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SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2015**

The board (the “Board”) of directors (the “Directors”) of Synertone Communication Corporation (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2015 together with the comparative figures for the year ended 31 March 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Turnover	4	329,667	174,421
Cost of sales		<u>(163,732)</u>	<u>(82,215)</u>
Gross profit		165,935	92,206
Other revenue	5	24,596	27,289
Selling and distribution expenses		(6,994)	(8,600)
Administrative and other operating expenses		(68,866)	(45,158)
Research and development expenditure	6(c)	<u>(28,346)</u>	<u>(15,336)</u>
Profit from operations		86,325	50,401
Finance costs	6(a)	<u>(22,577)</u>	<u>(11,564)</u>
Profit before taxation	6	63,748	38,837
Income tax	7	<u>(30,009)</u>	<u>(8,810)</u>
Profit for the year attributable to owners of the Company		<u>33,739</u>	<u>30,027</u>
Earnings per share	8		
— Basic		HK0.53 cents	HK0.49 cents
— Diluted		<u>HK0.52 cents</u>	<u>HK0.49 cents</u>

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 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	33,739	30,027
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and PRC subsidiaries	<u>(701)</u>	<u>61</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(701)</u>	<u>61</u>
Total comprehensive income for the year (net of tax) attributable to owners of the Company	<u>33,038</u>	<u>30,088</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		71,904	76,469
Intangible assets	9	614,610	616,565
Goodwill		34,814	–
Available-for-sale investments		3,900	–
		<u>725,228</u>	<u>693,034</u>
Current assets			
Inventories		3,713	22,344
Trade and other receivables	10	345,714	175,567
Cash and cash equivalents		54,064	87,753
		<u>403,491</u>	<u>285,664</u>
Current liabilities			
Bank borrowings		44,439	22,874
Trade and other payables	11	75,831	20,981
Finance leases payables		49,810	52,655
Amount due to a director		1	239
Current taxation		26,789	21,339
		<u>(196,870)</u>	<u>(118,088)</u>
Net current assets		<u>206,621</u>	<u>167,576</u>
Total assets less current liabilities		<u>931,849</u>	<u>860,610</u>
Non-current liabilities			
Finance leases payables		388,419	423,677
Deferred tax liabilities		22,159	3,711
		<u>(410,578)</u>	<u>(427,388)</u>
Net assets		<u>521,271</u>	<u>433,222</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		64,450	63,200
Reserves		456,821	370,022
Total equity		<u>521,271</u>	<u>433,222</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. GENERAL

Synertone Communication Corporation (the “Company”) was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Block B, Teng Bang Building, 1st Qingshuihe Road, Luohu District, Shenzhen, the People’s Republic of China (the “PRC”) respectively.

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. 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 POLICES

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, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, continue to be those of the predecessor Companies Ordinance (Cap. 32). 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generated units (“CGU”) whose recoverable amount is based on fair value less costs of disposal. The application of these amendments will only affect the disclosure of information in the Group’s consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

HK(IFRIC)-Int 21 Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group’s existing accounting policies.

4. 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:

- 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 represent provision of satellite bandwidth capacity and communication services application.

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.

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 2015 and 2014 is as follows:

