamic digital satellite system and VSAT high speed stationary digital satellite system, the cost of raw materials for VSAT low speed satellite transmission system was relatively lower, which does not include the costly core components procured from the Group's suppliers. Thus, a higher gross profit margin could be derived from the sales of VSAT low speed satellite transmission system.

To exercise a better cost control over the VSAT satellite system and improve the Group's profitability, the Group has developed its own satellite antenna, being the core component of VSAT high speed dynamic digital satellite system, for production. The Directors believe that if the Group is able to produce its own satellite antenna, it will lower the overall production cost and thus increase the profit margin of VSAT high speed dynamic digital satellite system. The testing of the Group's own satellite antenna was completed. It is anticipated that the Group's own satellite antenna will be officially marketed to the customers of the Group in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

Turnover

The Group recorded a turnover of approximately HK\$49.3 million for the six months ended 30 September 2012, representing a decline of approximately HK\$5.0 million or 9.2% as compared with the amount of approximately HK\$54.3 million in the corresponding period last year. The decrease was mainly attributable to (1) the decrease in sales of digital trunking system by approximately HK\$3.4 million or 7.2% from approximately HK\$47.2 million for the six months ended 30 September 2011 to approximately HK\$43.8 million for the six months ended 30 September 2012; and (2) the decrease in sales of VSAT satellite system by approximately HK\$1.5 million or 21.4% from approximately HK\$7.0 million for the six months ended 30 September 2011 to approximately HK\$5.5 million for the six months ended 30 September 2012, mainly due to a delay of the sales orders from the governmental bodies who are some of the major customers of the Group from the first half to the second half of the year ending 31 March 2013.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 September 2012 was approximately HK\$26.7 million, representing a decrease of approximately HK\$0.6 million or 2.2% as compared with the amount of approximately HK\$27.3 million for the six months ended 30 September 2011 due to a decrease in sales as discussed above. The increase in the overall gross profit margin from approximately 50.3% to 54.2% was mainly due to a higher portion of sales of the VSAT low speed satellite transmission system which has lower costs and thus higher gross profit margin.

Other Revenue

The other revenue of the Group increased by approximately HK\$25.8 million or 1,290.0% from approximately HK\$2.0 million for the six months ended 30 September 2011 to approximately HK\$27.8 million for the six months ended 30 September 2012. The increase was primarily due to a grant of the value-added tax refund by the PRC governmental authority of approximately HK\$26.6 million as a financial support to the business of specialised communication system in which the Group is operating.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Administrative Expenses

The administrative expenses of the Group increased by approximately HK\$1.5 million or 10.1% from approximately HK\$14.8 million for the six months ended 30 September 2011 to approximately HK\$16.3 million for the six months ended 30 September 2012, primarily due to the net effect of the increase in consultancy fee by approximately HK\$1.2 million, the increase in rental and management expenses by approximately HK\$1.2 million due to the lease of a new premise in October 2011 for the relocation of its production base, and the effect was partially offset by the increase in exchange gain by approximately HK\$0.9 million mainly arisen from the payment of final dividend for the year ended 31 March 2012.

Research and Development Expenditure

The research and development expenditure of the Group decreased by approximately HK\$3.7 million or 49.3% from approximately HK\$7.5 million for the six months ended 30 September 2011 to approximately HK\$3.8 million for the six months ended 30 September 2012 mainly due to less research and development activities conducted during the six months ended 30 September 2012.

Finance Costs

The Group had no finance costs for the six months ended 30 September 2012 since the Group had no debt financing during the six months ended 30 September 2012.

Tax Expense

The tax expense of the Group increased by approximately HK\$4.0 million or 97.6% from approximately HK\$4.1 million for the six months ended 30 September 2011 to approximately HK\$8.1 million for the six months ended 30 September 2012 mainly due to the increase in the profit for the period by approximately HK\$28.7 million.

