協同通信集團有限公司
Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1613

Annual Report 2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS
Mr. Wong Chit On *(Chairman)*
Mr. Han Weining
Dr. Wang Shaodong (appointed on 20 December 2013)
Mr. Zhang Jinbing (resigned on 14 April 2014)
Mr. Lu Zhijie (resigned on 1 January 2014)

NON-EXECUTIVE DIRECTOR
Mr. Zhang Xuebin (appointed on 6 March 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Cai Youliang (appointed on 28 June 2013 with effect on 2 July 2013)
Mr. Wu Xiaowen (resigned on 14 May 2013)

COMMITTEES

AUDIT COMMITTEE
Mr. Lam Ying Hung Andy *(Chairman)*
Mr. Hu Yunlin
Mr. Cai Youliang (appointed on 28 June 2013 with effect on 2 July 2013)
Mr. Wu Xiaowen (resigned on 14 May 2013)

REMUNERATION COMMITTEE
Mr. Hu Yunlin *(Chairman)*
Mr. Lam Ying Hung Andy
Mr. Cai Youliang (appointed on 28 June 2013 with effect on 2 July 2013)
Mr. Wu Xiaowen (resigned on 14 May 2013)

NOMINATION COMMITTEE
Mr. Cai Youliang *(Chairman)* (appointed on 28 June 2013 with effect on 2 July 2013)
Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Wu Xiaowen (resigned on 14 May 2013)

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
1st Qingshuihe Road, Luohu District
Shenzhen
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 4, 16th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

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

PEOPLE'S REPUBLIC OF CHINA ("PRC")
Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISER
Alvan Liu & Partners
25 & 26th Floor
Central 88
88 Des Voeux Road Central
Hong Kong

COMPLIANCE ADVISOR
Messis Capital Limited (appointed on 1 December 2013)
Room 1606, 16/F, Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

CLC International Limited (resigned on 30 November 2013)
Suites 4703A–04
Two Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITOR
CCIF CPA Limited
Certified Public Accountants
9/F, Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong

WEBSITE
www.synertone.net

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED
1613

FINANCIAL HIGHLIGHTS

- The Group recorded an increase of revenue of approximately HK$58.7 million or 50.7% from approximately HK$115.7 million for the year ended 31 March 2013 to approximately HK$174.4 million for the year ended 31 March 2014.

- Gross profit of the Group increased by approximately HK$49.0 million or 66.0% from approximately HK$74.1 million for the year ended 31 March 2013 to approximately HK$123.1 million for the year ended 31 March 2014, with gross profit margin increasing from approximately 64.1% for the year ended 31 March 2013 to approximately 70.5% for the year ended 31 March 2014.

- Profit for the year decreased by approximately HK$6.0 million or 16.6% from approximately HK$36.0 million for the year ended 31 March 2013 to approximately HK$30.0 million for the year ended 31 March 2014, with net profit margin decreasing from approximately 31.1% for the year ended 31 March 2013 to approximately 17.2% for the year ended 31 March 2014.

Results performance for the year ended 31 March	**2014**	2013	2012
Total turnover *(HK$'000)*	**174,421**	115,690	218,264
Gross profit *(HK$'000)*	**123,050**	74,116	148,703
Gross profit margin *(%)*	**70.5**	64.1	68.1
Profit for the year *(HK$'000)*	**30,027**	36,007	63,610
Net profit margin *(%)*	**17.2**	31.1	29.1
Basic earnings per share *(HK cents) (Note 1)*	**0.49**	0.61	1.41

Liquidity and gearing ratios as at 31 March	**2014**	2013	2012
Inventories turnover days *(Note 2)*	**149**	159	87
Trade receivables turnover days *(Note 3)*	**295**	464	258
Trade payables turnover days *(Note 4)*	**82**	115	55
Current ratio	**2.4**	5.9	5.1
Gearing ratio *(%) (Note 5)*	**5.3**	–	–

Operating cash flow and capital expenditure for the year ended 31 March	**2014**	2013	2012
Net cash generated from operating activities *(HK$'000)*	**14,697**	105,985	36,334
Capital expenditure *(HK$'000) (Note 6)*	**29,444**	57,148	4,923

Notes:

1. The shares of the Company were not listed until 18 April 2012. 2013 and 2012 were adjusted for bonus issue in 2014.

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 sales 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 sales 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 hereby present the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2014.

FINANCIAL REVIEW

During the year ended 31 March 2014, the Group derived its revenue substantially from digital trunking system and Synertone 1 satellite system. The turnover of the Group for the year ended 31 March 2014 amounted to approximately HK$174.4 million, representing an increase of approximately HK$58.7 million or 50.7% from approximately HK$115.7 million for the year ended 31 March 2013. The increase was mainly resulted from the picking up of economic and political stability surrounding the domestic and foreign territories, and the newly acquired Synertone 1 satellite system.

The gross profit of the Group increased by approximately HK$49.0 million or 66.0% from approximately HK$74.1 million for the year ended 31 March 2013 to approximately HK$123.1 million for the year ended 31 March 2014. The gross profit margin of the Group rose from approximately 64.1% for the year ended 31 March 2013 to approximately 70.5% for the year ended 31 March 2014, primarily because of certain fixed costs such as manufacturing overheads and labour costs maintaining relatively stable as compared to the last year and has income from newly acquired Synertone 1 satellite system.

The Group's profits for the year and earnings per share decreased from approximately HK$36.0 million and HK0.61 cents respectively for the year ended 31 March 2013 to approximately HK$30.0 million and HK0.49 cents respectively for the year ended 31 March 2014. The decrease was mainly attributable to the fact that its newly acquired Synertone 1 satellite system business has yet to show its value, and the increase in management and listing expenses incurred by the newly developed business, as well as the increase in the provision of options granted.

BUSINESS REVIEW

The global economy remains challenging, the market demand on our various products in China was negatively affected by the government's continual regulation.

The Group has completed the acquisition of communication resources in the PRC region (including Hong Kong and Macao) ("Thaicom-4 satellite") from Ipstar Company Limited, including (i) the bandwidth capacity and the bandwidth capacity service and (ii) the right to use for the transmission of broadband Internet access and other applications. Thereafter, the Group has become one of the satellite operators in the PRC region providing communication bandwidth services. The Group has named the acquired satellite resources as "協同一號" ("Synertone 1"). It is expected that the provision of satellite bandwidth business will make remarkable contribution to the revenue and profit of the Group and will account of a significant proportion to the total assets of the Group in the foreseeable future. The said business contributed approximately HK$47.4 million to the revenue of the Group during the year.

During the year ended 31 March 2014, the turnover derived from digital trunking system amounted to approximately HK$83.3 million, representing a significant decrease of approximately HK$23.5 million or 22.0% when compared to approximately HK$106.8 million for the year ended 31 March 2013. The decrease was mainly due to the decrease in sales of digital trunking systems as a result of delay of sales orders from some of its major customers of digital trunking mobile communication system due to the original system maintenance and software upgrades.

The sales of Very Small Aperture Terminal ("VSAT") satellite system experienced an increase of approximately HK$16.1 million or 181.9% from approximately HK$8.9 million for the year ended 31 March 2013 to approximately HK$25.0 million for the year ended 31 March 2014. The increase in sales of the VSAT satellite system was mainly attributable to the global economic recovery which brings the increase demand of VSAT satellite system.

Revenue derived from system technologies was HK$16.3 million for the year ended 31 March 2014, primarily as a result of three technologies being licensed to the Group's customers for the year ended 31 March 2014, as compared to no technologies being licensed for the year ended 31 March 2013.

For the year ended 31 March 2014, turnover of the Synertone 1 satellite system was approximately HK$47.4 million, mainly attributable to the provision of satellite bandwidth capacity and communication service application from the new "Synertone 1" satellite of the Group.

For the year ended 31 March 2014, sales of other accessory parts and components was approximately HK$2.38 million.

PROSPECTS

Despite numerous uncertainties being faced by major economies around the globe, the PRC government will maintain the stability and continuity of its macro economy policies, and actively advance adjustments to the underlying economic structure and facilitate a faster transformation of its economic development mode. This will certainly be beneficial to the development of satellite communication industry. The management of the Group will continue to explore potential business opportunities which may generate greater return to the shareholders.

Apart from the changes of economic policies, the PRC government does maintain its support to and emphasis on the development of spacecraft engineering and exploration, communications technology, satellite communications and other high-tech industries and the development of disaster relief and environmental protection, as well as the development of various economic activities in remotes areas, these developments are expected to stimulate the demand of specialised communication products and networks, and in turn, create enormous business opportunities to the Group. Even though the specialised communication market was affected by short-term economic fluctuation, yet, as the economy has stabilized, we believe the industry outlook remains favorable.

To further strengthen the current development of the satellite communication business, the Company is aggressively considering the possibility of the construction of the "Synertone 2" communication satellite (the "Synertone 2"). Should the plan works out as anticipated, "Synertone 2" would substantially provide more satellite bandwidth resources to the Group for meeting the growing market in the PRC. Synertone Satellite Communication Limited (Formerly known as Synertone Communication Limited), a wholly-owned subsidiary of the Company, entered into a co-operative memorandum of understanding (the "CMOU") on 19 June 2014 with China Great Wall Industrial (Hong Kong) Corp. Limited ("Great Wall HK"), a wholly-owned subsidiary of China Great Wall Industrial Corporation ("Great Wall Corporation") whereby both parties had agreed to the preliminary study in the technical feasibility analysis, master program planning, and the structural design and construction of the "Synertone 2". Please refer to our announcement made on 19 June 2014.

FINAL DIVIDEND

After the end of the reporting period, the Directors have proposed a final dividend of HK0.16 cents per ordinary share for the year ended 31 March 2014 to the Company's shareholders whose names appear on the register of members of the Company on 29 August 2014, subject to the approval of the shareholders of the Company in the annual general meeting to be held on Thursday, 21 August 2014. If the resolution for the proposed final dividend is passed at the annual general meeting, the proposed final dividend will be payable on or around 11 September 2014.

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.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of ascertaining shareholders' entitlement to attend the forthcoming annual general meeting to be held on Thursday, 21 August 2014, the Company's register of members will be closed from Tuesday, 19 August 2014 to Thursday, 21 August 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong shares registrar of the Company in Hong Kong, Tricor Investor Services Limited (the "Share Registrar"), at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 18 August 2014.

(b) For the purpose of ascertaining shareholders' entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Thursday, 28 August 2014 to Friday, 29 August 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to receive the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 27 August 2014.

Wong Chit On
Chairman

30 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a provider of core components of specialised communication system. 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. In addition, the Group 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. 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 2014, revenue of the Group amounted to approximately HK$174.4 million, representing an increase of approximately HK$58.7 million or 50.7% from approximately HK$115.7 million for the year ended 31 March 2013. The increase was mainly resulted from the picking up of economic and political stability surrounding the domestic and foreign territories and the newly acquired Synertone 1 satellite system. All the Group's products were sold in the PRC. The Group derived its revenue substantially from digital trunking system which accounted for approximately HK$83.3 million or 47.7% and Synertone 1 satellite system which accounted for approximately HK$47.4 or 27.2% of its total revenue for the year ended 31 March 2014.

In order to compete with other competitors in the satellite communication market by offering products with higher performance and on the other hand lower the cost of VSAT satellite system, the Group underwent the research and development of its own high-end satellite antenna (being a core component of VSAT high speed dynamic digital satellite system). In 2013, the Group officially launched and marketed the Group's own antenna to the customers and has commenced the production.

FINANCIAL REVIEW

TURNOVER

The Group recorded a revenue of approximately HK$174.4 million for the year ended 31 March 2014, representing an increase of approximately HK$58.7 million or 50.7% from approximately HK$115.7 million for the year ended 31 March 2013, mainly resulting from the economic and political stability surrounding the domestic and foreign territories, and the newly acquired Synertone 1 satellite system.