	Digital trunking system		VSAT satellite system		Systems technologies		Synertone 1 satellite system		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers (note)	134,376	83,261	20,845	24,981	17,664	16,348	151,635	47,449	5,147	2,382	329,667	174,421
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Reportable segment revenue	<u>134,376</u>	<u>83,261</u>	<u>20,845</u>	<u>24,981</u>	<u>17,664</u>	<u>16,348</u>	<u>151,635</u>	<u>47,449</u>	<u>5,147</u>	<u>2,382</u>	<u>329,667</u>	<u>174,421</u>
Reportable segment profit/(loss) (adjusted EBIT)	22,121	32,102	637	5,840	8,917	9,620	71,392	14,500	(313)	(36)	102,754	62,026
Interest income	543	785	34	76	115	233	-	-	-	-	692	1,094
Value-added taxes refund	9,339	11,533	576	-	1,987	-	-	-	-	-	11,902	11,533
Finance costs	(2,525)	(1,333)	(156)	(255)	(537)	(396)	(18,964)	(9,580)	-	-	(22,182)	(11,564)
Amortisation of intangible assets	(6,514)	(5,150)	(79)	(161)	(274)	-	(65,314)	(30,844)	-	-	(72,181)	(36,155)
Depreciation of property, plant and equipment	(7,861)	(2,523)	(829)	(330)	(1,631)	(599)	-	-	-	-	(10,321)	(3,452)
Write down of inventories	(7,842)	(3,655)	(484)	-	(1,668)	-	-	-	-	-	(9,994)	(3,655)
Reversal of write down of inventories	3,040	1,997	188	-	647	-	-	-	-	-	3,875	1,997
Research and development expenditure	(22,242)	(10,655)	(1,373)	(1,664)	(4,731)	(3,017)	-	-	-	-	(28,346)	(15,336)
Income tax expenses	(13,008)	(3,427)	(666)	(500)	(2,294)	(138)	(14,041)	(4,745)	-	-	(30,009)	(8,810)
Reportable segment assets	<u>371,252</u>	<u>220,091</u>	<u>18,035</u>	<u>34,560</u>	<u>54,191</u>	<u>64,997</u>	<u>681,088</u>	<u>658,943</u>	-	-	<u>1,124,566</u>	<u>978,591</u>
Additions to non-current segment assets												
— Property, plant and equipment	5,190	19,810	559	1,934	1,104	5,884	-	-	-	-	6,853	27,628
— Intangible assets	73,736	-	-	-	-	-	-	640,438	-	-	73,736	640,438
	<u>78,926</u>	<u>19,810</u>	<u>559</u>	<u>1,934</u>	<u>1,104</u>	<u>5,884</u>	<u>-</u>	<u>640,438</u>	<u>-</u>	<u>-</u>	<u>80,589</u>	<u>668,066</u>
Reportable segment liabilities	<u>85,015</u>	<u>39,249</u>	<u>9,369</u>	<u>8,241</u>	<u>14,347</u>	<u>12,272</u>	<u>464,626</u>	<u>484,493</u>	-	-	<u>573,357</u>	<u>544,255</u>
Customer A	-	-	1,346	-	-	-	140,410	47,449	-	-	141,756	47,449
Customer B	99,409	35,508	16,780	12,857	17,664	9,794	-	-	4,480	59	138,333	58,218
Customer C	7,581	7,942	-	11,215	-	5,399	-	-	-	-	7,581	24,556
Customer D	16,124	21,867	-	-	-	-	-	-	-	-	16,124	21,867
	<u>123,114</u>	<u>65,317</u>	<u>18,126</u>	<u>24,072</u>	<u>17,664</u>	<u>15,193</u>	<u>140,410</u>	<u>47,449</u>	<u>4,480</u>	<u>59</u>	<u>303,794</u>	<u>152,090</u>

Note: Revenues of two (2014: four) customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2015 are set out above.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	329,667	174,421
Elimination of inter-segment revenue	—	—
	<u>329,667</u>	<u>174,421</u>
Consolidated revenue	<u><u>329,667</u></u>	<u><u>174,421</u></u>
Profit		
Reportable segment profit	102,754	62,026
Elimination of inter-segment profits	—	—
	<u>102,754</u>	<u>62,026</u>
Reportable segment profit derived from Group's external customers	102,754	62,026
Interest income	700	1,094
Finance costs	(22,577)	(11,564)
Unallocated corporate expenses	(17,129)	(12,719)
	<u>63,748</u>	<u>38,837</u>
Consolidated profit before taxation	<u><u>63,748</u></u>	<u><u>38,837</u></u>
Assets		
Reportable segment assets	1,124,566	978,591
Elimination of inter-segment receivables	—	—
	<u>1,124,566</u>	<u>978,591</u>
Available-for-sale investments	3,900	—
Unallocated corporate assets	253	107
	<u>1,128,719</u>	<u>978,698</u>
Consolidated total assets	<u><u>1,128,719</u></u>	<u><u>978,698</u></u>
Liabilities		
Reportable segment liabilities	573,357	544,255
Elimination of inter-segment payables	—	—
	<u>573,357</u>	<u>544,255</u>
Amount due to a director	1	239
Unallocated corporate liabilities	34,090	982
	<u>607,448</u>	<u>545,476</u>
Consolidated total liabilities	<u><u>607,448</u></u>	<u><u>545,476</u></u>

(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 goodwill ("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 goodwill.