Profit for the Period

The Group's profits for the six months ended 30 September 2012 increased by approximately HK\$24.7 million from a net loss of approximately HK\$3.2 million for the six months ended 30 September 2011 to a net profit of approximately HK\$21.5 million for the six months ended 30 September 2012 mainly due to the increase in other revenue as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements of the Group arise principally from the need for working capital to finance its operations and expansions. During the six months ended 30 September 2012, the Group met its working capital and other capital requirements principally from cash generated from its operations 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.

For the six months ended 30 September 2012, the net cash generated from operating activities, net cash used in investing activities, and net cash generated from financing activities were HK\$34.1 million compared to the net cash used in operating activities of approximately HK\$0.3 million of the corresponding period last year, HK\$20.8 million compared to HK\$0.5 million of the corresponding period last year, and HK\$40.6 million compared to HK\$10.6 million of the corresponding period last year respectively.

Bank Borrowings

As of 30 September 2012, the Group had no outstanding bank borrowings.

Gearing Ratio

The gearing ratio, calculated based on total bank borrowings at the end of the relevant year/period over total equity at the end of the relevant year/period for the six months ended 30 September 2012 was nil (31 March 2012: nil).

Pledge of Assets

As of 30 September 2012, the Group had no assets pledged for securing any credit facilities.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2012.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2012, the Group had 237 employees. For the six months ended 30 September 2012, the staff cost of the Group was approximately HK\$18.3 million, as compared to HK\$25.2 million of the corresponding period last year.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EMPLOYEE AND REMUNERATION POLICY *(Continued)*

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.

Use of Net Proceeds from the Company's Initial Public Offering

As at 30 September 2012, the Company had used approximately HK\$8.1 million, HK\$3.8 million and HK\$2.0 million for the capacity expansion of the Group, expansion of sales network and research and development of products of digital trunking system and VSAT satellite system respectively.

PROSPECTS

Despite the uncertainties surrounding the global markets, resulting in negative impact on the Group's profitability in the first half of the year ending 31 March 2013, the Group will continue to strengthen research and development capability, and enhance product quality and functionality and network design and to develop new products which cater for the needs of the market. 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 knowhow reassures the leading position of the Company in the specialised communication market.

In November 2012, the production base of the Group was re-located to another leased properties situated in Luohu District in Shenzhen, the PRC. The new production base occupied an aggregate gross floor area of approximately 12,000 sq.m. which was larger than the previous production base with an aggregate gross floor area of approximately 5,000 sq.m.. After the relocation, the Group is able to raise the production capacity to enhance the capability to cater for the demand of the customers and enable the Group to expand the business to overseas market in the future.

Looking ahead, the Board is optimistic about the demand for the Group's products and its sustainable growth in the future.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2012

		For the six months ended 30 September	
	Note	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	4	49,346	54,335
Cost of sales		(22,612)	(27,019)
Gross profit		26,734	27,316
Other revenue	5	27,803	1,983
Selling and distribution expenses		(4,920)	(5,334)
Administrative expenses		(16,281)	(14,801)
Research and development expenditure	6(b)	(3,769)	(7,463)
Profit from operations		29,567	1,701
Finance costs	6(a)	–	(803)
Profit before taxation	6	29,567	898
Income tax	7	(8,056)	(4,083)
Profit/(loss) for the period attributable to owners of the Company		21,511	(3,185)
		HK(cents)	HK(cents)
Earnings/(loss) per share	9		
– Basic		1.84	(0.35)
– Diluted		1.84	(0.35)

The notes from pages 15 to 34 form part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2012

	For the six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Profit/(loss) for the period	21,511	(3,185)
Other comprehensive (loss)/income for the period (net of tax):		
Exchange differences on translation of financial statements of foreign operations	(831)	5,005
Total comprehensive income for the period attributable to owners of the Company	20,680	1,820

The notes from pages 15 to 34 form part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2012