During the year ended 31 March 2014, the Group derived its revenue substantially from digital trunking system. The following table sets forth a breakdown of revenue by product category for the years indicated:

	2014		2013	
	HK$'000	**%**	HK$'000	%
Digital trunking system	**83,261**	**47.7**	106,768	92.3
VSAT satellite system	**24,981**	**14.3**	8,863	7.6
Systems technologies	**16,348**	**9.4**	–	–
Other accessory parts and components	**2,382**	**1.4**	59	0.1
Synertone 1 satellite system	**47,449**	**27.2**	–	–
	174,421	**100.0**	115,690	100.0

The sales of digital trunking system decreased significantly by approximately HK$23.5 million or 22.0% from approximately HK$106.8 million for the year ended 31 March 2013 to approximately HK$83.3 million for the year ended 31 March 2014. The decrease was mainly due to the decrease in sales of digital trunking systems as a result of delay of sales orders from some of its major customers due to the original system maintenance and software upgrades. The sales of VSAT satellite system experienced an increase of approximately HK$16.1 million or 181.9% from approximately HK$8.9 million for the year ended 31 March 2013 to approximately HK$25.0 million for the year ended 31 March 2014. The increase in sales of the VSAT satellite system was mainly attributable to the global economic recovery which brings about the increasing demand of VSAT satellite system. Revenue derived from system technologies was approximately HK$16.3 million or 9.4% of the total sales for the year ended 31 March 2014, primarily as a result of three technologies being licensed to the Group's customers for the year ended 31 March 2014, as compared to no technology being licensed for the year ended 31 March 2013. The sales of other accessory parts and components amounted to approximately HK$2.4 million for the year ended 31 March 2014. Turnover of Synertone 1 satellite system was approximately HK$47.4 million, mainly attributable to the provision of satellite bandwidth capacity and communication service application.

COST OF SALES

Cost of sales of the Group comprises costs of raw materials, labour costs, manufacturing overheads and amortisation of intangible assets. It increased by approximately HK$9.8 million or 23.6% from approximately HK$41.6 million for the year ended 31 March 2013 to approximately HK$51.4 million for the year ended 31 March 2014, the increase was in line with the increase in turnover.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing factors, the gross profit of the Group increased by approximately HK$49.0 million or 66.0% from approximately HK$74.1 million for the year ended 31 March 2013 to approximately HK$123.1 million for the year ended 31 March 2014. The gross profit margin of the Group increased from approximately 64.1% for the year ended 31 March 2013 to approximately 70.5% for the year ended 31 March 2014. Primarily because of certain fixed costs such as manufacturing overheads and labour costs maintaining relatively stable as compared to the last year and the composition of gross profit of its newly acquired Synertone 1 satellite system business.

OTHER REVENUE

The other revenue of the Group amounted to approximately HK$27.3 million for the year ended 31 March 2014, representing a decrease of approximately HK$6.6 million or 19.4% from approximately HK$33.9 million for the year ended 31 March 2013, mainly contributed by a grant of the value-added tax refund by the relevant government authority of approximately HK$11.5 million, a decrease of approximately HK$19.4 million from HK$30.9 million of last year, as a financial support to the business of specialised communication system in which the Group is operating, and government grants of approximately HK$14.6 million from relevant government bodies for the purpose of giving incentive to hi-tech enterprise.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses of the Group decreased by approximately HK$3.4 million or 28.4% from approximately HK$12.0 million for the year ended 31 March 2013 to approximately HK$8.6 million for the year ended 31 March 2014, primarily due to lower promotion expenses for its traditional businesses.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other operating expenses of the Group increased by approximately HK$44.5 million or 141.3% from approximately HK$31.5 million for the year ended 31 March 2013 to approximately HK$76.0 million for the year ended 31 March 2014, mainly attributable to the amortisation of intangible resources incurred by its newly acquired Synertone 1 satellite system business during the year, resulting in the increase of approximately HK$30.4 million in amortisation cost.

RESEARCH AND DEVELOPMENT EXPENDITURE

The research and development expenditure of the Group decreased by approximately HK$1.3 million or 7.5% from approximately HK$16.6 million for the year ended 31 March 2013 to approximately HK$15.3 million for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in staff costs for the research and development of digital trunking mobile communication systems as the associated technologies have already been well developed.

FINANCE COSTS

The finance costs of the Group was HK$11.6 million for the year ended 31 March 2014, mainly attributable to the finance charges of approximately HK$9.6 million in relation to the finance lease payable of acquisition of Synertone 1 satellite bandwidth resources, as well as interest expense of approximately HK$2.0 million.

TAX EXPENSE

The tax expense of the Group decreased by approximately HK$3.1 million or 25.9% from approximately HK$11.9 million for the year ended 31 March 2013 to approximately HK$8.8 million for the year ended 31 March 2014, mainly attributable to the incurring and reversed of temporary difference.

PROFIT FOR THE YEAR

The Group's profits for the year decreased by approximately HK$6.0 million or 16.6% from approximately HK$36.0 million for the year ended 31 March 2013 to approximately HK$30.0 million for the year ended 31 March 2014, mainly due to the fact that its newly acquired Synertone 1 satellite system business has yet to show its value, and the increase in management and listing expenses incurred by the newly developed business, as well as the increase in the provision of options granted.

LIQUIDITY AND CAPITAL RESOURCES

The 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 2014 and 2013:

	2014 **HK$'000**	2013 HK$'000
Net cash generated from operating activities	**14,697**	105,985
Net cash used in investing activities	**(28,350)**	(56,553)
Net cash (used in)/generated from financing activities	**(22,782)**	36,095

OPERATING ACTIVITIES

Net cash generated from operating activities amounted to approximately HK$14.7 million for the year ended 31 March 2014 compared to approximately HK$106.0 million for the year ended 31 March 2013. The decrease was due to the combined effect of the increase in trade and other receivables of approximately HK$55.6 million for the year ended 31 March 2014 as compared with the decrease in trade and other receivables of approximately HK$70.4 million for the previous year.

INVESTING ACTIVITIES

Net cash used in investing activities amounted to approximately HK$28.4 million for the year ended 31 March 2014 compared to approximately HK$56.6 million for the year ended 31 March 2013. The decrease in the net cash used in investing activities was mainly attributable to the decreasing for the acquisition of property, plant and equipment.

FINANCING ACTIVITIES

Net cash used in financing activities amounted to approximately HK$22.8 million for the year ended 31 March 2014 compared to net cash generated from financing activities amounting to approximately HK$36.1 million for the year ended 31 March 2013. The significant decrease was mainly due to the combined effect of the decrease in dividend paid by approximately HK$12.0 million for the year ended 31 March 2014 from approximately HK$48.0 million for the year ended 31 March 2013 to approximately HK$36.0 million for the year ended 31 March 2014, and the increase in new bank borrowings of approximately HK$25.2 million.

MATERIAL TRANSACTION

During the period under review, the Group entered into the following material transactions:

The Group has completed the acquisition of communication resources in the PRC region (including Hong Kong and Macao) ("Thaicom-4 satellite") from Ipstar Company Limited, including (i) the bandwidth capacity and the bandwidth capacity service and (ii) the right to use for the transmission of broadband Internet access and other applications. The consideration amounted to US$80 million for satellite capacity for serving the period of at least nine and a half years. The Group has named the acquired satellite resources as "協同一號" ("Synertone 1").

MATERIAL ACQUISITION AND DISPOSALS

Saved as disclosed in the above Material Transaction, for the year ended 31 March 2014, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

BANK BORROWINGS

As of 31 March 2014, the Group had outstanding bank borrowings of HK$22.9 million, such borrowing represents the bank credit facilities which is granted without pledge.

PLEDGE OF ASSETS

As of 31 March 2014, the Group had no assets pledged for securing any credit facilities.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group had no material contingent liabilities.

SIGNIFICANT CAPITAL EXPENDITURE FOR THE YEAR

The Group's capital expenditures for the year under review was approximately HK$29.4 million which was mainly used for purchase of property, plant and equipment and the purchase of the bandwidth capacity of Ipstar.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the proposed acquisition as disclosed in the paragraph headed “Material transaction” above, the Group did not have other plans for material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2014, the Group had 261 employees. For the year ended 31 March 2014, the staff cost of the Group was approximately HK$48.0 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

DIRECTOR

EXECUTIVE DIRECTORS

Wong Chit On (王浙安), (formerly known as Wang Gang Jun (王鋼軍)) aged 55, is an executive Director, the chairman and the chief executive officer 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 14 years of experience in the specialised communication industry. He was an executive director and the chairman of China Public Healthcare (Holding) Limited (中國公共醫療(控股)有限公司) (formerly known as Neolink Cyber Technology (Holding) Limited and Global Resources Development (Holding) Limited (大地資源發展(控股)有限公司)) from 1999 to 2001, a company listed on the Growth Enterprise Market board of the Stock Exchange (Stock Code: 8116). In 2004, Mr. Wong was appointed as an adjunct professor of Harbin Institute of Technology Shenzhen Graduate School (哈爾濱工業大學深圳研究生院). From 2005 to 2009, Mr. Wong served as a committee member of electronics and communications specialist working committee of Shenzhen City Specialist Working Association (深圳市專家工作聯合會). In 2009, Mr. Wong was recognized as one of the "2009 Outstanding and Innovation Entrepreneur in China" (2009中國優秀創新企業家). Mr. Wong was nominated as the standing supervisor of the China Users Association for Communications Broadcasting & Television in December 2010. Save as disclosed herein, Mr. Wong did not hold any directorship in any other listed companies in the past three years.

Han Weining (韓衛寧), aged 52, was appointed as an executive Director in February 2011. From 1989 to 2006, Mr. Han worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the director of Asia pacific region. Since 2006, Mr. Han has been an executive director of MOX Group in Australia. He graduated from Zhejiang University (浙江大學) with major in wireless electronic technology and Master Degree in Engineering in 1983 and 1986, respectively. He was elected as a member of the Institution of Engineers in Australia in 1994. Save as disclosed herein, Mr. Han did not hold any directorship in any other listed companies in the past three years.

Dr. Wang Shaodong (王紹東), aged 51, was appointed as an executive Director in December 2013. From 2004 to 2013, Dr. Wang was the chief executive officer of Shenzhen Xinyong Fanglue Investment Management Company Limited (深圳市信永方略投資管理有限公司) mainly responsible for identifying projects for private equity investments and execution of merger and acquisition projects. Since May 2013, Dr. Wang worked as the chief executive officer for China Bright Stone Investment Management Group Limited (中國明石投資管理集團) which is a top leading investment company specialized in fund management, financial advisory and direct investment in listed or non-listed companies in PRC. From 1991 to 1994, Dr Wang worked as an associate professor and professor in the Chongqing University of PRC (重慶大學). From 2001 to 2004, Mr. Wang was a doctorate supervisor (instructing professor) at Economics at Shandong University of the PRC (山東大學). Dr. Wang obtained his Bachelor of Science Degree from Wuhan University of Technology and Master of Science Degree from Chongqing University in 1982 and 1987 respectively, and the Degree of Doctor of Philosophy from Imperial College of Science, Technology and Medicine, University of London in 1995. Save as disclosed herein, Dr. Wang did not hold any directorship in any other listed companies in the past three years.

NON-EXECUTIVE DIRECTOR

Mr. Zhang Xuebin (張學斌), aged 51, was appointed as an non-executive Director in March 2014. Mr. Zhang was an executive director of Skyworth Digital Holdings Limited (創維數碼控股有限公司), a company listed on the main board of The Stock Exchange of Hong Kong Limited (Stock code: 0751) ("Skyworth"), from January 2005 to March 2013, and acted as the chairman of the board of directors of Skyworth from April 2007 to March 2013. Mr. Zhang was also the chief executive officer of Skyworth from June 2005 to December 2012, and was the president of the television business unit of Shenzhen Chuangwei-RGB Electronics Co., Ltd. (深圳創維-RGB電子有限公司), a 95% owned subsidiary of Skyworth, from March 2001 to January 2005. During his tenure as the chairman of the board of directors of Skyworth, he was mainly responsible for overseeing the business operations of the Skyworth group and implementing strategies and policies as determined by the board of directors of Skyworth. Before joining Skyworth, Mr. Zhang worked as the general manger for Hainan Coconut Palm Group Company Limited (中國海南椰樹集團有限公司) from March 1991 to February 2001. Prior to working in the financial industry, Mr. Zhang worked in the academic field as a lecturer from July 1986 to February 1991 at Zhongnan University of Economics and Law of the PRC (中南財經大學). Mr. Zhang obtained a bachelor degree in accountancy and a master degree in economics from Zhongnan University of Economics and Law in 1984 and 1986 respectively. Save as disclosed herein, Mr. Zhang did not hold any directorship in any other listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Ying Hung Andy (林英鴻), aged 49, was appointed as an independent non-executive Director in February 2011. He is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Lam has over 25 years of experience in logistics, accounting, banking and finance industry. Mr. Lam is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in 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 Xingfa Aluminum Holdings Limited (Stock Code: 0098), Sino-Life Group Limited (Stock Code: 8296) and Brilliant Circle Holdings International Limited (Stock Code: 1008), those are companies listed on the Stock Exchange. Mr. Lam was an independent non-executive director of Gamma Logistic Corporation (Stock Code: 8310) for the period from 22 August 2013 to 12 June 2014. Save as disclosed herein, Mr. Lam did not hold any directorship in any other listed companies in the past three years.