	Revenue from external customers		Non-current assets	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	–	–	1,638	1,063
PRC	329,667	174,421	719,690	691,971
	<u>329,667</u>	<u>174,421</u>	<u>721,328</u>	<u>693,034</u>

(d) **Information about products and services**

The Group's revenue from external customers for each principal type of products were set out in note 4.

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Digital trunking system	134,376	83,261
VSAT satellite system	20,845	24,981
Systems technologies	17,664	16,348
Other accessory parts and components	5,147	2,382
Synertone 1 satellite system	151,635	47,449
	<u>329,667</u>	<u>174,421</u>

6. OTHER REVENUE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank interest income from bank deposits (<i>note a</i>)	700	1,094
Government grants (<i>note b</i>)	11,911	14,609
Value-added taxes refund (<i>note c</i>)	11,902	11,533
Sundry income	83	53
	<u>24,596</u>	<u>27,289</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on bank borrowings wholly repayable within five years	3,217	1,984
Effective interest expenses on convertible bonds payables	395	–
Finance charges on finance lease payables	18,965	9,580
	<u>22,577</u>	<u>11,564</u>

(b) Staff costs

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, wages and other benefits	58,552	44,720
Retirement benefit scheme contributions	1,057	1,005
Equity-settled share-based payment expenses	8,128	2,308
	<u>67,737</u>	<u>48,033</u>

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of the 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\$30,000 (HK\$25,000 prior to June 2014). Contributions to the plan vest immediately.

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

(c) Other items

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor's remuneration	910	750
Cost of inventories	76,062	47,975
Amortisation of intangible assets	72,181	36,155
Depreciation of property, plant and equipment	10,321	3,452
Loss on disposal of property, plant and equipment	985	–
Net exchange loss/(gain)	752	(2,697)
Operating lease charges in respect of leased property	4,749	5,034
Research and development expenditure *	<u>28,346</u>	<u>15,336</u>

* Research and development expenditure for the year ended 31 March 2015 included approximately HK\$13,406,000 (2014: HK\$9,409,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 6(b).

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
PRC Enterprise Income Tax (“EIT”) (<i>note (iv)</i>)	29,982	14,970
Deferred tax		
Origination and reversal of temporary differences	27	(6,160)
	<u>30,009</u>	<u>8,810</u>

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.
- (iv) PRC subsidiaries of the Group, Synertone Communication Technology Limited (“Synertone Technology”), being the foreign invested “encouraged hi-tech enterprise” was entitled to a preferential EIT rate of 15%. The period of grant of preferential EIT rate was expired on 31 December 2013 and Synertone Technology has submitted an application for renewal and continued to use EIT rate of 15% as allowed by the relevant PRC authority in the PRC during the year ended 31 March 2014.

As Synertone Technology had changed its company name from “Synertone Smartend”, it should re-submit the application of being an “encouraged hi-tech enterprise”. The application is still in progress up to the date of approval of the financial statements. Thus, Synertone Technology was therefore subject to EIT rate of 25% during the year.

The period of grant for Synertone Satellite Communication (Shenzhen) Company Limited (“Synertone Satellite”) as foreign invested “encouraged hi-tech enterprise” was expired on 31 December 2012 and 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.

9. 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\$33,739,000 (2014: HK\$30,027,000) and the weighted average number of 6,360,411,000 ordinary shares (2014: 6,134,137,000 ordinary shares) in issue during the year, calculated as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit attributable to owners of the Company	<u>33,739</u>	<u>30,027</u>
<i>Weighted average number of ordinary shares (basic)</i>		
	2015 <i>'000</i>	2014 <i>'000</i>
Issued ordinary shares at beginning of the year	6,320,000	6,000,000
Effect of shares issued under acquisition of assets	–	134,137
Effect of shares issued upon conversion of convertible bonds	<u>40,411</u>	<u>–</u>
Weighted average number of ordinary shares (basic) at end of the year	<u>6,360,411</u>	<u>6,134,137</u>

(b) Diluted earnings per share

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit attributable to owners of the Company (diluted)	<u>33,739</u>	<u>30,027</u>

Weighted average number of ordinary shares (diluted)

	2015 '000	2014 '000
Weighted average number of shares at end of the year	6,360,411	6,134,137
Effect of deemed issue of shares from exercise of warrants	55,480	–
Effect of deemed issue of shares under share option scheme	57,575	–
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at end of the year	<u>6,473,466</u>	<u>6,134,137</u>

For the year ended 31 March 2015, diluted earnings per share do not include the effect of the convertible bonds since their assumed conversion had an anti-dilutive effect on the basic earnings per share.