	Note	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	21,168	9,686
Intangible assets	11	15,188	9,948
		36,356	19,634
Current assets			
Inventories		17,256	16,674
Trade and other receivables	12	162,750	190,285
Tax recoverable		919	919
Cash and cash equivalents		90,188	37,232
		271,113	245,110
Current liabilities			
Trade and other payables	13	17,644	25,550
Tax payable		21,188	22,178
		38,832	47,728
Net current assets		232,281	197,382
Total assets less current liabilities		268,637	217,016
Non-current liabilities			
Deferred tax liabilities		7,782	12,936
Net assets		260,855	204,080

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

as at 30 September 2012

	Note	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	14	12,000	9,000
Reserves		248,855	195,080
Total equity		260,855	204,080

Approved and authorised for issue by the board of directors on 22 November 2012.

Wong Chit On

Lu Zhijie

The notes from pages 15 to 34 form part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 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	Retained profits HK\$'000	Total HK\$'000	
	At 1 April 2012	9,000	25,663	(90)	17,978	23,395	128,134	204,080
	Comprehensive income							
	Profit for the period	-	-	-	-	21,511	21,511	
	Other comprehensive loss							
	Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(831)	(831)	
	Total comprehensive income for the period	-	-	-	-	(831)	21,511	20,680
	Transaction with owners							
	New issue of shares by way of placing and public offering	14	3,000	96,000	-	-	-	99,000
	Transaction costs attributable to issue of new shares	14	-	(14,905)	-	-	-	(14,905)
	Dividend paid	8	-	-	-	-	(48,000)	(48,000)
	Total transactions with owners		3,000	81,095	-	-	(48,000)	36,095
	At 30 September 2012	12,000	106,758	(90)	17,978	22,564	101,645	260,855
	At 1 April 2011	9,000	52,663	(90)	17,978	18,495	64,524	162,570
	Comprehensive loss							
	Loss for the period	-	-	-	-	-	(3,185)	(3,185)
	Other comprehensive income							
	Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	5,005	-	5,005
	Total comprehensive income for the period	-	-	-	-	5,005	(3,185)	1,820
	Total transactions with owners	-	-	-	-	-	-	-
	At 30 September 2011	9,000	52,663	(90)	17,978	23,500	61,339	164,390

The notes from pages 15 to 34 form part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2012

	For the six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	34,128	(335)
Net cash used in investing activities	(20,756)	(497)
Net cash generated from financing activities	40,624	10,598
Net increase in cash and cash equivalents for the period	53,996	9,766
Cash and cash equivalents at beginning of the period	37,232	41,667
Effect of changes in foreign exchange rate	(1,040)	5,173
Cash and cash equivalents at end of the period	90,188	56,606

The notes from pages 15 to 34 form part of these condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 September 2012

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, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Block B, Teng Bang Building, Qingshuihe Yi Road North, 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 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 specialised 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 condensed 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 condensed 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\$.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements set out in Appendix 16 and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated interim financial information does not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

The Group has adopted the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) that are first effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Amendment to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied any new standards, amendments and interpretations that have been issued but are not yet effective for the six months ended 30 September 2012. The directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

3. SEGMENT REPORTING *(Continued)*

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

Systems technologies: This segment developed a wide variety of technical know-how and technology relating to specialised communication system. The customers (a) paid a licensing fees to the Group for the use of certain technical know-how and technology; and (b) paid commissions to the Group to conduct research and development and to design and develop particular technical know-how to meet their specifications and requirements and needs.

The Group combined other business activities in “Others”, in which, the Group offers accessory parts and components, as options to the customers for use in specialised communication system industry or other industry in accordance with customers’ specifications.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, 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 with the exception of other corporate liabilities which are unallocated to an individual reportable segment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

3. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

for the six months ended 30 September 2012

3. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Digital trunking system		VSAT satellite system		Systems technologies		Others		Total	
	For the six months ended 30 September									
	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)	43,822	47,205	5,472	7,044	-	-	52	86	49,346	54,335
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Reportable segment revenue	43,822	47,205	5,472	7,044	-	-	52	86	49,346	54,335
Reportable segment profit (adjusted EBIT)	29,914	1,605	944	91	-	-	2	2	30,860	1,698
Interest income	95	79	4	6	-	-	-	-	99	85
Finance costs	-	(748)	-	(55)	-	-	-	-	-	(803)
Amortisation of intangible assets	(2,357)	(2,235)	(422)	(434)	-	-	-	-	(2,779)	(2,669)
Depreciation of property, plant and equipment	(1,440)	(1,653)	(66)	(121)	-	-	-	(2)	(1,506)	(1,776)
Income tax	(7,705)	(3,800)	(350)	(278)	-	-	(1)	(5)	(8,056)	(4,083)
Customer A	27,720	36,900	4,995	3,053	-	-	-	59	32,715	40,012
Customer B	8,547	-	-	-	-	-	-	-	8,547	-
Customer C	5,218	-	-	-	-	-	-	-	5,218	-
	41,485	36,900	4,995	3,053	-	-	-	59	46,480	40,012

Note: Revenues of three (2011: one) customers, each of them accounted for 10 percent or more of the Group's revenue for the six months ended 30 September 2012 are set out above.

	Digital trunking system		VSAT satellite system		Systems technologies		Other		Total	
	30 September 2012	31 March 2012	30 September 2012	31 March 2012	30 September 2012	31 March 2012	30 September 2012	31 March 2012	30 September 2012	31 March 2012
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Reportable segment assets	284,921	219,812	17,836	22,108	-	16,817	4	1,406	302,761	260,143
Additions to non-current segment assets during the period/year										
– Property, plant and equipment	12,347	2,166	562	238	-	159	1	22	12,910	2,585
– Intangible assets	7,950	-	-	-	-	-	-	-	7,950	-
	20,297	2,166	562	238	-	159	1	22	20,860	2,585
Reportable segment liabilities	36,316	41,351	2,454	2,578	-	2,073	2	338	38,772	46,340

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

3. SEGMENT REPORTING *(Continued)*

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

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Revenue		
Reportable segment revenue	49,346	54,335
Elimination of inter-segment revenue	–	–
Consolidated revenue	49,346	54,335
Profit		
Reportable segment profit	30,860	1,698
Elimination of inter-segment profits	–	–
Reportable segment profit derived from Group's external customers	30,860	1,698
Interest income	104	85
Finance costs	–	(803)
Unallocated corporate expenses	(1,397)	(82)
Consolidated profit before taxation	29,567	898

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

3. SEGMENT REPORTING *(Continued)*

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

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Assets		
Reportable segment assets	302,761	260,143
Elimination of inter-segment receivables	–	–
	302,761	260,143
Unallocated corporate assets	4,708	4,601
Consolidated total assets	307,469	264,744
Liabilities		
Reportable segment liabilities	38,772	46,340
Elimination of inter-segment payables	–	–
	38,772	46,340
Unallocated corporate liabilities	7,842	14,324
Consolidated total liabilities	46,614	60,664

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

3. 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	
	For the six months ended 30 September		30 September	31 March
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Hong Kong	–	1,950	2,501	22
PRC	49,346	52,385	33,855	19,612
	49,346	54,335	36,356	19,634

4. TURNOVER

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Digital trunking system	43,822	47,205
VSAT satellite system	5,472	7,044
Other accessory parts and components	52	86
	49,346	54,335

Note: The Group's operations are subject to cyclical fluctuation during a year. Generally, higher sales are experienced during the fourth quarter of a year because most customers' annual budgets are expected to be utilised before the end of each year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

5. OTHER REVENUE

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Bank interest income <i>(note a)</i>	104	85
Government grants <i>(note b)</i>	978	612
Value-added tax refund <i>(note c)</i>	26,629	1,166
Sundry income	92	120
	27,803	1,983

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".
- (c) Value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	For the six months ended 30 September	
	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	-	803