Hu Yunlin (胡雲林), aged 52, was appointed as an independent non-executive Director in February 2011. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Hu graduated from People's Liberation Army Air Force Electronic Communication Engineering Institute (中國人民解放軍空軍電訊工程學院) in 1986, major in wireless electronic engineering. He has served as chief manager in Zhuhai Ji Di Te Communication Utilities Company Limited (珠海吉迪特通信器材有限公司) since 1995. He has also served as director in Zhuhai Gao Ling Information Technology Company Limited (珠海高凌信息科技有限公司) since 2000. Save as disclosed herein, Mr. Hu did not hold any directorship in any other listed companies in the past three years.

Cai Youliang (蔡友良), aged 50, was appointed as an independent non-executive Director on 28 June 2013 with effect on 2 July 2013. He is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Cai has over 16 years of experience in the investment management field. He was an independent director of SZZT Electronics Co., Ltd. (深圳市證通電子股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002197) from December 2007 to June 2011. He has also served in various managerial positions in various private companies since 1995. He was the general manager of Shenzhen Eagle Computer Technology Network Co., Ltd. (深圳市依格計算機網絡有限公司) from 1995 to 2002 and was an executive director of Shenzhen Chips Information S&T Co., Ltd. (深圳市齊普生資訊技術有限公司) from 2002 to 2011. Mr. Cai has also been an executive director of Shenzhen Eagle Computer Technology Co., Ltd. (深圳市依格欣電腦技術有限公司) since 1998, an executive director of Shenzhen Careland Technology Co., Ltd. (深圳市凱立德科技股份有限公司) since 1999 and an executive director of Apexone Microelectronics (Shanghai) Co., Ltd. (埃派克森微電子（上海）有限公司) since 2002. Prior to the above positions, Mr. Cai worked as a software engineer and sales engineer in Shenzhen Jiankang Electromechanical Co., Ltd. (深圳市建康機電有限公司) from 1989 to 1992 and subsequently engaged in his own trading business from 1993 to 1994. Mr. Cai obtained a bachelor degree in engineering from Huazhong University of Science and Technology (華中科技大學) in 1986. He obtained a master degree in computer from WuHan University (武漢大學) in 1989. He also obtained a master degree in senior managers of industrial and commercial management from Cheang Kong Commercial College (長江商學院) in 2009. Save as disclosed herein, Mr. Cai does not hold any directorship in any other listed companies in the past three years.

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 2014.

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 2014 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 32 and 33 of this annual report.

A final dividend of HK$36.0 million was declared and fully settled for the year ended 31 March 2013. After the end of the reporting period, the Directors have proposed a final dividend of HK0.16 cents per ordinary share for the year ended 31 March 2014 to the Company's shareholders whose names appear on the register of members of the Company on 29 August 2014, subject to the approval of the shareholders of the Company in the forthcoming annual general meeting to be held on Thursday, 21 August 2014. If the resolution for the proposed final dividend is passed at the forthcoming annual general meeting, the proposed final dividend will be payable on or around 11 September 2014.

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

As at 31 March 2014, the Company had used approximately HK$34.5 million, HK$8.9 million, HK$17.7 million and 8.9 million for research and development of products of digital trunking system and VSAT satellite system, expansion of sales network and the capacity expansion of the Group respectively. And as at the date of this annual report, the Group has not yet fully utilised the proceeds from the Company's initial public offering.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 92 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 29 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 during the year ended 31 March 2014.

RESERVES

The movements in the reserves of the Company and the Group during the year are set out in note 29(a) to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2014, the aggregate amount of reserves available for distribution to owners of the Company, which included retained earnings and share premium, was approximately HK$215,459,000 (2013: HK$134,841,000).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2014, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 24.5% (2013: 25.3%) and 51.7% (2013: 58.0%) of the Group's total purchases respectively.

For the year ended 31 March 2014, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 33.3% (2013: 43.8%) and 96.48% (2013: 99.03%) of the Group's total turnover respectively.

At all time during the year ended 31 March 2014, 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
Mr. Han Weining
Dr. Wang Shaodong (appointed on 20 December 2013)
Mr. Zhang Jinbing (resigned on 14 April 2014)
Mr. Lu Zhijie (resigned on 1 January 2014)

NON-EXECUTIVE DIRECTOR

Mr. Zhang Xuebin (appointed on 6 March 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Cai Youliang (appointed on 28 June 2013 with effect on 2 July 2013)
Mr. Wu Xiaowen (resigned on 14 May 2013)

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 non-executive Directors to be independent.

In accordance with the Company's Articles of Association, Mr. Wong Chit On, Dr. Wang Shaodong, Mr. Zhang Xuebin and Mr. Lam Ying Hung Andy will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each executive Director has entered into continuous service contract with the Company and non-executive Director and each independent non-executive Director are appointed for a fixed term.

None of the 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 2014.

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 2014.

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

As at 31 March 2014, 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
Mr. Wong Chit On *(Note 1)*	Interest in a controlled corporation	2,430,000,000	38.45%
Mr. Han Weining	Beneficial owner	60,000,000	0.95%
Mr. Zhang Xuebin	Beneficial owner	120,000,000	1.90%
Mr. Hu Yunlin	Beneficial owner	20,000,000	0.32%

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 2,430,000,000 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.

(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%

(C) LONG POSITIONS IN SHARE OPTIONS

Name of director	Date of grant	Exercise price (HK$)	Exercisable period	Outstanding as at 31.3.2014
Mr. Wong Chit On	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Han Weining	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Dr. Wang Shaodong	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Zhang Xuebin	24.12.2013	0.50	24.12.2015 — 23.12.2018	60,000,000
Mr. Lam Ying Hung Andy	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Hu Yunlin	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Cai Youliang	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000

Save as disclosed above, as at 31 March 2014, 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 2014, 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 *(Note 1)*	Beneficial owner	2,430,000,000	38.45%
Ms. Ni Yun Zi *(Note 1)*	Interest of spouse	2,436,000,000	38.54%

Note 1: All the issued share capital of Excel Time is owned by Mr. Wong Chit On. 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 and 6,000,000 share options beneficially held by Mr. Wong Chit On in personal capacity for the purposes of the SFO.

Save as disclosed herein, as at 31 March 2014, 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.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

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.

On 24 December 2013, the Board granted a total of 120,000,000 share options under the Share Option Scheme adopted by the Company on 22 March 2012 to certain eligible persons, to subscribe, in aggregate, for up to 120,000,000 ordinary shares of HK$0.01 each (the "Shares") in the share capital of the Company subject to acceptance of the eligible persons. The details of the share option scheme are as follow:

Exercise price of the Share Options granted:	HK$2.50 per Share
Number of Share Options granted:	120,000,000
Validity period of the Share Options:	Five years, from 24 December 2013 to 23 December 2018 (both dates inclusive)

On the basis of four bonus shares for every one existing share held on 17 February 2014, a total of 5,056,000,000 bonus shares were issued on 21 February 2014. As a result of the bonus issue, adjustments were made to the exercise price and the number of shares which may fall to be issued upon exercise of the Share Options. The Share Options was adjusted in the manner set forth below as a result of the Bonus Issue with effect from 21 February 2014:

	Before Bonus Issue		After Bonus Issue	
Date of grant	Number of Option Shares to be issued upon exercise of the Share Options	Exercise price per Option Share HK$	Adjusted number of Option Shares to be issued upon exercise of the Share Options	Adjusted exercise price per Option Share HK$
24 December 2013	120,000,000	2.50	600,000,000	0.5

The options period is 5 years whereas the vesting period is 2 years. Details of these options are as follows:

Category of participants	Date of grant	Exercise price (HK$)	Exercisable period	Outstanding as at 31.3.2014
Directors				
Mr. Wong Chit On	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Han Weining	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Dr. Wang Shaodong	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Zhang Xuebin	24.12.2013	0.50	24.12.2015 — 23.12.2018	60,000,000
Mr. Lam Ying Hung Andy	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Hu Yunlin	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Mr. Cai Youliang	24.12.2013	0.50	24.12.2015 — 23.12.2018	6,000,000
Employees				
Employees, in aggregate	24.12.2013	0.50	24.12.2015 — 23.12.2018	498,000,000
				594,000,000

During the year, the Group recognized the net expenses of HK$2,308,000 (2013:Nil) in relation to share options granted.

The options vest in 3 installments; (i) 33.33% after 2 years from the date of grant; (ii) 33.33% after 3 years from the date of grant; and (iii) 33.33% after 4 years from the date of grant.

CODE ON CORPORATE GOVERNANCE PRACTICES

As the Company has been listed on 18 April 2012 (the "Listing Date"), the Directors consider that the Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices (the "CG Code") as contained in Appendix 14 to the Listing Rules from the Listing Date to the date of the publication of this annual report, 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 of the Board, comprising the executive Directors and independent non-executive Directors.

A report on the principal corporate governance practice adopted by the Company is set out in pages 23 to 29 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

The Group had no significant events occurring after the reporting period up to the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an Audit Committee. The Audit Committee comprised three independent non-executive Directors, namely Mr. Lam Ying Hung Andy (Chairman), Mr. Hu Yunlin and Mr. Cai Youliang. An Audit Committee meeting was held on 30 June 2014 to review the Company's annual report and financial statements for the year ended 31 March 2014.

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 as required under the Listing Rules since the Listing Date and up to the date of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2014 were audited by CCIF CPA Limited. CCIF CPA Limited retire and a resolution will be proposed for approval by shareholders of the Company 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

30 June 2014

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"). The Company has been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 April 2012 (the "Listing Date"). The Board believes 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 apart from the disclosure below.

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 the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of publication of this annual report.

BOARD OF DIRECTORS

(A) THE COMPOSITION OF THE BOARD

As at 30 June 2014, the Board comprises three executive Directors, one non-executive director and three independent non-executive Directors. The Board members during the year and up to the date of this annual report, 30 June 2014, were:

Executive Directors
Mr. Wong Chit On *(Chairman)*
Mr. Han Weining
Dr. Wang Shaodong (appointed on 20 December 2013)
Mr. Zhang Jinbing (resigned on 14 April 2014)
Mr. Lu Zhijie (resigned on 1 January 2014)

Non-Executive Director
Mr. Zhang Xuebin (appointed on 6 March 2014)

Independent Non-Executive Directors
Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Cai Youliang (appointed on 28 June 2013 with effect from 2 July 2013)
Mr. Wu Xiaowen (resigned on 14 May 2013)

Each Director possesses skills and experience appropriate to the business of the Group and the biographical details of the Directors and senior management, as at the date of this annual report, are set out on pages 12 to 14 of this annual report.

Appropriate directors' liability insurance cover has been arranged to indemnify the directors of the Company for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are to be reviewed regularly.

(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.

Training and Continuous Development for Directors

Each newly appointed director is provided with comprehensive induction to ensure that he/she has a proper understanding of the operations and businesses of the Group as well as his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. For directors to keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company, the Company had provided trainings for directors in the form of seminar and reading materials. The Company has devised a training record to assist the directors to record the training they have undertaken. Also, the completed records are received from each of the directors as confirmation.

(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. A notice of the meeting would be given to all Directors at least 14 days prior to the date of the meeting to enable all Directors to attend the meetings. The agenda of the meeting shall be determined after consulting each Director so that each Director is given the opportunity to include their proposals into the agenda.