For the year ended 31 March 2014, 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 per share.

10. INTANGIBLE ASSETS

The Group

	Technical know-how for digital trunking system HK\$'000	Technical know-how for VSAT satellite system HK\$'000	Administrative system costs HK\$'000 (note a)	Rights to use Synertone 1 satellite bandwidth HK\$'000 (note b)	Safe Communication technologies software HK\$'000 (note c)	Patents HK\$'000	Total HK\$'000
Cost							
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
At 1 April 2014	52,856	9,500	5,011	640,438	-	-	707,805
Additions	-	-	-	-	-	-	-
Acquisition through business combination	-	-	-	-	34,637	39,099	73,736
Effect of foreign currency exchange differences	15	-	-	(3,742)	17	18	(3,692)
At 31 March 2015	52,871	9,500	5,011	636,696	34,654	39,117	777,849
Accumulated amortisation							
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
At 1 April 2014	47,139	9,500	3,757	30,844	-	-	91,240
Charge for the year	2,178	-	1,002	65,314	1,732	1,955	72,181
Effect of foreign currency exchange differences	9	-	-	(193)	1	1	(182)
At 31 March 2015	49,326	9,500	4,759	95,965	1,733	1,956	163,239
Carrying amounts							
At 31 March 2015	3,545	-	252	540,731	32,921	37,161	614,610
At 31 March 2014	5,717	-	1,254	609,594	-	-	616,565

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. 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) It represents the technologies in relation to the provision of a safe communication environment for end users.
- (d) At the end of the reporting period, the carrying amount of intangible assets held under finance lease of the Group was HK\$540,731,000 (2014: HK\$609,594,000).
- (e) The amortisation charge for the year is included in cost of sales of approximately HK\$70,179,000 (2014: HK\$31,974,000), research and development expenditure of approximately HK\$462,000 (2014: HK\$502,000) and administrative expenses of approximately HK\$1,540,000 (2014: HK\$3,679,000) respectively in the consolidated statements of profit or loss.

11. TRADE AND OTHER RECEIVABLES

	The Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	321,014	166,023
Advance to suppliers	691	626
Advance to staff	515	1,744
VAT receivables	61	140
	<hr/>	<hr/>
Loans and receivables	322,281	168,533
Other deposits and prepayments	23,433	7,034
	<hr/>	<hr/>
	345,714	175,567
	<hr/> <hr/>	<hr/> <hr/>

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

	The Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–60 days	57,222	84,020
61–90 days	80	724
91–180 days	49,663	9,866
181–365 days	213,414	63,180
Over 365 days	635	8,233
	<hr/>	<hr/>
	321,014	166,023
Less: Impairment loss on trade receivables	<hr/> – <hr/>	<hr/> – <hr/>
	<hr/> 321,014 <hr/>	<hr/> 166,023 <hr/>

For the year ended 31 March 2015, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2014: 30 to 180 days). A longer credit period of 181 to 365 days (2014: 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.

12. TRADE AND OTHER PAYABLES

	The Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	23,683	9,530
Accrued salaries	8,389	2,457
Accrued expenses and other payables	1,423	5,061
Payable for acquisition of a subsidiary	33,000	–
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	66,495	17,048
Deposits received from customers	3,823	689
Other tax payables	5,513	3,244
	<hr/>	<hr/>
	75,831	20,981
	<hr/> <hr/>	<hr/> <hr/>

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

	The Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–60 days	2,233	3,180
61–90 days	–	32
91–180 days	4,492	1,052
181–365 days	12,587	737
Over 365 days	4,371	4,529
	<hr/>	<hr/>
	23,683	9,530
	<hr/> <hr/>	<hr/> <hr/>

13. DIVIDENDS

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend proposed of HKNil (2014: HK0.16 cents) per ordinary share after the end of the reporting period	<hr/> <hr/> –	<hr/> <hr/> 10,112

The directors do not recommend the payment of any dividends in respect of the year ended 31 March 2015.