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

6. PROFIT BEFORE TAXATION *(Continued)* (b) Other items

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Amortisation of intangible assets	2,779	2,669
Depreciation of property, plant and equipment	1,506	1,776
Operating lease charges in respect of leased property	3,254	1,750
Research and development expenditure	3,769	7,463

7. INCOME TAX

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	–	–
Current tax – PRC Enterprise Income Tax (“EIT”)		
Provision for the period	13,210	9,824
Deferred taxation		
Origination and reversal of temporary differences	(5,154)	(5,741)
	8,056	4,083

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

7. INCOME TAX *(Continued)*

- (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 the six months ended 30 September 2012 is calculated at 16.5% (2011: 16.5%).
- (iv) 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 six months ended 30 September 2012.

Deferred tax liabilities of approximately HK\$7,716,000 (31 March 2012: HK\$12,804,000), 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 six months ended 30 September 2012.

8. DIVIDENDS

A final dividend of 4 Hong Kong cents per share (2011: HK\$Nil per share) amounting to HK\$48,000,000 (2011: HK\$Nil) in respect of previous year was approved and paid during the period.

During the six months ended 30 September 2012, no interim dividend was declared by the directors.

No interim dividend was declared by the directors during the six months ended 30 September 2011, but an interim dividend of 3 Hong Kong cents per share amounting to HK\$27,000,000 was declared after the end of the reporting period by the directors.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$21,511,000 (2011: loss of approximately HK\$3,185,000) and the weighted average number of 1,171,978,022 (2011: 900,000,000) ordinary shares in issue during the period.

There was no dilution of earnings per share as no potential ordinary shares were in issue for the six months ended 30 September 2012 (2011: HK\$Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group spent approximately HK\$12,910,000 (2011: HK\$583,000) on additions to property, plant and equipment.

11. INTANGIBLE ASSETS

Intangible assets of the Group comprised as follows:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Technical know-how for digital trunking system	12,032	5,890
Technical know-how for VSAT satellite system	400	800
Administrative system costs	2,756	3,258
	15,188	9,948

During the six months ended 30 September 2012, addition in intangible assets represents the technical know-how for digital trading system with a cost of approximately HK\$7,950,000 (2011: HK\$Nil). The amortisation charge for the period is included in cost of sales and administrative expenses in the condensed consolidated income statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

12. TRADE AND OTHER RECEIVABLES

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Trade receivables <i>(note (a), (b) and (c))</i>	153,943	178,100
Advance to suppliers	1,156	1,033
Advance to staff	1,554	720
Loans and receivables	156,653	179,853
Prepayment for acquisition of intangible assets	3,120	3,315
Other prepayments and deposits	2,977	7,117
	162,750	190,285

- (a) For the six months ended 30 September 2012, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (31 March 2012: 30 to 180 days). A longer credit period of 181 to 365 days (31 March 2012: 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

12. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) The ageing analysis of trade receivables based on date of delivery is as follows:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
0–60 days	40,478	84,294
61–90 days	12,967	4,530
91–180 days	501	87,405
181–365 days	98,468	–
Over 365 days	1,529	1,871
	153,943	178,100
Less: Impairment loss on trade receivables	–	–
	153,943	178,100

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

12. TRADE AND OTHER RECEIVABLES *(Continued)*

- (c) 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:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Neither past due nor impaired	54,382	176,105
Less than 1 month past due	82,879	1,995
1 to 3 months past due	10,831	–
More than 3 months but less than 12 months past due	4,758	–
More than 12 months past due	1,093	–
	99,561	1,995
	153,943	178,100

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

13. TRADE AND OTHER PAYABLES

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Trade payables	9,340	12,666
Accrued salaries	2,328	1,711
Accrued expenses and other payables	1,400	2,249
Financial liabilities measured at amortised costs	13,068	16,626
Deposits received from customers	–	653
Other tax payables	4,576	8,271
	17,644	25,550

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

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
0–60 days	4,660	2,983
61–90 days	174	871
91–180 days	713	3,200
181–365 days	1,784	2,741
Over 365 days	2,009	2,871
	9,340	12,666

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

14. SHARE CAPITAL Authorised and issued share capital

	No. of shares '000	Amount HK\$'000
Authorised — Ordinary shares of HK\$0.01 each At 31 March 2012 and 30 September 2012	2,000,000	200,000
Issued and fully paid — Ordinary shares of HK\$0.01 each At 1 April 2012	900,000	9,000
Issue of shares under placing and public offering	300,000	3,000
At 30 September 2012	1,200,000	12,000

On 18 April 2012, the Company issued 300,000,000 shares with a par value of HK\$0.01 each, at a price of HK\$0.33 per share by way of placing and public offering (“the Global Offering”). Net proceeds from the Global Offering amounted to HK\$84,095,000 (after deducting the issuance costs of HK\$14,905,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

15. COMMITMENTS

As at 30 September 2012, the Group had the following commitments:

- (a) Capital commitments in respect of:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Contracted but not provided for:		
Acquisition of intangible assets	3,120	3,120
Renovation of new office	11,312	469
	14,432	3,589

- (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:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Within one year	4,060	3,950
In the second to fifth year inclusive	16,582	16,452
Over five years	17,543	19,789
	38,185	40,191

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

for the six months ended 30 September 2012

16. MATERIAL RELATED PARTY TRANSACTIONS Transactions with key management personnel

The remuneration of directors of the Company and other key management personnel of the Group during the period was as follows:

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Short-term employee benefits	4,125	4,056
Post-employment benefit	79	76
	4,204	4,132

OTHER INFORMATION

RESULTS AND DIVIDENDS

The results of the Group for the six months ended 30 September 2012 are set out in the condensed consolidated income statement and condensed consolidated statements of comprehensive income on pages 9 to 10 of this interim report.

During the six months ended 30 September 2012, no interim dividend was declared by the directors.

No interim dividend was declared by the directors during the six months ended 30 September 2011, but an interim dividend of 3 Hong Kong cents per share amounting to HK\$27,000,000 was declared after the end of the reporting period by the directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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 of all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the period from the Listing Date to 30 September 2012.

OTHER INFORMATION *(Continued)*

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

As at 30 September 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 ("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 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
Mr. Wong Chit On <i>(Note 1)</i>	Interest in a controlled corporation	810,000,000	67.5%
Ms. Ni Yun Zi <i>(Note 1)</i>	Interest of spouse	810,000,000	67.5%
Mr. Lu Zhijie <i>(Note 2)</i>	Interest in a controlled corporation	30,000,000	2.5%
Mr. Han Weining	Beneficial owner	12,000,000	1%
Mr. Zhang Jinbing	Beneficial owner	40,000,000	3.3%

Note 1: Mr. Wong Chit On is the beneficial owner of all the issued share capital of Excel Time Investments Limited ("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 Harbour Group Limited ("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.

OTHER INFORMATION *(Continued)***DIRECTORS', CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES***(Continued)***(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
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 30 September 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.

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 September 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
Excel Time <i>(Note 1)</i>	Beneficial owner	810,000,000	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 30 September 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were listed on the Main Board of the Stock Exchange on 18 April 2012 ("Listing Date"). Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities from the Listing Date to 30 September 2012.

OTHER INFORMATION *(Continued)*

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.

OTHER INFORMATION *(Continued)*

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that throughout the period from the Listing Date to 30 September 2012, the Company has fully complied with the applicable code provisions as set out in the Code on Corporate Governance Practices (the “Code”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for the following deviation from certain code provision:

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

The Company has appointed Mr. Wong Chit On as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve a higher responsiveness efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation at the Board, comprising the executive Directors and independent non-executive Directors.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

An audit committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and monitor the Group’s financial reporting process and internal control system. The members of the audit committee are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wu Xiaowen, all being independent non-executive Directors. Mr. Lam Ying Hung Andy is the chairman of the audit committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2012 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

On behalf of the Board
Wong Chit On
Chairman

22 November 2012