For the year ended 31 March 2014 and up to the date of this report, 22 Board meetings were 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)*	**22/22**	**100%**
Mr. Han Weining	**11/22**	**50%**
Dr. Wang Shaodong (appointed on 20 December 2013)	**11/22**	**50%**
Mr. Zhang Jinbing (resigned on 14 April 2014)	**4/22**	**18%**
Mr. Lu Zhijie (resigned on 1 January 2014)	**4/22**	**18%**
Non-executive Director		
Mr. Zhang Xuebin (appointed on 6 March 2014)	**4/22**	**18%**
Independent Non-executive Directors		
Mr. Lam Ying Hung Andy	**19/22**	**86%**
Mr. Hu Yunlin	**12/22**	**55%**
Mr. Cai Youliang (appointed on 28 June 2013 with effect from 2 July 2013)	**14/22**	**64%**
Mr. Wu Xiaowen (resigned on 14 May 2013)	**1/22**	**5%**

(D) INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The current independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Cai Youliang. 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.

On 14 May 2013, Mr. Wu Xiaowen tendered his resignation as an independent non-executive Director, the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company due to his own decisions to devote more time to his personal endeavours.

Following the resignation of Mr. Wu Xiaowen with effect from 14 May 2013, the number of independent non-executive Directors and the members of the Audit Committee has fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules.

On 28 June 2013, the Board appointed Mr. Cai Youliang to fill a casual vacancy of the independent non-executive director and a member of Audit Committee and a member of the Remuneration Committee and the chairman of the Nomination Committee with effect from 2 July 2013.

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

Mr. Lam Ying Hung Andy and Mr. Hu Yunlin were appointed as independent non-executive Directors for a term of three years commencing from 18 April 2012.

Mr. Cai Youliang has entered into a letter of appointment with the Company with effect from 2 July 2013. The length of service of Mr. Cai Youliang as an independent non-executive Director is a term of three years commencing from 2 July 2013.

(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 first 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.

COMPANY SECRETARY

Ms. Lam Mei Shan (林美珊) was appointed as company secretary of the Group on 22 March 2012. Ms. Lam joined the Group in 2008 as finance and accounting manager. Ms. Lam has day-to-day knowledge of the Group's affairs. She reports to the Chairman and the Chief Executive Office directly and assists the Board in ensuring effective information flow among the Board members and that the Board policy and procedures are followed. In response to specific enquires made, the company secretary confirmed that she has complied with all the required qualifications, experience and training requirements 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, Hu Yunlin and Cai Youliang, 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 2014 have been reviewed and discussed by the audit committee.

For the year ended 31 March 2014 and up to the date of this report, the audit committee has held 4 meetings. The attendance record of each member of the audit committee is set out below:

	Number of audit Committee meetings attended/held	Attendance ratio
Mr. Lam Ying Hung Andy	**4/4**	**100%**
Mr. Hu Yunlin	**3/4**	**75%**
Mr. Cai Youliang (appointed on 28 June 2013 with effect on 2 July 2013)	**1/4**	**25%**
Mr. Wu Xiaowen (resigned on 14 May 2013)	**0/4**	**0%**

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 Cai Youliang, 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.

For the year ended 31 March 2014 and up to the date of this report, the remuneration committee has held nil meeting.

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, Cai Youliang, Hu Yunlin and Lam Ying Hung Andy. Cai Youliang 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.

For the year ended 31 March 2014 and up to the date of this report, the nomination committee has held nil meeting.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

The Company recognises 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 2014 under the section headed "Management Discussion and Analysis" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2014, the remuneration paid or payable to the Company's external auditor, CCIF CPA Limited, in respect of audit and non-audit services rendered is set out below:

	Fee paid/payable for services rendered HK$'000
Audit service	**750**
Non-audit service	**130**
Total	**880**

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 2014 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 30 to 31 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-to-day 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.

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

30 June 2014

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
9/F Leighton Centre
77 Leighton Road
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 32 to 91, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 2014, 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, 30 June 2014

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	*5*	**174,421**	115,690
Cost of sales	*18(b)*	**(51,371)**	(41,574)
Gross profit		**123,050**	74,116
Other revenue	*6*	**27,289**	33,856
Selling and distribution expenses		**(8,600)**	(12,007)
Administrative and other operating expenses		**(76,002)**	(31,499)
Research and development expenditure	*7(c)*	**(15,336)**	(16,576)
Profit from operations		**50,401**	47,890
Finance costs	*7(a)*	**(11,564)**	–
Profit before taxation	*7*	**38,837**	47,890
Income tax	*8*	**(8,810)**	(11,883)
Profit for the year attributable to owners of the Company		**30,027**	36,007
Earnings per share	*13*		
— Basic and diluted		**HK0.49 cents**	HK0.61 cents*

* *Adjusted for the bonus issue in 2014.*

The notes on pages 39 to 91 form part of these financial statements.

Details of dividends payable to owners of the Company attributable to profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**30,027**	36,007
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of PRC subsidiaries	**61**	2,004
Total comprehensive income for the year (net of tax) attributable to owners of the Company	**30,088**	38,011

The notes on pages 39 to 91 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	**2014 HK$'000**	2013 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**76,469**	51,766
Intangible assets	*16*	**616,565**	12,231
Deposits paid for acquisition of intangible assets	*19*	**–**	4,680
		693,034	68,677
Current assets			
Inventories	*18(a)*	**22,344**	19,590
Trade and other receivables	*20*	**175,567**	119,919
Cash and cash equivalents	*21*	**87,753**	124,549
		285,664	264,058
Current liabilities			
Bank borrowings	*24*	**22,874**	–
Trade and other payables	*23*	**20,981**	24,223
Finance lease payables	*25*	**52,655**	–
Amount due to a director	*26*	**239**	241
Current taxation	*27(a)*	**21,339**	20,214
		(118,088)	(44,678)
Net current assets		**167,576**	219,380
Total assets less current liabilities		**860,610**	288,057
Non-current liabilities			
Finance lease payables	*25*	**423,677**	–
Deferred tax liabilities	*27(b)*	**3,711**	9,871
		(427,388)	(9,871)
Net assets		**433,222**	278,186
EQUITY			
Equity attributable to owners of the Company			
Share capital	*29(b)*	**63,200**	12,000
Reserves		**370,022**	266,186
Total equity		**433,222**	278,186

Approved and authorised for issue by the board of directors on 30 June 2014.

Wong Chit On
Director

Han Weining
Director

The notes on pages 39 to 91 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment in a subsidiary	17	**95,012**	95,012
Current assets			
Amounts due from subsidiaries	22	**259,908**	124,317
Cash and cash equivalents	21	**86**	153
		259,994	124,470
Current liabilities			
Other payables	23	**758**	560
Amount due to a subsidiary	22	**732**	732
		(1,490)	(1,292)
Net current assets		**258,504**	123,178
Net assets		**353,516**	218,190
EQUITY	29(a)		
Share capital	29(b)	**63,200**	12,000
Reserves		**290,316**	206,190
Total equity		**353,516**	218,190

Approved and authorised for issue by the board of directors on 30 June 2014.

Wong Chit On
Director

Han Weining
Director

The notes on pages 39 to 91 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

		Attributable to owners of the Company								
	Note	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Warrants reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2012		9,000	25,663	–	–	(90)	17,978	23,395	128,134	204,080
Comprehensive income										
Profit for the year		–	–	–	–	–	–	–	36,007	36,007
Other comprehensive income										
Exchange differences arising on translation of financial statements of PRC subsidiaries		–	–	–	–	–	–	2,004	–	2,004
Total comprehensive income for the year		–	–	–	–	–	–	2,004	36,007	38,011
Transactions with owners										
New issue of shares by way of placing and public offering	*29(b)(iii)*	3,000	96,000	–	–	–	–	–	–	99,000
Transaction costs attributable to issue of new shares	*29(b)(iii)*	–	(14,905)	–	–	–	–	–	–	(14,905)
Transfer to statutory reserves		–	–	–	–	–	5,865	–	(5,865)	–
Final dividend in respect of the previous year	*12(b)*	–	–	–	–	–	–	–	(48,000)	(48,000)
Total transactions with owners		3,000	81,095	–	–	–	5,865	–	(53,865)	36,095
At 31 March 2013		12,000	106,758	–	–	(90)	23,843	25,399	110,276	278,186
At 1 April 2013		12,000	106,758	–	–	(90)	23,843	25,399	110,276	278,186
Comprehensive income										
Profit for the year		–	–	–	–	–	–	–	30,027	30,027
Other comprehensive income										
Exchange differences arising on translation of financial statements of PRC subsidiaries		–	–	–	–	–	–	61	–	61
Total comprehensive income for the year		–	–	–	–	–	–	61	30,027	30,088
Transactions with owners										
Equity-settled share-based payments		–	–	2,308	–	–	–	–	–	2,308
Transfer to statutory reserves		–	–	–	–	–	4,624	–	(4,624)	–
Issue of shares upon acquisition of assets	*19*	640	156,800	–	–	–	–	–	–	157,440
Issue of bonus shares	*29(b)(ii)*	50,560	–	–	–	–	–	–	(50,560)	–
Issue of warrants	*29(c)(vi)*	–	–	–	1,200	–	–	–	–	1,200
Final dividend in respect of the previous year	*12(b)*	–	–	–	–	–	–	–	(36,000)	(36,000)
Total transactions with owners		51,200	156,800	2,308	1,200	–	4,624	–	(91,184)	124,948
At 31 March 2014		63,200	263,558	2,308	1,200	(90)	28,467	25,460	49,119	433,222

The notes on pages 39 to 91 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Profit before taxation		**38,837**	47,890
Adjustments for:			
Interest income	*6*	**(1,094)**	(595)
Finance costs	*7(a)*	**11,564**	–
Amortisation of intangible assets	*7(c)*	**36,155**	5,827
Depreciation of property, plant and equipment	*7(c)*	**3,452**	2,952
Write down of inventories	*18(b)*	**3,655**	1,850
Reversal of write down of inventories	*18(b)*	**(1,997)**	(1,398)
Share-based payment expenses	*7(b)*	**2,308**	–
		92,880	56,526
Changes in working capital			
Increase in inventories		**(4,412)**	(3,368)
(Increase)/decrease in trade and other receivables		**(55,648)**	70,366
(Decrease)/increase in amounts due to directors		**(2)**	241
Decrease in trade and other payables		**(4,120)**	(1,327)
Cash generated from operations		**28,698**	122,438
Income tax (paid)/refunded			
The People's Republic of China ("PRC")	*27(a)*	**(14,001)**	(17,372)
Hong Kong	*27(a)*	**–**	919
		(14,001)	(16,453)
Net cash generated from operating activities		**14,697**	105,985
Investing activities			
Payment for the purchase of property, plant and equipment	*15*	**(27,628)**	(44,438)
Payment for the purchase of intangible assets		**–**	(8,030)
Payment of expenses directly attributable to acquisition of intangible assets		**(1,816)**	–
Deposits paid for acquisition of intangible assets	*19*	**–**	(4,680)
Interest received	*6*	**1,094**	595
Net cash used in investing activities		**(28,350)**	(56,553)

The notes on pages 39 to 91 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Financing activities			
Proceeds from new bank borrowings		**25,219**	–
Repayment of bank borrowings		**(2,345)**	–
Proceeds from issue of new shares by way of placing and public offering	*29(b)(iii)*	**–**	99,000
Payment of transaction costs attributable to issue of new shares	*29(b)(iii)*	**–**	(14,905)
Proceeds from issue of warrants	*29(c)(vi)*	**1,200**	–
Capital element of finance lease rental payments		**(8,872)**	–
Dividend paid	*12(b)*	**(36,000)**	(48,000)
Interest paid		**(1,984)**	–
Net cash (used in)/generated from financing activities		**(22,782)**	36,095
Net (decrease)/increase in cash and cash equivalents		**(36,435)**	85,527
Cash and cash equivalents at beginning of the year		**124,549**	37,232
Effect of foreign exchange rates changes		**(361)**	1,790
Cash and cash equivalents at end of the year		**87,753**	124,549
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand		**87,753**	97,042
Deposits with banks		**–**	27,507
	21	**87,753**	124,549

The notes on pages 39 to 91 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 Block B, Teng Bang Building, 1st Qingshuihe 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 "Stock Exchange") (the "Listing").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, Very Small Aperture Terminal ("VSAT") satellite system and operation integrated system and (iii) provision of THAICOM-4 satellite ("Synertone 1") satellite bandwidth capacity and communication service application.

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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which 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 2014 comprise the financial statements of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities 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 major sources of estimation uncertainty are discussed in note 4.