For the year ended 31 March 2014, the final dividend proposed after the end of the reporting period is based on 6,320,000,000 ordinary shares, being the total number of issued shares at the date of approval of the financial statements.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.16 cents (2014: HK3 cents) per ordinary share	<u>10,112</u>	<u>36,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a satellite operator as well as a provider of core components of specialised communication systems. The Group provides customers with (i) the satellite bandwidth capacity and the bandwidth capacity service; (ii) the right to use for the transmission of satellite broadband Internet access and other applications; (iii) core components of and solutions to specialised communication systems; and (iv) earth-terminal infrastructure of and solutions to satellite communication systems. Thanks to its self-initiated research and development efforts and through the acquisition of the related intellectual property rights and technical know-how from third parties, the Group designs and develops products and technologies related to digital trunking systems and satellite communications systems. The Group also provides specialised communications network design and implementation solutions addressing the specific needs of its customers. In addition, the Group takes part in research and development of system technology in respect of the operation of specialised communication system, and sells parts and components to certain customers, in order to carry out further integration or to serve other related purposes. The products of the Group are mainly utilised by end-users for public safety and emergency communication purposes. The Group has set up its own standards of specialised communication system. The core components of specialised communication system of the Group can be utilised in setting up the digital trunking system and VSAT satellite system, which can be loaded on vehicles as operation integrated system.

The Group is principally engaged in five major businesses, namely (i) the digital trunking system business; (ii) the VSAT satellite system business; (iii) the systems technologies business; (iv) Synertone 1 satellite system business; and (v) other accessory parts and components business.

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.

During the reporting period, the income from products of the digital trunking system recorded certain growth as compared to the last year. However, the overall revenue was not satisfactory as the costs and provisions increased due to the factors including the long inventory period and increased production costs. The Group also committed more efforts to upgrading existing products and developing new products, so as to mitigate the impact of inventory wastage and fluctuation of market demands for conventional products.

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.

During the reporting period, the Group focused on the self-initiated optimization and promotion of the VSAT satellite system products. The relevant product lines have gradually entered the preliminary stage of sales, but still far from the rapid growth period.

Systems technologies

Systems technologies 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 for its research and development as well as design and development of particular technical know-how meeting their specifications and requirements and needs.

During the reporting period, the Group recorded an income of HK\$17.7 million in relation to systems technologies, representing a slight increase as compared with the corresponding period last year.

Synertone 1 satellite system

Synertone 1 satellite system mainly provides customers with (i) the satellite bandwidth capacity and the bandwidth capacity service; and (ii) the transmission of satellite broadband Internet access and other applications.

During the reporting period, Synertone 1 satellite system recorded an income of HK\$151.6 million, representing a relatively large increase as compared with last year when such business only commenced operation in the fourth quarter. However, as the business has been in operation for less than two years since its acquisition by the Group, it mainly relied on a single customer, thus its businesses was subject to certain fluctuation and recorded less revenue in the second half of the year. Coupled with the integrated cost related to leases of over HK\$84.3 million for the year and the taxation and revenue-sharing, its contribution to the revenue of the Group showed no improvement as compared with the corresponding period last

year. As the Group is yet to attain any breakthrough in its business in the near future, it is expected that Synertone 1 satellite system is still subject to fluctuation and uncertainties in terms of revenue for a period of time in future, and may have difficulties in yielding considerable revenue on time.

Other significant events

As at 30 September 2014, the Group acquired 100% equity interest in Thrive United Holdings Limited (“Thrive United”) and its subsidiaries for the acquisition of its business and certain patented technologies and software products of mobile internet networks for safe communication.

During the reporting period, no considerable revenue was derived as such business and the digital trunking system business of the Group were still in the integration process.

On 15 January 2014, the Group and Regal Force Limited entered into an agreement to subscribe for the convertible bonds in the principal amount of HK\$500,000,000. On 31 October 2014, the Group, for the first time, issued a written demand to the subscriber, namely Regal Force Limited, for the subscription of the convertible bonds in a principal amount of HK\$50,000,000 (the “Subscription Money”). The Group received the Subscription Money on 4 November 2014. On 3 December 2014, the Company received a notice from the subscriber in respect of the exercise of the conversion rights attached to the convertible bonds to convert an aggregate principal amount of HK\$50,000,000 of the convertible bonds. Accordingly, the Company allotted and issued a total of 125,000,000 conversion shares to the subscriber on 5 December 2014 at the conversion price of HK\$0.40 per conversion share.