(c) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated 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, other than construction in progress, are stated in the statement of financial position at cost less any accumulated depreciation and any accumulated 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.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(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
Rights to use Synertone 1 satellite bandwidth	9.5 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) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in intangible assets and the corresponding liabilities, net of finance charges, are recorded as finance lease payables. Amortisation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) 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 stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) IMPAIRMENT OF ASSETS *(Continued)*

(i) Impairment of receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment 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 receivables 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 receivables 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

— investment in a subsidiary in the Company's statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other assets (Continued)

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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses
An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(g)(i) and (ii)).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) INVENTORIES *(Continued)*

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) 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)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(g)(i)).

(j) 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 statement of cash flows.

(k) 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) 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.

(m) 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 at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) SHARE-BASED PAYMENTS

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing 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 share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation 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).

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) INCOME TAX *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the date of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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) Revenue from Synertone 1 satellite system

Income from provision of satellite bandwidth capacity and communication service application is recognised when the said services are provided to customers.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related cost for which the grants are intended to compensate.

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

(v) Value-added taxes refund

Value-added taxes refund is recognised when the Group complied with the conditions attaching to them and 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 measured.

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), 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 in which they are incurred.

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

(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 Group 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Chairman, who has been identified as 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	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

AMENDMENTS TO HKAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

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

HKFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

HKFRS 10 replaces the requirements in HKAS 27 Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation — Special Purpose Entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 17.

HKFRS 13 FAIR VALUE MEASUREMENT

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

(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. Note 28 contain information about the assumptions and risk factors relating to equity-settled share-based transactions. Other judgements made by the management in the application of HKFRSs that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of non-financial assets

Determining whether there is an impairment requires an estimation of recoverable amounts of the property plant and equipment, intangible assets or the respective cash generating units ("CGU") in which property, plant and equipment and intangible assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise. As at 31 March 2014, the carrying amounts of property, plant and equipment and intangible assets are HK$76,469,000 (2013: HK$51,766,000) and HK$616,565,000 (2013: HK$12,231,000) respectively.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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

(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 2014, the carrying amount of property, plant and equipment was approximately HK$76,469,000 (2013: HK$51,766,000).

(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 2014, the carrying amount of intangible assets was approximately HK$616,565,000 (2013: HK$12,231,000).

(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 in the ordinary course of business 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 2014, the carrying amount of inventories was approximately HK$22,344,000 (2013: HK$19,590,000).

(v) Estimation of impairment of trade receivables

The policy for recognising impairment on trade 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 trade 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 2014, the carrying amount of trade receivables was approximately HK$166,023,000 (2013: HK$115,824,000).

(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 2014, 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.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(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 current 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 charge 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 2014, and the Group has recognised deferred tax liabilities of approximately HK$3,711,000 (2013: HK$9,871,000) as at 31 March 2014.

(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$3,711,000 (2013: HK$9,871,000) as at 31 March 2014.

5. TURNOVER

The principal activities of the Group are (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, VSAT satellite system and operation integrated system and (iii) provision of Synertone 1 satellite bandwidth capacity and communication services application.

Turnover represents the sales value of goods supplied to customers which excludes value-added and business taxes, and is after deduction of any goods returns and trade discounts. The amount of each significant category of revenue recognised during the year is as follows:

	2014 HK$'000	2013 HK$'000
Digital trunking system	**83,261**	106,768
VSAT satellite system	**24,981**	8,863
Systems technologies	**16,348**	–
Other accessory parts and components	**2,382**	59
Synertone 1 satellite system	**47,449**	–
	174,421	115,690

6. OTHER REVENUE

	2014 HK$'000	2013 HK$'000
Bank interest income from bank deposits *(note a)*	**1,094**	595
Government grants *(note b)*	**14,609**	2,162
Value-added taxes refund *(note c)*	**11,533**	30,932
Sundry income	**53**	167
	27,289	33,856

Notes:

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

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

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

7. PROFIT BEFORE TAXATION

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

(a) FINANCE COSTS

	2014 HK$'000	2013 HK$'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	**1,984**	–
Finance charges on finance lease payables	**9,580**	–
	11,564	–

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

	2014 HK$'000	2013 HK$'000
Salaries, wages and other benefits	**44,720**	39,554
Retirement benefit scheme contributions	**1,005**	845
Equity-settled share-based payment expenses	**2,308**	–
	48,033	40,399

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 certain percentage 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. 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$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

Save for the above, the Group has no other obligation for payment of retirement benefits beyond the contributions.

7. PROFIT BEFORE TAXATION *(Continued)*

Profit before taxation is arrived at after charging/(crediting) the following *(Continued)*:

(c) OTHER ITEMS

	2014 HK$'000	2013 HK$'000
Auditor's remuneration	**750**	500
Cost of inventories *(note 18(b))*	**51,371**	41,574
Amortisation of intangible assets	**36,155**	5,827
Depreciation of property, plant and equipment	**3,452**	2,952
Net exchange gain	**(2,697)**	(1,146)
Operating lease charges in respect of leased property	**5,034**	5,448
Research and development expenditure*	**15,336**	16,576

* Research and development expenditure for the year ended 31 March 2014 included approximately HK$9,409,000 (2013: HK$7,969,000) 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 STATEMENT OF PROFIT OR LOSS

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

	2014 HK$'000	2013 HK$'000
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (iv))*	**14,970**	15,955
Over-provision in respect of prior years		
PRC EIT	**–**	(1,007)
	14,970	14,948
Deferred tax		
Origination and reversal of temporary differences *(note 27(b))*	**(6,160)**	(3,065)
	8,810	11,883

Notes:

(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) No provision has been made for Hong Kong Profits Tax as the Group does not earn any income subject to Hong Kong Profits Tax during the year.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

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

Notes: (Continued)

(iv) PRC subsidiaries are subject to PRC EIT at 25%. The PRC subsidiaries of the Group, 協同迅達電子科技(深圳)有限公司(“協同迅達”) and 協同通信技術有限公司(“協同通信”)(前稱“協同智迅通信技術(深圳)有限公司”), being the foreign invested “encouraged hi-tech enterprise” were entitled to a preferential EIT rate of 15%.

For 協同通信, the period of grant of preferential EIT rate was expired on 31 December 2013. 協同通信 has submitted the application for renewal as being an “encouraged hi-tech enterprise”. The application is still in progress up to the date of approval of the financial statements. The subsidiary continued to use EIT rate of 15% as allowed by the relevant authority in the PRC.

For 協同迅達, the period of grant of preferential EIT rate was expired on 31 December 2012. The EIT rate was therefore 25% from 1 January 2013 onwards.

(v) Under the EIT Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval of the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% on 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. Deferred tax liabilities of approximately HK$3,711,000 (2013: HK$9,871,000) 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 2014.

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

	2014 HK$'000	2013 HK$'000
Profit before taxation	**38,837**	47,890
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	**5,699**	6,693
Tax effect of non-deductible expenses	**3,610**	852
Tax effect of non-taxable income	**(3,165)**	(1,235)
Tax effect of deductible temporary differences not recognised	**655**	494
Tax effect of unused tax losses not recognised	**3,456**	2,832
Tax effect of tax losses not allowed for tax deduction	**1,286**	420
Over-provision in prior years	**–**	(1,007)
Withholding tax on dividends	**(2,731)**	2,834
Actual tax expense	**8,810**	11,883

9. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

	Year ended 31 March 2014						
	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 *(note i)*	Total HK$'000
Executive directors							
Wong Chit On *(note ii)*	100	3,000	–	15	3,115	23	3,138
Lu Zhijie *(note iv)*	75	180	–	10	265	–	265
Han Weining	100	240	–	13	353	23	376
Zhang Jinbing *(note vii)*	100	600	–	15	715	23	738
Wang Shandong *(note iii)*	28	68	–	3	99	23	122
Independent non-executive directors							
Lam Ying Hung Andy	100	–	–	–	100	23	123
Zhang Xuebin *(note v)*	7	–	–	–	7	170	177
Hu Yunlin	100	–	–	–	100	23	123
Wu Xiaowen *(note viii)*	12	–	–	–	12	–	12
Cai Youliang *(note vi)*	75	–	–	–	75	23	98
	697	4,088	–	56	4,841	331	5,172

	Year ended 31 March 2013						
	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 *(note i)*	Total HK$'000
Executive directors							
Wong Chit On *(note ii)*	95	3,529	3	15	3,642	–	3,642
Ni Yun Zi *(note ix)*	56	960	3	15	1,034	–	1,034
Lu Zhijie *(note iv)*	95	229	–	12	336	–	336
Han Weining	95	229	–	12	336	–	336
Zhang Jinbing *(note vii)*	61	365	–	9	435	–	435
Independent non-executive directors							
Lam Ying Hung Andy	95	–	–	–	95	–	95
Mao Zhigang *(note ix)*	56	–	–	–	56	–	56
Hu Yunlin	95	–	–	–	95	–	95
Wu Xiaowen *(note viii)*	61	–	–	–	61	–	61
	709	5,312	6	63	6,090	–	6,090

9. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

(i) These represented the estimated value of share options granted to the directors under the Company's share option scheme adopted on 22 March 2012. The value of these share options in measured according to the Group's accounting policies for share-based payment as set out in note 2(n).

(ii) Mr. Wong Chit On was the chief executive officer of the Group during the two years ended 31 March 2014 and 2013 and the emoluments disclosed above include those for services rendered by him as chief executive officer.

(iii) Appointed on 20 December 2013.

(iv) Resigned on 1 January 2014.

(v) Appointed on 6 March 2014.

(vi) Appointed on 28 June 2013 with effect on 2 July 2013.

(vii) Appointed on 23 August 2012 and resigned on 14 April 2014.

(viii) Appointed on 23 August 2012 and resigned on 14 May 2013.

(ix) Resigned on 8 November 2012.

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2014 and 2013.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: three) were directors of the Company whose emoluments are disclosed in note 9. The emoluments of the remaining three (2013: two) individuals were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries, allowance and benefits in kind	**1,978**	1,317
Bonus	**914**	373
Equity-settled share-based payments	**231**	–
Retirement benefit scheme contributions	**41**	29
	3,164	1,719

The emoluments of the three (2013: two) individuals with the highest emoluments are within the following bands:

	2014	2013
HK$Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$2,000,000	**1**	–

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2014 and 2013.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of approximately HK$10,378,000 (2013: HK$57,504,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year are as follows:

	2014 HK$'000	2013 HK$'000
Final dividend proposed of HK0.16 cents (2013: HK3 cents) per ordinary share after the end of the reporting period	**10,112**	36,000

The final dividend proposed after the end of the reporting period is based on 6,320,000,000 ordinary shares (2013: 1,200,000,000 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final dividend for 2014 proposed after the end of the reporting period is subject to shareholders' approval in the forthcoming annual general meeting. It has not been recognised as a liability at the end of the reporting period.

(b) Dividend payable to owners of the Company attributable to the previous financial year, approved and paid during the year.

	2014 HK$'000	2013 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents (2013: HK4 cents) per ordinary share	**36,000**	48,000

13. EARNINGS PER SHARE

(a) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$30,027,000 (2013: HK$36,007,000) and the weighted average number of 6,134,137,000 ordinary shares (2013: 5,930,137,000 ordinary shares (restated)) in issue during the year, calculated as follows:

	2014 HK$'000	2013 HK$'000
Profit attributable to owners of the Company	**30,027**	36,007

	2014 '000	2013 '000 *(Note)*
Weighted average number of ordinary shares at end of the year	**6,134,137**	5,930,137

Note: For the year ended 31 March 2013, the weighted average number of ordinary shares has been adjusted to reflect the effect of bonus issue by the Company on the basis of four bonus shares for every one existing share completed on 21 February 2014.

13. EARNINGS PER SHARE *(Continued)*

(b) DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share did not assume the exercise of the Company's outstanding share options and warrants as the exercise price of those options and warrants were higher than the average market price of shares.

Diluted earnings per share for both the years ended 31 March 2014 and 31 March 2013 were the same as the basic earnings per share as no potential ordinary share was in issue.

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. No operating segments have been aggregated to form the following reportable segments.

The Group used to have four reportable segments. In 2014, the Group has introduced a new segment, Synertone 1 satellite system, as a result of the completion of acquisition of assets on 15 October 2013 (note 19). Details of the Group's reportable segments are as follows:

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 antenna, the Group offers different VSAT satellite systems including (a) VSAT low speed satellite transmission system; (b) VSAT high speed dynamic digital satellite system and (c) VSAT high speed stationary digital satellite system.
Systems technologies:	This segment developed a wide variety of technical know-how and technology relating to specialised communication system. The customers (a) paid a licensing fee to the Group for the use of certain technical know-how and technology; and (b) paid commissions to the Group to conduct research and development and to design and develop particular technical know-how to meet their specifications and requirements and needs.
Synertone 1 satellite system:	This segment represents provision of satellite bandwidth capacity and communication service application.

14. SEGMENT REPORTING *(Continued)*

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, bank borrowings and finance lease payables managed directly by the segments with the exception of other corporate liabilities which are unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is adjusted earnings before interest and taxes ("Adjusted EBIT"). To arrive at adjusted earnings before interest and taxes, the Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income, value-added taxes refund, finance costs, amortisation of intangible assets, depreciation of property, plant and equipment, write down of inventories, reversal of write down of inventories, research and development expenditure, income tax and additions to non-current segment assets used by the segments in their operations.

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 years ended 31 March 2014 and 2013 is as follows:

	Digital trunking system		VSAT satellite system		Systems technologies		Synertone 1 satellite system		Others		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Revenue from external customers *(note)*	**83,261**	106,768	**24,981**	8,863	**16,348**	–	**47,449**	–	**2,382**	59	**174,421**	115,690
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**83,261**	106,768	**24,981**	8,863	**16,348**	–	**47,449**	–	**2,382**	59	**174,421**	115,690
Reportable segment profit/(loss) (adjusted EBIT)	**32,102**	56,347	**5,840**	(2,867)	**9,620**	–	**14,500**	–	**(36)**	–	**62,026**	53,480
Interest income	**785**	584	**76**	10	**233**	–	**–**	–	**–**	–	**1,094**	594
Value-added taxes refund	**11,533**	30,932	**–**	–	**–**	–	**–**	–	**–**	–	**11,533**	30,932
Finance costs	**(1,333)**	–	**(255)**	–	**(396)**	–	**(9,580)**	–	**–**	–	**(11,564)**	–
Amortisation of intangible assets	**(5,150)**	(5,010)	**(161)**	(817)	**–**	–	**(30,844)**	–	**–**	–	**(36,155)**	(5,827)
Depreciation of property, plant and equipment	**(2,523)**	(2,724)	**(330)**	(226)	**(599)**	–	**–**	–	**–**	(2)	**(3,452)**	(2,952)
Write down of inventories	**(3,655)**	(1,850)	**–**	–	**–**	–	**–**	–	**–**	–	**(3,655)**	(1,850)
Reversal of write down of inventories	**1,997**	1,398	**–**	–	**–**	–	**–**	–	**–**	–	**1,997**	1,398
Research and development expenditure	**(10,655)**	(13,064)	**(1,664)**	(3,512)	**(3,017)**	–	**–**	–	**–**	–	**(15,336)**	(16,576)
Income tax	**(3,427)**	(11,687)	**(500)**	(196)	**(138)**	–	**(4,745)**	–	**–**	–	**(8,810)**	(11,883)
Reportable segment assets	**220,091**	320,667	**34,560**	7,171	**64,997**	–	**658,943**	–	**–**	–	**978,591**	327,838
Additions to non-current segment assets												
– Property, plant and equipment	**19,810**	43,707	**1,934**	731	**5,884**	–	**–**	–	**–**	–	**27,628**	44,438
– Intangible assets	**–**	8,030	**–**	–	**–**	–	**640,438**	–	**–**	–	**640,438**	8,030
	19,810	51,737	**1,934**	731	**5,884**	–	**640,438**	–	**–**	–	**668,066**	52,468
Reportable segment liabilities	**39,249**	51,706	**8,241**	2,037	**12,272**	–	**484,493**	–	**–**	3	**544,255**	53,746
Customer A	**35,508**	43,249	**12,857**	7,359	**9,794**	–	**–**	–	**59**	59	**58,218**	50,667
Customer B	**–**	–	**–**	–	**–**	–	**47,449**	–	**–**	–	**47,449**	–
Customer C	**7,942**	–	**11,215**	–	**5,399**	–	**–**	–	**–**	–	**24,556**	–
Customer D	**21,867**	38,566	**–**	–	**–**	–	**–**	–	**–**	–	**21,867**	38,566
Customer E	**15,040**	21,176	**–**	–	**1,155**	–	**–**	–	**–**	–	**16,195**	21,176
	80,357	102,991	**24,072**	7,359	**16,348**	–	**47,449**	–	**59**	59	**168,285**	110,409

Note: Revenues of four (2013: three) customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2014 are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 30(a).

14. SEGMENT REPORTING *(Continued)*

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

	2014 HK$'000	2013 HK$'000
Revenue		
Reportable segment revenue	**174,421**	115,690
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**174,421**	115,690
Profit		
Reportable segment profit	**62,026**	53,480
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**62,026**	53,480
Interest income	**1,094**	595
Finance costs	**(11,564)**	–
Unallocated corporate expenses	**(12,719)**	(6,185)
Consolidated profit before taxation	**38,837**	47,890
Assets		
Reportable segment assets	**978,591**	327,838
Elimination of inter-segment receivables	**–**	–
	978,591	327,838
Deposits paid for acquisition of intangible assets	**–**	4,680
Unallocated corporate assets	**107**	217
Consolidated total assets	**978,698**	332,735
Liabilities		
Reportable segment liabilities	**544,255**	53,746
Elimination of inter-segment payables	**–**	–
	544,255	53,746
Amount due to a director	**239**	241
Unallocated corporate liabilities	**982**	562
Consolidated total liabilities	**545,476**	54,549

(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, intangible assets and deposits paid for acquisition of 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 and deposits paid for acquisition of intangible assets.

	Revenue from external customers		Non-current assets	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Hong Kong	**–**	48	**1,063**	1,403
PRC	**174,421**	115,642	**691,971**	67,274
	174,421	115,690	**693,034**	68,677

14. SEGMENT REPORTING *(Continued)*

(d) INFORMATION ABOUT PRODUCTS AND SERVICES

The Group's revenue from external customers for each principal type of products were set out in note 5.

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	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 April 2012	17	22,964	1,719	5,490	–	30,190
Additions	3,564	958	64	3,262	36,590	44,438
Effect of foreign currency exchange differences	43	290	19	74	444	870
At 31 March 2013	3,624	24,212	1,802	8,826	37,034	75,498
At 1 April 2013	3,624	24,212	1,802	8,826	37,034	75,498
Additions	278	2,164	595	–	24,591	27,628
Effect of foreign currency exchange differences	32	215	16	52	420	735
At 31 March 2014	**3,934**	**26,591**	**2,413**	**8,878**	**62,045**	**103,861**
Accumulated depreciation and impairment						
At 1 April 2012	8	15,839	1,464	3,193	–	20,504
Charge for the year	4	1,923	53	972	–	2,952
Effect of foreign currency exchange differences	–	199	32	45	–	276
At 31 March 2013	12	17,961	1,549	4,210	–	23,732
At 1 April 2013	12	17,961	1,549	4,210	–	23,732
Charge for the year	519	1,771	83	1,079	–	3,452
Effect of foreign currency exchange differences	–	161	11	36	–	208
At 31 March 2014	**531**	**19,893**	**1,643**	**5,325**	**–**	**27,392**
Carrying amounts						
At 31 March 2014	**3,403**	**6,698**	**770**	**3,553**	**62,045**	**76,469**
At 31 March 2013	3,612	6,251	253	4,616	37,034	51,766

16. INTANGIBLE ASSETS

THE GROUP

	Technical know-how for digital trunking system HK$'000 *(note a)*	Technical know-how for VSAT satellite system HK$'000 *(note a)*	Administrative system costs HK$'000 *(note a)*	Rights to use Synertone 1 satellite bandwidth HK$'000 *(note b)*	Total HK$'000
Cost					
At 1 April 2012	44,660	9,500	5,011	–	59,171
Additions	8,030	–	–	–	8,030
Effect of foreign currency exchange differences	97	–	–	–	97
At 31 March 2013	52,787	9,500	5,011	–	67,298
At 1 April 2013	52,787	9,500	5,011	–	67,298
Additions	–	–	–	640,438	640,438
Effect of foreign currency exchange differences	69	–	–	–	69
At 31 March 2014	**52,856**	**9,500**	**5,011**	**640,438**	**707,805**
Accumulated amortisation					
At 1 April 2012	38,770	8,700	1,753	–	49,223
Charge for the year	4,025	800	1,002	–	5,827
Effect of foreign currency exchange differences	17	–	–	–	17
At 31 March 2013	42,812	9,500	2,755	–	55,067
At 1 April 2013	42,812	9,500	2,755	–	55,067
Charge for the year	4,309	–	1,002	30,844	36,155
Effect of foreign currency exchange differences	18	–	–	–	18
At 31 March 2014	**47,139**	**9,500**	**3,757**	**30,844**	**91,240**
Carrying amounts					
At 31 March 2014	**5,717**	**–**	**1,254**	**609,594**	**616,565**
At 31 March 2013	9,975	–	2,256	–	12,231

Notes:

(a) 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.

(b) It represents the rights to use Synertone 1 satellite bandwidth in relation to the provision of satellite bandwidth capacity and communication service application upon acquisition of assets on 15 October 2013 (note 19). The rights have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the useful lives of 9.5 years.

(c) The amortisation charge for the year is included in cost of sales of approximately HK$1,130,000 (2013: HK$3,476,000), research and development expenditure of approximately HK$502,000 (2013: HK$1,349,000) and administrative expenses of approximately HK$34,523,000 (2013: HK$1,002,000) respectively in the consolidated statements of profit or loss.

17. INVESTMENT IN A SUBSIDIARY

	The Company 2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**95,012**	95,012

At as 31 March 2014, the details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of equity interest hold: Group's effective interest	Direct	Indirect	Principal activities/ place of operation
Synertone Group Holdings Limited ("Synertone Group")	Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%	–	Investment holding/Hong Kong
Vastsuccess Holdings Limited ("Vastsuccess")	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding and provision of satellite bandwidth capacity and communication service application/Hong Kong and PRC
Radio World Holding Limited	BVI	1,000 ordinary shares of US$1 each	100%	–	100%	Investment holding/Hong Kong
Synertone Satellite Communication Limited (previously known as "Synertone Communication Limited") ("Synertone Communication")	Hong Kong	10,000 ordinary shares of HK$1 each	100%	–	100%	Trading of specialised communication systems, investment holding/Hong Kong
Synertone Communication Technology Limited (previously known as "Synertone Wireless Limited") ("Synertone Wireless")	Hong Kong	10,000 ordinary shares of HK$1 each	100%	–	100%	Trading of specialised communication systems, investment holding/Hong Kong
協同迅達電子科技(深圳)有限公司 *(note (a))*	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
協同通信技術有限公司 (前稱"協同智迅通信技術(深圳)有限公司") *(note (a))*	PRC	Registered capital of HK$80,000,000	100%	–	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC

Note:

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

18. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**4,927**	4,806
Work in progress	**13,463**	7,817
Finished goods	**3,954**	6,967
	22,344	19,590

(b) The analysis of the amount of inventories recognised as expense and included in profit or loss is as follows:

	2014	2013
	HK$'000	HK$'000
Carrying amount of inventories sold	**49,713**	41,122
Write down of inventories	**3,655**	1,850
Reversal of write down of inventories	**(1,997)**	(1,398)
	51,371	41,574

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. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS

	The Group	
	2014	2013
	HK$'000	HK$'000
At 31 March	**–**	4,680

On 30 December 2012, Vastsuccess, an indirect wholly-owned subsidiary of the Company, entered into a framework agreement (the "Framework Agreement") with an independent third party (the "Vendor") to acquire satellite capacity for serving the whole People's Republic of China's geographic territory (including Hong Kong Special Administration Region and Macao Special Administration Region but excluding Taiwan Region) for the period of at least nine and a half years (the "Service Period").

19. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS *(Continued)*

Further on 29 March 2013, Vastsuccess entered into an acquisition agreement (the "Definitive Agreement") (as amended and supplemented by supplemental agreements dated 10 April 2013 and 13 September 2013 respectively) with the Vendor pursuant to the Framework Agreement. According to the Definitive Agreement, the consideration amount to US$80 million, which consists of (i) cash installments in aggregate of approximately US$75.9 million payable annually by Vastsuccess to the Vendor during the Service Period and (ii) the 64,000,000 shares of the Company amounting to approximately US$4.1 million to be allotted and issued at the issue price of HK$0.5034 per share.

Upon completion of the acquisition on 15 October 2013, the acquisition has been accounted for as an acquisition of assets in the Group's consolidated financial statements. The cost is allocated to intangible assets amounting to HK$640,438,000 (note 16) on the basis of their fair values at the date of acquisition. The fair value of the shares at the date of acquisition was determined using the published market price at the date of acquisition. The present value of minimum lease payments was calculated based on the present value of the contractually determined stream of future cash flows discounted at 4.486%.

As at 31 March 2013, deposits of HK$4,680,000 were paid in cash by the Group.

20. TRADE AND OTHER RECEIVABLES

	The Group 2014 HK$'000	2013 HK$'000
Trade receivables *(note (b),(c) and (d))*	**166,023**	115,824
Advance to suppliers	**626**	1,214
Advance to staff	**1,744**	879
VAT receivables	**140**	175
Loans and receivables	**168,533**	118,092
Other deposits and prepayments	**7,034**	1,827
	175,567	119,919

(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 2014 are retention money of HK$1,001,000 (2013: HK$858,000). Also, the amount of the Group's deposits expected to be recovered after more than one year is HK$780,000 (2013: HK$774,000). All of the trade and other receivables, except for the retention money which are expected to be recovered after the warranty period and deposits which is expected to be recovered after more than one year, are expected to be recovered within one year.

(b) For the year ended 31 March 2014, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2013: 30 to 180 days). A longer credit period of 181 to 365 days (2013: 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.

(c) The following is an analysis of trade receivables by age, presented based on date of delivery:

	The Group 2014 HK$'000	2013 HK$'000
0–60 days	**84,020**	50,662
61–90 days	**724**	22,832
91–180 days	**9,866**	588
181–365 days	**63,180**	40,190
Over 365 days	**8,233**	1,552
	166,023	115,824
Less: Impairment loss on trade receivables	**–**	–
	166,023	115,824

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

20. 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	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**94,609**	74,206
Past due but not impaired		
Less than 1 month past due	**55,591**	40,395
1 to 3 months past due	**6,822**	–
More than 3 months but less than 12 months past due	**767**	237
More than 12 months past due	**8,234**	986
	71,414	41,618
	166,023	115,824

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. There have been no disputes over the balances due from these debtors, therefore, the directors consider that the balances are fully recoverable. The Group does not hold any collateral over these balances.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**–**	27,507	**–**	–
Cash at bank and on hand	**87,753**	97,042	**86**	153
Cash and cash equivalents in the statement of financial position and statement of cash flows	**87,753**	124,549	**86**	153

The interest rates on the cash at bank and deposits with banks ranged from 0.001% to 2.8% (2013: 0.001% to 2.8%) per annum.

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The balances are unsecured, interest-free and repayable on demand.

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**9,530**	13,524	**–**	–
Accrued salaries	**2,457**	1,732	**–**	–
Accrued expenses and other payables	**5,061**	1,428	**758**	560
Financial liabilities measured at amortised costs	**17,048**	16,684	**758**	560
Deposits received from customers	**689**	1,544	**–**	–
Other tax payables	**3,244**	5,995	**–**	–
	20,981	24,223	**758**	560

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

	The Group	
	2014	2013
	HK$'000	HK$'000
0–60 days	**3,180**	9,316
61–90 days	**32**	40
91–180 days	**1,052**	413
181–365 days	**737**	1,008
Over 365 days	**4,529**	2,747
	9,530	13,524

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

24. BANK BORROWINGS

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Current liabilities		
Portion of borrowings from banks due for repayment within 1 year	**22,874**	–

24. BANK BORROWINGS *(Continued)*

At 31 March 2014, interest-bearing bank borrowings were due for repayment as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Portion of term loans due for repayment within 1 year	**22,874**	–

The banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 30(b). As at 31 March 2014, none of the covenants relating to drawn down facilities had been breached (2013: HK$Nil).

All of the bank borrowings, including amounts repayable on demand, are carried at amortised cost.

(a) All the Group's bank borrowings are denominated in RMB.

(b) All bank borrowings are fixed-rate borrowings which carry prevailing interest rates of 7.2% per annum for the year ended 31 March 2014.

(c) The unsecured bank borrowings were non-revolving facilities.

(d) The Group did not have undrawn banking facilities in relation to bank borrowings as at 31 March 2014 and 2013.

25. FINANCE LEASE PAYABLES

At 31 March 2014, the Group had finance leases repayable as follows:

	The Group			
	2014		2013	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**52,655**	**54,600**	–	–
After 1 year but within 2 years	**50,103**	**54,600**	–	–
After 2 years but within 5 years	**177,128**	**210,600**	–	–
After 5 years	**196,446**	**266,391**	–	–
	423,677	**531,591**	–	–
	476,332	**586,191**	–	
Less: total future interest expenses		**(109,859)**		–
Present value of lease obligations		**476,332**		–

26. AMOUNT DUE TO A DIRECTOR

The balance is unsecured, interest-free and repayable on demand.

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position and the movement during the year is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	**20,214**	21,259
Provision for the year *(note 8(a))*		
— PRC EIT	**14,970**	15,955
	14,970	15,955
Over-provision in respect of prior years		
— PRC EIT	**–**	(1,007)
Tax refunded/(paid) for the year		
— Hong Kong Profits Tax	**–**	919
— PRC EIT	**(14,001)**	(17,372)
	(14,001)	(16,453)
Effect of foreign currency exchange differences	**156**	460
At end of the year	**21,339**	20,214

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

	Intangible assets	Undistributable profits of subsidiaries	Total
	HK$'000	HK$'000	HK$'000
Deferred tax arising from:			
At 1 April 2012	132	12,804	12,936
Credited to profit or loss *(note 8(a))*	(132)	(2,933)	(3,065)
At 31 March 2013	–	9,871	9,871
At 1 April 2013	–	9,871	9,871
Credited to profit or loss *(note 8(a))*	–	(6,160)	(6,160)
At 31 March 2014	–	3,711	3,711

(c) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in note 2(o), the Group and the Company has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$35,651,000 (2013: HK$24,877,000) and HK$2,503,775 (2013: HK$2,503,775) as at 31 March 2014 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. The tax losses do not expire under current tax legislation except for tax losses of RMBNil (2013: RMB1,001,000 (equivalent to approximately HK$1,252,000) in PRC which is available for carry forward to set-off future assessable income for a period of five years.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 22 March 2012 (the "Share Option Scheme") whereby the board of directors or a duly authorised committee thereof may at any time on any business day following the date of adoption and before the tenth anniversary thereof, offer to grant to eligible participants, including directors and employees of the Company or any of its subsidiaries, any person or entity that provides research, development or other technological support to the Company or, any of its subsidiaries, an option to subscribe for shares of the Company. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company will not exceed 30% of the issued share capital of the Company.

No option may be granted to any one person in any 12-months period which, if exercised in full, would result in the total number of shares already issued to him/her under all the options previously granted to him/her which have been exercised and, issuable to him/her under all the options previously granted to him/her which are for the time being subsisting and unexercised, exceeding 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval by the shareholders in a general meeting.

The subscription price for shares under the Share Option Scheme will be a price not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant and (iii) the nominal value of the shares.

The share options granted on 24 December 2013 may be exercised in accordance with the following terms of the Share Option Scheme as to:

— up to the maximum of one-third of the share options exercisable commencing on 24 December 2015 to 23 December 2016, with vesting period from 24 December 2013 to 23 December 2015, the fair value of each option at the date of grant is approximately HK$0.2605 ("Lot 1");

— up to a maximum of one-third of the share options exercisable commencing on 24 December 2016 to 23 December 2017, with vesting period from 24 December 2013 to 23 December 2016, the fair value of each option at the date of grant is approximately HK$0.2778 ("Lot 2");

— all the remaining share options that have not been exercised (including those which have not been exercised as mentioned above) exercisable commencing on 24 December 2017 to 23 December 2018, with vesting period from 24 December 2013 to 23 December 2017, the fair value of each option at the date of grant is approximately HK$0.3058 ("Lot 3").

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) The terms and conditions of the grants that existed during the year ended 31 March 2014 are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares Issuable under options *(Note)*	Exercise price *(Note)*	Contractual life of options
Options granted to directors:			
— on 24 December 2013	42,000,000	HK$0.50	5 years
Options granted to employees:			
— on 24 December 2013	438,000,000	HK$0.50	5 years
Options granted to other participants:			
— on 24 December 2013	120,000,000	HK$0.05	5 years
	600,000,000		

(b) The number and the weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted average exercise price	**Number of shares issuable under options granted *(Note)***	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the year		**–**		–
Granted during the year	**HK$0.50**	**600,000,000**		–
Outstanding at the end of the year	**HK$0.50**	**600,000,000**		–
Exercisable at the end of the year	**HK$0.50**	**600,000,000**		–

Note: The exercise price and number of shares issuable under option granted has been adjusted for the effect of the issue of bonus shares on 21 February 2014.

As at 31 March 2014, the number of shares in respect of options under the Share Option Scheme that had been granted and remained outstanding was 600,000,000, representing approximately 10% of the shares of the Company in issue at the year end date.

Each option gives the option holder the right to subscribe for one ordinary share in the Company and is settled gross on shares.

No share option was exercised during the year ended 31 March 2014.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model.

	Lot 1	Lot 2	Lot 3
Fair value of share options and assumptions	HK$0.26	HK$0.28	HK$0.31
Share price *(note)*	HK$0.50	HK$0.50	HK$0.50
Exercise price *(note)*	HK$0.50	HK$0.50	HK$0.50
Contractual life	5 years	5 years	5 years
Expected volatility (expected as weighted average volatility used in the modeling under Black-Scholes Option Pricing Model)	31.510%	31.878%	33.069%
Expected option period (expressed as weighted average life used in the modeling under the Black-Scholes Option Pricing Model)	3.500 years	4.001 years	4.501 years
Expected dividend yield	5.882%	5.882%	5.882%
Risk-free interest rate (based on yields of Hong Kong government bonds and treasury bills)	0.835%	1.027%	1.204%

Note: The share price and the exercise price has been adjusted for the effect of the issue of bonus shares on 21 February 2014.

The expected volatility is based on the historical volatilities of the comparable companies of the Company, over the expected option period. Expected dividend yield are based on historical dividend payout of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options granted to other participants are measured at fair values of options granted as these other participants are providing services that are similar to those rendered by employees.

29. CAPITAL AND RESERVES

(a) 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:

The Company

	Note	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Merger reserve *(note 29(c)(vi))* HK$'000	Warrants reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
At 1 April 2012		9,000	25,663	–	71,349	–	18,579	124,591
Comprehensive income								
Profit for the year		–	–	–	–	–	57,504	57,504
Total comprehensive income for the year		–	–	–	–	–	57,504	57,504
Transactions with owners								
New issue of shares by way of placing and public offering	*29(b)(iii)*	3,000	96,000	–	–	–	–	99,000
Transaction costs attributable to issue of new shares	*29(b)(iii)*	–	(14,905)	–	–	–	–	(14,905)
Final dividend in respect of the previous year	*12(b)*	–	–	–	–	–	(48,000)	(48,000)
At 31 March 2013		12,000	106,758	–	71,349	–	28,083	218,190
At 1 April 2013		12,000	106,758	–	71,349	–	28,083	218,190
Comprehensive income								
Profit for the year		–	–	–	–	–	10,378	10,378
Total comprehensive income for the year		–	–	–	–	–	10,378	10,378
Transactions with owners								
Equity-settled share-based payments		–	–	2,308	–	–	–	2,308
Issue of shares upon acquisition of assets	*19*	640	156,800	–	–	–	–	157,440
Issue of warrants	*29(c)(vi)*	–	–	–	–	1,200	–	1,200
Issue of bonus shares	*29(b)(ii)*	50,560	–	–	–	–	(50,560)	–
Final dividend in respect of the previous year	*12(b)*	–	–	–	–	–	(36,000)	(36,000)
At 31 March 2014		63,200	263,558	2,308	71,349	1,200	(48,099)	353,516

29. CAPITAL AND RESERVES *(Continued)*

(b) SHARE CAPITAL

	2014 No. of shares '000	2014 Amount HK$'000	2013 No. of shares '000	2013 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**2,000,000**	**20,000**	2,000,000	20,000
Shares issued *(note 29(b)(i))*	**18,000,000**	**180,000**	–	–
At end of the year	**20,000,000**	**200,000**	2,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**1,200,000**	**12,000**	900,000	9,000
Issue of shares upon acquisition of assets *(note 19)*	**64,000**	**640**	–	–
Issue of bonus shares *(note 29(b)(ii))*	**5,056,000**	**50,560**	–	–
Issue of shares under placing and public offering *(note 29(b)(iii))*	**–**	**–**	300,000	3,000
At end of the year	**6,320,000**	**63,200**	1,200,000	12,000

Notes:

(i) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 21 February 2014, the Company's authorised share capital was increased from HK$20,000,000 (divided into 2,000,000,000 shares) to HK$200,000,000 (divided into 20,000,000,000 shares) by creation of 18,000,000,000 new shares.

(ii) During the year ended 31 March 2014, the Company issued bonus shares on the basis of four bonus shares for every one existing share. The bonus issue were created as fully paid at par by way of the capitalisation of an amount in the retained profits account of the Company.

(iii) 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) were credited to the share premium account.

The owners 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.

29. 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 the Company's shares issued and the nominal value of shares of Synertone Group acquired through a reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange in December 2006.

(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) 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 in December 2006 pursuant to the reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange, which was not available for distribution.

29. CAPITAL AND RESERVES *(Continued)*

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

(vi) Warrants reserve

The balance represented completed of warrants subscription on 22 October 2013 pursuant to the subscription agreement entered into between the Company and an independent third party, CITIC Merchant Co., Limited ("CITIC"). An aggregate of 120,000,000 warrants (conferring the rights to subscribe for 120,000,000 warrant shares at the issue price of HK$0.01 each) have been issued to CITIC at the issue price of HK$0.01 per warrant share. The subscription rights can be exercised at any time during the exercise period of two years commencing from the date of issue of the warrants.

(vii) Share-based compensation reserve

This comprises the portion of fair value of unexercised share options granted to eligible participants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(n).

(d) DISTRIBUTABILITY OF RESERVES

As at 31 March 2014, the aggregate amount of reserves available for distribution to owners of the Company, which included retained earnings and share premium, was approximately HK$215,663,000 (2013: HK$134,841,000). After the end of the reporting period, the directors proposed a final dividend of HK0.16 cents per share (2013: HK3 cents per share) amounting to HK$10,112,000 (2013: HK$36,000,000). This dividend has not been recognised of a liability at the end of the reporting period.

(e) CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group'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 shareholder 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 net debt divided by total equity. Net debt is calculated as the Group's bank borrowings less cash and cash equivalents.

As at 31 March 2014, the Group has outstanding bank borrowings of HK$22,874,000 (2013: HK$Nil).

The Group's capital structure is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Total equity	**433,222**	278,186

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

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and cash equivalents, trade and other receivables, amount due to a director, bank borrowings and trade and other payables and finance lease payables.

The Company's major financial instruments include cash and cash equivalents, amounts due from/(to) subsidiaries and other payables.

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. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) CREDIT RISK

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

(ii) The Group's credit risk is primarily attributable to 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 from its customers. 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 2014, the Group has a certain concentration of credit risk as 43% (2013: 43%) of the total loans and receivables were due from the Groups' largest customer respectively and 96% (2013: 98%) of the total loans and receivables were due from the five largest customers respectively.

Further quantitative disclosures in respect of the Group's and the Company's exposure to credit risk arising from trade and other receivables are set out in note 20.

(iii) The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. With respect to credit risk arising from amounts due from subsidiaries, the Company's exposure to credit risk arising from default of the counterparties is limited as the Company monitors the operating results and cash flows of the counterparties and the Company does not expect to incur a significant loss for uncollected amounts due from subsidiaries.

(iv) In respect of amounts due from subsidiaries, the Company has concentration of credit risk as 61% (2013: 83%) of the amounts due from subsidiaries are owed from a subsidiary.

(v) 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.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(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 parent Company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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 non-derivative 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.

The Group

	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 2014						
Trade payables	**9,530**	**–**	**–**	**–**	**9,530**	**9,530**
Accrued salaries	**2,406**	**51**	**–**	**–**	**2,457**	**2,457**
Accrued expenses and other payables	**5,061**	**–**	**–**	**–**	**5,061**	**5,061**
Amount due to a director	**239**	**–**	**–**	**–**	**239**	**239**
Bank borrowings	**22,874**	**–**	**–**	**–**	**22,874**	**22,874**
Finance lease payables	**54,600**	**54,600**	**210,600**	**266,391**	**586,191**	**476,332**
	94,710	**54,651**	**210,600**	**266,391**	**626,352**	**516,493**

	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 2013						
Trade payables	13,524	–	–	–	13,524	13,524
Accrued salaries	1,732	–	–	–	1,732	1,732
Accrued expenses and other payables	1,428	–	–	–	1,428	1,428
Amount due to a director	241	–	–	–	241	241
	16,925	–	–	–	16,925	16,925

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) LIQUIDITY RISK *(Continued)*

The Company

	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 2014						
Accrued expenses and other payables	**758**	**–**	**–**	**–**	**758**	**758**
Amount due to a subsidiary	**732**	**–**	**–**	**–**	**732**	**732**
	1,490	**–**	**–**	**–**	**1,490**	**1,490**

	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 2013						
Accrued expenses and other payables	560	–	–	–	560	560
Amount due to a subsidiary	732	–	–	–	732	732
	1,292	–	–	–	1,292	1,292

Bank borrowings of the Group with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 March 2014 and 31 March 2013, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$22,874,000 and HK$Nil respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates as set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK$23,899,000.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) INTEREST RATE RISK

The Group's interest rate risk arises primarily from its borrowings and bank deposits. The Company's interest rate risk arises primarily from its bank deposits.

The Group's cash flow interest rate risk mainly concentrates on fluctuation of market interest rate arising from the Group's bank deposits and borrowings.

The Company's cash flow interest rate risk mainly concentrates on fluctuation of market interest rate arising from bank deposits.

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank deposits and borrowings at the end of the reporting period:

The Group

	2014 Effective interest rate	**2014** HK$'000	2013 Effective interest rate	2013 HK$'000
Fixed rate bank borrowings:				
Short term bank borrowings	**7.2%**	**22,874**	–	–
Finance lease payables	**4.486%**	**476,332**		–
		499,206		–
Fixed rate bank deposits:				
Deposits with banks	**–**	**–**	2.8%	27,507
Variable rate bank deposits:				
Cash at bank	**0.001%–1.15%**	**87,581**	0.001%–1.15%	96,398

The Company

	2014 Effective interest rate	**2014** HK$'000	2013 Effective interest rate	2013 HK$'000
Variable rate bank deposits:				
Cash at bank	**0.001%–0.01%**	**86**	0.001%–0.01%	153

(ii) Sensitivity analysis

All of the borrowings and deposits with banks of the Group which are fixed rate instruments are insensitive to any changes in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

At 31 March 2014, it is estimated that a general increase/decrease of 100 basis points (2013: 100 basis points) in interest rates for variable rate bank deposits, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$731,000 (2013: HK$805,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) INTEREST RATE RISK *(Continued)*

(ii) Sensitivity analysis (Continued)

The Company's sensitivity to interest rates was not significant and therefore is not presented at 31 March 2014 and 2013. No sensitivity analysis is presented by the Company as the exposure is considered insignificant.

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.

A 100 basis points (2013: 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 2013.

(d) CURRENCY RISK

(i) Exposure to 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.

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

The Group

	Exposure to foreign currencies (expressed in HK$'000)			
	2014		2013	
	United States Dollars	**Euro**	United States Dollars	Euro
Trade and other receivables	**49,347**	**–**	266	–
Cash and cash equivalents	**353**	**26**	176	60
Trade and other payables	**(1,170)**	**–**	(1,170)	–
Finance lease payables	**(476,332)**	**–**	–	–
Net exposure arising from recognised assets and liabilities	**(427,802)**	**26**	(728)	60

The Company

	Exposure to foreign currencies (expressed in HK$'000)	
	2014	2013
	United States Dollars	United States Dollars
Cash and cash equivalents	**12**	12
Gross exposure arising from recognised assets	**12**	12

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) CURRENCY RISK *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise if exchange rates to which the Group and the Company has significant exposure at the end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on the company's profit after taxation and equity measured in its functional currency, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The Group

	2014		2013	
	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
Euro	**5%**	**1**	5%	2
	(5%)	**(1)**	(5%)	(2)

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 taxation and equity measured in the respective functional currencies, translated into HK$ 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 which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2013.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(e) FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2014 and 2013.

31. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2014 not provided for in the consolidated financial statements were as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Contracted but not provided for		
Acquisition of intangible assets and rights to use *(note 19)*	**–**	619,320
Acquisition of intangible assets	**–**	3,120
Renovation of new office	**1,813**	7,664
	1,813	630,104

The Company has no significant capital commitments as at 31 March 2014 and 2013.

(b) As at 31 March 2014, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**4,540**	4,060
In the second to fifth year inclusive	**15,634**	13,586
Over five years	**8,014**	9,128
	28,188	26,774

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.

The Company has no significant operating lease commitments as at 31 March 2014 and 2013.

32. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) BALANCES WITH RELATED PARTIES

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

(i) Amount due to a director

The Group

	2014 HK$'000	2013 HK$'000
Wong Chit On	**239**	241

The amount was unsecured, interest-free and repayable on demand.

(ii) Amount due from/(to) subsidiaries

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

(b) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Emoluments for key management personnel of the Group, 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:

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**11,315**	8,763
Equity-settled share-based payments	**987**	–
Post-employment benefit	**145**	147
	12,447	8,910

Total emoluments is included in "staff costs" (see note 7(b)).

33. EVENTS AFTER THE REPORTING PERIOD

On 11 June 2014, the Company entered into a bank-corporation co-operative agreement ("BCA") with China CITIC Bank Corporation Limited Shenzhen Branch ("CITIC Bank Shenzhen Branch"), under which CITIC Bank Shenzhen Branch has granted a consolidated facility line of RMB2,000,000,000 to the Group. The BCA is for a period of three years commencing on 11 June 2014.

34. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTIES

As at 31 March 2014, 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.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014

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 2014 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[3]
HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[6]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[6]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non- Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for annual periods beginning on or after 1 July 2014
4 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 January 2016.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs 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 consolidated financial statements.

In addition, the requirements of Part 9, “Accounts and Audit”, of the new Hong Kong Companies Ordinance (Cap. 622) comes into operation from the Company’s first financial year commencing after 3 March 2014 (that is, the Company’s financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

FIVE YEARS SUMMARY

	For the year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**174,421**	115,690	218,264	218,824	214,447
Cost of sales	**(51,371)**	(41,574)	(69,561)	(75,743)	(87,450)
Gross profit	**123,050**	74,116	148,703	143,081	126,997
Profit before taxation	**38,837**	47,890	89,817	98,130	86,025
Income tax	**(8,810)**	(11,883)	(26,207)	(25,277)	(17,882)
Profit for the year	**30,027**	36,007	63,610	72,853	68,143
Attributable to:					
Owners of the Company	**30,027**	36,007	63,610	72,853	68,143

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	**285,664**	264,058	245,110	233,663	259,712
Non-current assets	**693,034**	68,677	19,634	25,882	27,308
Total assets	**978,698**	332,735	264,744	259,545	287,020
Current liabilities	**118,088**	44,678	47,728	86,698	199,942
Non-current liabilities	**427,388**	9,871	12,936	10,277	3,038
Total liabilities	**545,476**	54,549	60,664	96,975	202,980
Net assets	**433,222**	278,186	204,080	162,570	84,040
Share capital	**63,200**	12,000	9,000	9,000	100
Reserves	**370,022**	266,186	195,080	153,570	83,940
Equity attributable to owners of the Company	**433,222**	278,186	204,080	162,570	84,040