On 22 September 2014, the Group completed the issue of an aggregate of 660,000,000 warrants to Citic Capital Management Limited at the issue price of HK\$0.01 per warrant. Each of the warrants carries the right to subscribe for one warrant share at the subscription price of HK\$0.59. Such warrants can be exercised at any time during the exercise period of five (5) years commencing from the date of issue in integral multiples of 10,000,000 warrants. As at the reporting date, the warrants were not yet exercised.

On 30 September 2013, the Company entered into a subscription agreement with the CITIC Merchant Co., Limited (中信國通投資管理有限公司), pursuant to which 120,000,000 warrants were issued at the issue price of HK\$0.01 per warrant. Each warrant carries the right to subscribe at any time within two years from 22 October 2013 for one warrant share at HK\$2.00 per warrant share. The warrant shares will be issued under the general mandate. As at the reporting date, the warrants were not yet exercised.

On 10 October 2014, the Company and Mr. Wong Chit On entered into the MOU (which is legally binding) with the Investor, pursuant to which the Company intended to allot and issue, and the Investor (or through its nominee) intended to subscribe new Shares (which shall not be more than 6% of the issued share capital of the Company as enlarged by the Proposed Subscription) at the Subscription Price of HK\$0.6779 per Subscription Share to be satisfied in cash.

On 10 April 2015, the Company and the Investor entered into a supplemental memorandum of understanding to extend the Due Diligence Period from 180 days to 240 days.

As the Due Diligence Period was expired on 6 June 2015 and the Company and the Investor have not reached an agreement for further extension, the MOU was terminated on 6 June 2015.

Prospects

Looking forward, the Group expects that Synertone 1 satellite is still subject to fluctuation and uncertainties in terms of revenue for a period of time in future, and may have difficulties in yielding considerable revenue on time in short term. The Group is striving to minimise the fluctuation and uncertainties of businesses through identifying more channels for cooperation and markets, and planning to provide resources and services well-received by customers via modification and upgrading of technologies. It is expected that it would take time to optimise the products, services and marketing promotion before achieving a satisfactory result.

Financial review

Turnover

The Group recorded a revenue of approximately HK\$329.7 million for the year ended 31 March 2015, representing an increase of approximately HK\$155.3 million or 89.0% as compared to approximately HK\$174.4 million for the year ended 31 March 2014. It was mainly attributable to the increased revenue from its new Synertone 1 satellite system for the year, being a complete business year, as compared to the corresponding period last year, being only half of a business year.

During the year ended 31 March 2015, the Group derived its revenue substantially from digital trunking system and Synertone 1 satellite system. The following table sets forth a breakdown of revenue by product category for the years presented:

	2015		2014	
	HK\$'000	%	HK\$'000	%
Digital trunking system	134,376	40.8	83,261	47.7
VSAT satellite system	20,845	6.3	24,981	14.3
Systems technologies	17,664	5.4	16,348	9.4
Synertone 1 satellite system	151,635	46.0	47,449	27.2
Other accessory parts and components	5,147	1.5	2,382	1.4
	<u>329,667</u>	<u>100.0</u>	<u>174,421</u>	<u>100.0</u>

The sales of digital trunking system increased by approximately HK\$51.1 million or 61.3% from approximately HK\$83.3 million for the year ended 31 March 2014 to approximately HK\$134.4 million for the year ended 31 March 2015. It was mainly due to the increasing demand from certain major customers for digital trunking mobile communication systems. The sales of VSAT satellite system decreased by approximately HK\$4.2 million or 16.8% from approximately HK\$25.0 million for the year ended 31 March 2014 to approximately HK\$20.8 million for the year ended 31 March 2015. For the year ended 31 March 2015,

revenue derived from systems technologies was HK\$17.7 million and the Group's customers were granted three technology licenses for the both years ended 31 March 2015 and 2014 respectively. The turnover of the Synertone 1 satellite system increased by approximately HK\$104.2 million or 219.8% from approximately HK\$47.4 million for the year ended 31 March 2014, mainly due to the growth, though not on a year-on-year basis, of sales orders of the satellite bandwidth secured for the year over those of the corresponding year which lasted for only one quarter, while the relevant revenue for the year was mainly generated in interim period.

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\$81.5 million or 99.1% from approximately HK\$82.2 million for the year ended 31 March 2014 to approximately HK\$163.7 million for the year ended 31 March 2015, mainly attributable to the increase in sales volume of its traditional businesses compared to last year, the corresponding increase in sales cost, increase in relevant provisions and indirect expenses carried forward at year end as well as the increase in amortisation cost of Synertone 1 satellite.

Gross profit and gross profit margin

As a result of the foregoing factors, the gross profit of the Group increased by approximately HK\$73.7 million or 79.9% from approximately HK\$92.2 million for the year ended 31 March 2014 to approximately HK\$165.9 million for the year ended 31 March 2015, mainly attributable to the increase in income from Synertone 1 satellite system and digital trunking system. The gross profit margin of the Group dropped from approximately 52.9% for the year ended 31 March 2014 to approximately 50.3% for the year ended 31 March 2015, mainly due to the rise in overheads related to manufacturing as well as costs of inventory provision.

Other revenue

The other revenue of the Group amounted to approximately HK\$24.6 million for the year ended 31 March 2015, representing a decrease of approximately HK\$2.7 million or 9.9% from approximately HK\$27.3 million for the year ended 31 March 2014, mainly attributable to the grants of approximately HK\$11.9 million from relevant government bodies for the purpose of giving incentive to hi-tech enterprise, representing a decrease as compared to HK\$14.6 million of last year.

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately HK\$1.6 million or 18.6% from approximately HK\$8.6 million for the year ended 31 March 2014 to approximately HK\$7.0 million for the year ended 31 March 2015, mainly due to the 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\$23.7 million or 52.4% from approximately HK\$45.2 million for the year ended 31 March 2014 to approximately HK\$68.9 million for the year ended 31 March 2015, mainly attributable to the combined effect of rising labour cost, administrative expenses and additional intangible assets and depreciation charges in the second half of the year.

Research and development expenditure

The research and development expenditure of the Group surged by approximately HK\$13.0 million or 85.0% from approximately HK\$15.3 million for the year ended 31 March 2014 to approximately HK\$28.3 million for the year ended 31 March 2015. The substantial increase in the research and development expenditure was mainly attributable to the consolidated effects that the Group has put greater effort into research and development of its technologies and products, with a view to minimising the decline in and fluctuations of the life cycles and competitiveness of the products, developing future new products and enhancing its technologies mainly in the second half of the year.

Finance costs

The finance costs of the Group was HK\$22.6 million for the year ended 31 March 2015, mainly attributable to the finance fee of approximately HK\$19.0 million in relation to the finance lease payable of acquisition of Synertone 1 satellite bandwidth resources, as well as interest expense of approximately HK\$3.6 million.

Tax expense

The tax expense of the Group increased by approximately HK\$21.2 million or 240.9% from approximately HK\$8.8 million for the year ended 31 March 2014 to approximately HK\$30.0 million for the year ended 31 March 2015, mainly attributable to the increase in direct tax expense arising from the increased revenue from the Synertone 1 satellite system and the absence of the preferential tax rate used to be enjoyed by the domestic enterprise of the Group in the PRC which failed to obtain a “hi-tech enterprise” status.

Profit for the year

Given the foregoing factors, the Group’s profits for the year increased by approximately HK\$3.7 million or 12.3% from approximately HK\$30.0 million for the year ended 31 March 2014 to approximately HK\$33.7 million for the year ended 31 March 2015.

Liquidity and capital resources

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has been meeting 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 2015:

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2015 was approximately 2.0 (31 March 2014: approximately 2.4). Gearing ratio (total borrowings (comprising bank borrowings and finance lease payables), net of cash and cash equivalents, over total equity attributable to owners of the Company) as at 31 March 2015 was 82.2% (31 March 2014: 95.0%).

	2015	2014
	HK\$'000	HK\$'000
Net cash generated from operating activities	22,816	14,697
Net cash used in investing activities	(66,907)	(28,350)
Net cash generated from/(used in) financing activities	7,769	(22,782)

Operating activities

Net cash generated from operating activities increased by approximately HK\$8.1 million or 55.1% to approximately HK\$22.8 million for the year ended 31 March 2015 compared to approximately HK\$14.7 million for the year ended 31 March 2014.

Investing activities

Net cash used in investing activities amounted to approximately HK\$66.9 million for the year ended 31 March 2015 compared to approximately HK\$28.4 million for the year ended 31 March 2014. The increase in the net cash used in investing activities was mainly attributable to the payment of rentals of satellite bandwidth resources and the acquisition of Thrive United.

Financing activities

Net cash generated from financing activities amounted to approximately HK\$7.8 million for the year ended 31 March 2015 compared to net cash used in financing activities amounted to approximately HK\$22.8 million for the year ended 31 March 2014.

Bank borrowings

As at 31 March 2015, the Group had outstanding bank borrowings of HK\$44.4 million. Such borrowing represents the banking facilities, which is granted without pledge.

Pledge of assets

As at 31 March 2015, the Group had no assets pledged for securing any credit facilities.

Contingent liabilities

As at 31 March 2015, the Group had no material contingent liabilities.

Significant capital expenditure for the year

On 26 September 2014, Radio World Holding Limited, an indirect wholly-owned subsidiary of the Company, Yilong Developments Limited (the “Vendor”) and Dr. Wu Xiaowen (吳曉文) (the sole shareholder and director of the Vendor and at that time a director of 協同通信技術有限公司 and 協同迅達電子科技(深圳)有限公司, both are wholly-owned subsidiaries of the Company) entered into a S&P agreement for the acquisition of 100% equity interest in Thrive United Holdings, for a cash consideration of HK\$90 million (the “Acquisition”). The consideration was determined by the Company and the Vendor following arm’s length negotiation and with reference to a business valuation report dated 26 September 2014 prepared by Roma Appraisal Limited (“Roma”), a valuer independent of the Group, which has arrived at a valuation of HK\$110 million in respect of the Thrive United Group. The acquisition was completed on 30 September 2014. Details of the Acquisition are set out in the announcements of the Company dated 26 September 2014 and 30 September 2014.

Risk of Foreign Exchange Fluctuations

Almost all transactions of the Group are denominated in RMB, United State dollars and Hong Kong dollars and most of the bank deposits are in RMB and Hong Kong dollars to minimise foreign exchange exposure. As the fiscal policy of the Central Government of the PRC in relation to RMB remained stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 31 March 2015.

Employee and remuneration policy

As at 31 March 2015, the Group had 264 employees. For the year ended 31 March 2015, the staff costs (including directors’ remuneration) of the Group amounted to approximately HK\$67.7 million.

The Group’s employee remuneration policy is determined based on a number of factors such as individual 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 remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The Group adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the shares of the Company. As at 31 March 2015, the Company granted a total of 600,000,000 share options.

The Group has been committing resources 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.

OTHER INFORMATION

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

The net proceeds from the Company's initial public offering were HK\$88.6 million. As at 31 March 2015, the Company had utilised approximately HK\$52.5 million, HK\$8.9 million, HK\$17.7 million and HK\$8.9 million for research and development of products of digital trunking system and VSAT satellite system, expansion of sales network, the capacity expansion and operation of the Group respectively. As at the date of this announcement, the Group has fully utilised the proceeds from the Company's initial public offering.

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 March 2015.

Non-adjusting events after the reporting period

There were no significant events affecting the Group which have occurred since 31 March 2015.

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 2015.

Corporate Governance

During the year ended 31 March 2015, the Company has fully complied with the applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviation from certain code provision:

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

The Company has appointed Mr. Wong Chit On as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve a higher responsiveness efficiency and effectiveness when formulating business strategies and executing business plans before 25 June 2015. 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. Following the appointment of Mr. Han Weining as the chief executive officer of the Company on 25 June 2015, the Company has fully complied with the code provision A.2.1 of the Code.

Model Code for Securities Transactions by Directors

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company’s securities. Having made specific enquiry to all the Directors, all the Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code for the year ended 31 March 2015.

Audit Committee

An audit committee (the “Audit Committee”) was established by the Company with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and monitor the Group’s financial reporting process and internal control system. The members of the Audit Committee are Messrs. Lam Ying Hung Andy, Hu Yunlin and Wang Chen, all being independent non-executive Directors. Mr. Lam Ying Hung Andy is the chairman of the Audit Committee. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2015 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

Publication of Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.synertone.net). The annual report for the year ended 31 March 2015 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the same websites in due course.

For and on behalf of the Board
Synertone Communication Corporation
Wong Chit On
Chairman and Executive Director

Hong Kong, 30 June 2015

As at the date of this announcement, the executive Directors are Mr. Wong Chit On and Mr. Han Weining, and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen.