



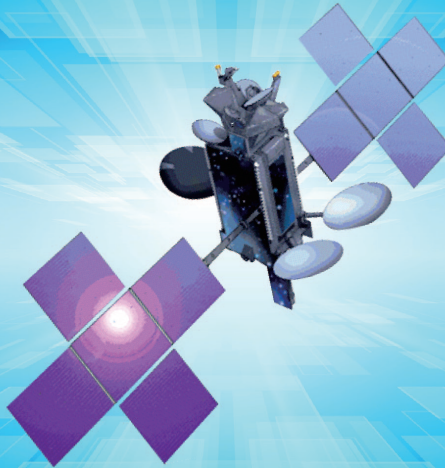
SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1613



Interim Report  
**2015**

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Wong Chit On (*Chairman*)

Mr. Han Weining (*Chief Executive Officer*)

#### Independent Non-executive Directors

Mr. Lam Ying Hung Andy

Mr. Hu Yunlin

Mr. Wang Chen

### COMMITTEES

#### Audit Committee

Mr. Lam Ying Hung Andy (*Chairman*)

Mr. Hu Yunlin

Mr. Wang Chen

#### Nomination Committee

Mr. Wang Chen (*Chairman*)

Mr. Lam Ying Hung Andy

Mr. Hu Yunlin

#### Remuneration Committee

Mr. Hu Yunlin (*Chairman*)

Mr. Lam Ying Hung Andy

Mr. Wang Chen

### COMPANY SECRETARY

Mr. Tse Kam Fai, *FCIS, FCS, MHKIoD*

### AUTHORISED REPRESENTATIVES

Mr. Wong Chit On

Mr. Lam Ying Hung Andy

(alternate to Mr. Wong Chit On)

Mr. Tse Kam Fai

### 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

Room 1012, 10/F

Tsim Sha Tsui Centre

66 Mody Road

Kowloon, Hong Kong

## **CORPORATE INFORMATION** (Continued)

### **PRINCIPAL BANKERS**

#### **HONG KONG**

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

#### **PRC**

Bank of China

### **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 AS TO HONG KONG LAW**

Alvan Liu & Partners  
25 & 26th Floors  
Central 88  
88 Des Voeux Road Central  
Hong Kong

### **AUDITOR**

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

### **CORPORATE WEBSITE**

[www.synertone.net](http://www.synertone.net)

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

01613

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

The board (the “**Board**”) of directors (the “**Directors**”) of Synertone Communication Corporation (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries for the six months ended 30 September 2015 together with the comparative unaudited figures for the corresponding period in 2014.

		<b>For the six months ended 30 September</b>	
	<i>Note</i>	<b>2015 HK\$'000 (Unaudited)</b>	<b>2014 HK\$'000 (Unaudited)</b>
<b>Turnover</b>	5	<b>37,107</b>	227,010
Cost of sales		<b>(43,779)</b>	(75,277)
Gross profit		<b>(6,672)</b>	151,733
Other revenue	6	<b>6,229</b>	25,878
Selling and distribution expenses		<b>(2,562)</b>	(6,203)
Administrative expenses		<b>(29,736)</b>	(26,345)
Research and development expenditure	7(b)	<b>(10,002)</b>	(8,830)
<b>(Loss)/profit from operations</b>		<b>(42,743)</b>	136,233
Finance costs	7(a)	<b>(11,127)</b>	(12,283)
<b>(Loss)/profit before taxation</b>	7	<b>(53,870)</b>	123,950
Income tax	8	<b>940</b>	(23,109)
<b>(Loss)/profit for the period attributable to owners of the Company</b>		<b>(52,930)</b>	100,841
		<b>HK(cents)</b>	<b>HK(cents)</b>
(Loss)/earnings per share	10		
— Basic		<b>(0.79)</b>	1.60
— Diluted		<b>(0.79)</b>	1.55

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	<b>For the six months ended 30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss)/profit for the period	<b>(52,930)</b>	100,841
<b>Other comprehensive (loss)/income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and PRC subsidiaries	<b>(9,900)</b>	412
<b>Total comprehensive (loss)/income for the period attributable to owners of the Company</b>	<b>(62,830)</b>	101,253

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		As at 30 September 2015 HK\$'000 (Unaudited)	As at 31 March 2015 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	66,200	71,904
Intangible assets	12	560,657	614,610
Goodwill	13	241,882	34,814
Available-for-sale investments	14	3,900	3,900
		<b>872,639</b>	725,228
<b>Current assets</b>			
Inventories		12,026	3,713
Trade and other receivables	15	353,358	345,714
Cash and cash equivalents		10,695	54,064
		<b>376,079</b>	403,491
<b>Current liabilities</b>			
Bank borrowings	16	37,281	44,439
Trade and other payables	17	116,694	75,831
Finance lease payables	18	105,526	49,810
Amount due to a director		1	1
Current taxation		11,728	26,789
		<b>(271,230)</b>	(196,870)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2015

		As at 30 September 2015 HK\$'000 (Unaudited)	As at 31 March 2015 HK\$'000 (Audited)
<b>Net current assets</b>		<b>104,849</b>	206,621
<b>Total assets less current liabilities</b>		<b>977,488</b>	931,849
<b>Non-current liabilities</b>			
Finance lease payables	18	<b>326,870</b>	388,419
Deferred tax liabilities		<b>19,949</b>	22,159
		<b>(346,819)</b>	(410,578)
<b>Net assets</b>		<b>630,669</b>	521,271
<b>Capital and reserves</b>			
Share capital	19	<b>70,490</b>	64,450
Reserves		<b>560,179</b>	456,821
<b>Total equity attributable to owners of the Company</b>		<b>630,669</b>	521,271



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

Note	Attributable to owners of the Company								
	Share capital	Share premium	Share-based		Capital reserve	Statutory reserve	Translation reserve	Retained profits	Total equity
			compensation reserve	Warrants reserve					
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 April 2015	64,450	312,703	10,436	7,800	(90)	32,184	24,759	69,029	521,271
<b>Comprehensive income</b>									
Loss for the period	-	-	-	-	-	-	-	(52,930)	(52,930)
<b>Other comprehensive income</b>									
Exchange differences arising on translation of financial statements of PRC subsidiaries	-	-	-	-	-	-	(9,900)	-	(9,900)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	(9,900)	(52,930)	(62,830)
<b>Transaction with owners</b>									
Equity-settled share-based payments	-	-	4,064	-	-	-	-	-	4,064
Issue of shares upon acquisition of assets	6,040	162,154	-	-	-	-	-	-	168,194
Issue of warrants	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
9(b)									
<b>Total transactions with owners</b>	6,040	162,154	4,064	-	-	-	-	-	172,258
At 30 September 2015	70,490	474,857	14,500	7,800	(90)	32,184	14,859	17,706	630,669
At 1 April 2014	63,200	263,558	2,308	1,200	(90)	28,467	25,460	49,119	433,222
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	-	-	100,841	100,841
<b>Other comprehensive income</b>									
Exchange differences arising on translation of financial statements of PRC subsidiaries	-	-	-	-	-	-	412	-	412
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	412	100,841	101,253
<b>Transaction with owners</b>									
Equity-settled share-based payments	-	-	4,293	-	-	-	-	-	4,293
Issue of warrants	-	-	-	6,600	-	-	-	-	6,600
Dividend paid	-	-	-	-	-	-	-	(10,112)	(10,112)
9(b)									
<b>Total transactions with owners</b>	-	-	4,293	6,600	-	-	-	(10,112)	781
At 30 September 2014	63,200	263,558	6,601	7,800	(90)	28,467	25,872	139,848	535,256

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(37,298)	1,824
Net cash used in investing activities	(2,690)	(7,504)
Net cash (used in)/generated from financing activities	(3,070)	(11,776)
Net (decrease)/increase in cash and cash equivalents for the period	(43,058)	(17,456)
Cash and cash equivalents at beginning of the period	54,064	87,753
Effect of changes in foreign exchange rate	(311)	39
Cash and cash equivalents at end of the period	10,695	70,336

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 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.

On 18 April 2012, the shares of the Company (“**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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 Synertone 1 satellite bandwidth capacity and communication service application.

The principal operations of the Group are conducted in the PRC. 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\$.

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

For the six months ended 30 September 2015

### **2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements for the six months ended 30 September 2015 ("**Interim Financial Statements**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (the "**Interpretations**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Interim Financial Statements have been prepared under the historical cost convention except for certain financial assets and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2015, except for the new and revised standards, amendments and interpretations of HKFRSs ("**new and revised HKFRSs**") issued by HKICPA which have become effective in this period as detailed in notes to the 2014/15 Financial Statements. The directors of the Company believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in these Interim Financial Statements.

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

For the six months ended 30 September 2015

### 3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines. On adopting HKFRS 8, Operating Segments, and in a manner consistent with the way in which information is reported internally to the chief executive officer of the Company (the “**Chief Executive Officer**”), 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: To meet the demand from governmental departments or agencies, public utilities institutions and business enterprises for public safety and emergency communication, we design digital trunking system, mainly consisting 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 for 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.

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

For the six months ended 30 September 2015

### 3. SEGMENT INFORMATION *(Continued)*

Systems technologies:	This segment develops a wide variety of technical know-how and technology relating to specialised communication system. The customers (a) pay a licensing fees to the Group for the use of certain technical know-how and technology; and (b) pay commissions to the Group for conducting research and development as well as designing and developing 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.
Others:	The Group classifies other business activities to "Others", in which the Group offers accessory parts and components to the customers for use in specialised communication system industry or other industry in accordance with their specifications.

### 4. SEGMENT REPORTING

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

For the purposes of assessing segment performance and allocating resources among segments, the Chief Executive Officer monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

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.

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

For the six months ended 30 September 2015

### 4. SEGMENT REPORTING (Continued)

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

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

In addition to segment information concerning Adjusted EBIT, management is also 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.

	Digital trunking system		VSAT satellite system		Systems technologies		Synertone 1 satellite system		Others		Total	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue from external customers	23,421	76,777	196	8,159	-	-	8,413	139,669	5,077	2,405	37,107	227,010
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Reportable segment revenue	23,421	76,777	196	8,159	-	-	8,413	139,669	5,077	2,405	37,107	227,010
Reportable segment profit/(loss) (Adjusted EBIT)	(12,998)	24,285	(271)	(2,445)	-	-	(28,450)	95,793	1,684	223	(40,035)	117,856
Interest income	42	588	-	63	-	-	-	-	-	-	42	651
Finance costs	(1,423)	(1,759)	(12)	(187)	-	-	(9,692)	(10,337)	-	-	(11,127)	(12,283)
Amortisation of intangible assets	(3,675)	(1,415)	(538)	(538)	-	-	(33,706)	(33,706)	-	-	(37,919)	(35,659)
Depreciation of property, plant and equipment	(4,395)	(2,037)	(250)	(216)	-	-	-	-	-	-	(4,645)	(2,253)
Write down of obsolescent inventories	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of write down of inventories	-	2,562	-	-	-	-	-	-	-	-	-	2,562
Research and development expenditure	6,957	4,306	3,045	4,524	-	-	-	-	-	-	10,002	8,830
Income tax	1,102	(9,142)	-	-	-	-	(162)	(13,967)	-	-	940	(23,109)

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

For the six months ended 30 September 2015

### 4. SEGMENT REPORTING (Continued)

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

	Digital trunking system		VSAT satellite system		Systems technologies		Synertone 1 satellite system		Others		Total	
	30	31	30	31	30	31	30	31	30	31	30	31
	September	March	September	March	September	March	September	March	September	March	September	March
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Reportable segment assets	<b>381,593</b>	371,252	<b>1,411</b>	18,035	-	54,191	<b>840,040</b>	681,088	<b>21,659</b>	-	<b>1,244,703</b>	1,124,566
Additions to non-current segment assets												
— Property, plant and equipment	<b>2,483</b>	5,147	-	-	-	-	-	-	<b>430</b>	404	<b>2,913</b>	5,551
— Intangible assets	-	73,736	-	-	-	-	-	-	-	-	-	73,736
	<b>2,483</b>	78,883	-	-	-	-	-	-	<b>430</b>	404	<b>2,913</b>	79,287
Reportable segment liabilities	<b>87,821</b>	85,015	-	9,369	-	14,347	<b>469,222</b>	464,626	<b>60,721</b>	-	<b>617,764</b>	573,357



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

For the six months ended 30 September 2015

### 4. SEGMENT REPORTING *(Continued)*

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

	For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>		
Reportable segment revenue	<b>37,107</b>	227,010
Elimination of inter-segment revenue	–	–
Consolidated revenue	<b>37,107</b>	227,010
<b>(Loss)/profit</b>		
Reportable segment (loss)/profit	<b>(40,035)</b>	117,856
Elimination of inter-segment profit	–	–
Reportable segment (loss)/profit derived from the Group's external customers	<b>(40,035)</b>	117,856
Gain on purchase	–	19,760
Interest income	<b>42</b>	651
Finance costs	<b>(11,127)</b>	(12,283)
Unallocated corporate expenses	<b>(2,750)</b>	(2,034)
Consolidated (loss)/profit before taxation	<b>(53,870)</b>	123,950

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

For the six months ended 30 September 2015

### 4. SEGMENT REPORTING *(Continued)*

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

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
<b>Assets</b>		
Reportable segment assets	<b>1,244,703</b>	1,124,566
Elimination of inter-segment receivables	–	–
	<b>1,244,703</b>	1,124,566
Available-for-sale investments	<b>3,900</b>	3,900
Unallocated corporate assets	<b>116</b>	253
Consolidated total assets	<b>1,248,719</b>	1,128,719
<b>Liabilities</b>		
Reportable segment liabilities	<b>617,764</b>	573,357
Elimination of inter-segment payables	–	–
	<b>617,764</b>	573,357
Amount due to a director	<b>1</b>	1
Unallocated corporate liabilities	<b>284</b>	34,090
Consolidated total liabilities	<b>618,049</b>	607,448

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

For the six months ended 30 September 2015

### 4. SEGMENT REPORTING (Continued)

#### (c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, 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	
	For the six months ended 30 September		30 September	
	2015	2014	2015	31 March
	HK\$'000	HK\$'000	HK\$'000	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	-	-	1,383	1,638
PRC	37,107	227,010	867,356	719,690
	37,107	227,010	868,739	721,328

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

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

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

For the six months ended 30 September 2015

### 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 (net of value-added and business taxes) of goods supplied to customers, less any goods returns and trade discounts. The amount of each significant category of revenue recognised during the period is as follows:

	For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Digital trunking system	23,421	76,777
VSAT satellite system	196	8,159
Synertone 1 satellite system	8,413	139,669
Others	5,077	2,405
	<b>37,107</b>	227,010

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

For the six months ended 30 September 2015

### 6. OTHER REVENUE

	For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Bank interest income ( <i>note a</i> )	44	651
Government grants ( <i>note b</i> )	1,088	1,640
Value-added taxes refund ( <i>note c</i> )	4,922	3,779
Gain on purchase	–	19,760
Sundry income	175	48
	<b>6,229</b>	25,878

*Notes:*

- (a) Bank interest income from bank deposits represents 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 upon receipt of refund notice from the PRC tax authorities.

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

For the six months ended 30 September 2015

### 7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

#### (a) Finance costs

	For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on other borrowings wholly repayable within five years	1,435	1,946
Finance charges on finance lease payables	9,692	10,337
	<b>11,127</b>	12,283

#### (b) Other items

	For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of inventories	7,280	41,457
Amortisation of intangible assets	37,919	35,659
Depreciation of property, plant and equipment	4,645	2,253
Operating lease charges in respect of leased property	2,817	2,599
Research and development expenditure	10,002	8,830

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

For the six months ended 30 September 2015

### 8. INCOME TAX

	<b>For the six months ended 30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax</b>		
PRC Enterprise Income Tax ("EIT") (note (d))	<b>1,270</b>	24,998
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(2,210)</b>	(1,889)
	<b>(940)</b>	23,109

Notes:

- (a) 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 Cayman Islands income tax.
- (b) 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.
- (c) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the period.
- (d) PRC subsidiaries are subject to PRC EIT at the rate of 25%. The PRC subsidiary of the Group, 協同通信技術有限公司 (Synertone Communication Technology Limited), being the encouraged hi-tech enterprise, is entitled to a preferential EIT rate of 15%.
- (e) Under the EIT Law of the PRC, with effect from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding 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 taxation arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

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

For the six months ended 30 September 2015

### 9. DIVIDENDS

- (a) During the six months ended 30 September 2015, no interim dividend was declared by the directors (2014: HK\$Nil).
- (b) Dividend payable to owners of the Company is that approved and paid during the interim period in respect of the previous financial year.

#### For the six months ended 30 September

2015	2014
HK\$'000	HK\$'000

Final dividend in respect of the previous financial year, approved and paid during the period, of HK\$Nil per ordinary Share (2014: HK0.16 cents)

—	10,112
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### 10. (LOSS)/EARNINGS PER SHARE

#### (a) Basic (loss)/earnings per Share

The calculation of basic (loss)/earnings per Share is based on the loss attributable to owners of the Company of HK\$52,930,000 (2014: profit of HK\$100,841,000) and the weighted average number of 6,692,541,000 ordinary Shares (2014: 6,320,000,000 ordinary Shares) in issue during the period.



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

For the six months ended 30 September 2015

### 10. (LOSS)/EARNINGS PER SHARE *(Continued)*

#### (b) Diluted (loss)/earnings per Share

	For the six months ended 30 September	
	2015	2014
(Loss)/profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>(52,930)</b>	100,841
Weighted average number of ordinary Shares in issue ( <i>'000</i> )	<b>6,692,541</b>	6,320,000
Adjustment for share options ( <i>'000</i> )	–	10,136
Adjustment for warrants ( <i>'000</i> )	–	171,640
Weighted average number of ordinary Shares for diluted (loss)/earnings per Share ( <i>'000</i> )	<b>6,692,541</b>	6,501,776
Diluted (loss)/earnings per Share ( <i>HK cents per Share</i> )	<b>(0.79)</b>	1.55

For the six months ended 30 September 2015, the calculation of diluted earnings per Share did not assume the exercise of the Company's outstanding share options and warrants as the exercise prices of such share options and warrants were higher than the average market price per Share.

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group spent approximately HK\$2,913,000 (2014: HK\$5,551,000) on additions to property, plant and equipment.

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

For the six months ended 30 September 2015

### 12. INTANGIBLE ASSETS

Intangible assets of the Group are as follows:

	<b>30 September</b>	31 March
	<b>2015</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Technical know-how for digital trunking system <i>(Note a)</i>	<b>3,102</b>	3,545
Administrative system costs	–	252
Rights to use Synertone 1 satellite bandwidth <i>(Note b)</i>	<b>491,147</b>	540,731
Safe communication technologies softwares and patent technologies <i>(Note c)</i>	<b>66,408</b>	70,082
	<b>560,657</b>	614,610

*Notes:*

- (a) Technical know-how for digital trunking system represents technical know-how acquired by the Group in relation to the production of specialised communication systems.
- (b) It represents the possession of the resources of Synertone 1 for the provision of the application of the satellite bandwidth capacity and communication service application.
- (c) Safe communication technology softwares and patents represent the softwares and patent technologies in relation to the provision of a safe communication environment for end users.

The amortisation charge for the period is included in cost of sales, research and development expenditure and administrative expenses in the condensed consolidated statement of profit or loss.

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

For the six months ended 30 September 2015

### 13. GOODWILL

On 30 September 2015, the carrying amount of goodwill of the Company was HK\$241,882,000. Since the acquisition of MOX Products Pty Limited (“**MOX**”) was conducted within half of a year, taking into consideration the growth in customer base and foreseeable income and further development of the market, the relevant intangible assets will not be recognized temporarily. The provisional goodwill of HK\$207,068,000 so derived may be subject to adjustments after the end of the initial accounting year.

For the purpose of impairment tests, goodwill arising from the acquisition was allocated to the cash-generating units (“**CGU**”) under the segments of “Provision of safe communication technologies” and “Synertone 1 satellite system”. For the six months ended 30 September 2015, the management of the Group determined that the CGU containing the provisional goodwill was not impaired.

### 14. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Unlisted investment, at cost:		
— Equity securities	<b>3,900</b>	3,900
	<b>3,900</b>	3,900

Unlisted equity investment comprises equity interests in an entity which focuses on the satellite technology, dedicated ASIC development and high-tech research and development. There is no open market for this investment and the directors consider that the marketability of the Group’s shareholdings in this investment is low. In light of the non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of this investment cannot be reliably assessed.

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

For the six months ended 30 September 2015

### 15. TRADE AND OTHER RECEIVABLES

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Trade receivables <i>(notes (a), (b) and (c))</i>	<b>189,306</b>	321,014
Advance to suppliers	<b>24,382</b>	691
Advance to staff	<b>228</b>	515
Value-added taxes receivables	–	61
Loans and receivables	<b>213,916</b>	322,281
Other prepayments and deposits	<b>139,442</b>	23,433
	<b>353,358</b>	345,714

Notes:

- (a) For certain contracts, retention money representing 5% to 10% of the contract value is not due until the warranty period ranging from one year to two years expires. Included in trade receivables as at 30 September 2015 is the retention money of HK\$284,000 (31 March 2015: HK\$1,001,000). All the trade and other receivables other than the retention money are expected to be recovered after the warranty period, except for other prepayments and deposits which are expected to be recovered within one year.
- (b) For the six months ended 30 September 2015, purchases of the Group's products by its customers are in general made on credit with credit period ranging from 30 to 180 days (31 March 2015: 30 to 180 days). A longer credit period of 181 to 365 days (31 March 2015: 181 to 365 days) may be offered to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group.

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

For the six months ended 30 September 2015

### 15. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
0–60 days	21,874	57,222
61–90 days	1,214	80
91–180 days	68,881	49,663
181–365 days	94,724	213,414
Over 365 days	2,613	635
	<b>189,306</b>	<b>321,014</b>

The Directors consider that the carrying amount of trade receivables approximates their fair values.

### 16. BANK BORROWINGS

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
<b>Current liabilities</b>		
Portion of bank borrowings repayable within 1 year	<b>37,281</b>	44,439

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

For the six months ended 30 September 2015

### 16. BANK BORROWINGS *(Continued)*

As at 30 September 2015, interest-bearing bank borrowings due for repayment were as follows:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Portion of term loans repayable within 1 year	<b>37,281</b>	44,439

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 to demand at its sole discretion 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, keeps track of the scheduled repayments of the term loans and considers that the bank is unlikely to exercise its discretion to demand repayment so long as the Group continues to meet these requirements. As at 30 September 2015, none of the covenants relating to drawn down facilities had been breached (31 March 2015: HK\$Nil).

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

*Notes:*

- (a) All the Group's bank borrowings are denominated in RMB.
- (b) All bank borrowings are fixed-rate borrowings which carry interest at prevailing interest rates of 6.375% – 7.28% per annum for the period ended 30 September 2015.
- (c) The unsecured bank borrowings are non-revolving facilities.
- (d) The Group has undrawn banking facilities of RMB10,000,000 (equivalent to approximately HK\$12,183,000) in relation to bank borrowings as at 30 September 2015.

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

For the six months ended 30 September 2015

### 17. TRADE AND OTHER PAYABLES

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Trade payables	68,881	23,683
Accrued salaries	1,449	8,389
Accrued expenses and other payables	10,485	1,423
Payable for acquisition of a subsidiary	27,000	33,000
Financial liabilities measured at amortised costs	107,815	66,495
Deposits received from customers	3,045	3,823
Other tax payables	5,834	5,513
	<b>116,694</b>	75,831

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
0–60 days	1,069	2,233
61–90 days	448	–
91–180 days	55,404	4,492
181–365 days	5,279	12,587
Over 365 days	6,681	4,371
	<b>68,881</b>	23,683

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

For the six months ended 30 September 2015

### 18. FINANCE LEASE PAYABLES

As at 30 September 2015, the Group had finance leases repayable as follows:

	30 September 2015		31 March 2015	
	Present value of the minimum lease payments HK\$'000 (Unaudited)	Total minimum lease payments HK\$'000 (Unaudited)	Present value of the minimum lease payments HK\$'000 (Audited)	Total minimum lease payments HK\$'000 (Audited)
Within 1 year	105,526	124,000	49,810	54,281
After 1 year but within 2 years	61,257	69,750	61,292	69,790
After 2 years but within 5 years	168,436	209,250	168,533	209,369
After 5 years	97,177	116,250	158,594	195,045
	<b>326,870</b>	<b>395,250</b>	388,419	474,204
	<b>432,396</b>	<b>519,250</b>	<b>438,229</b>	528,485
Less: total future interest expenses		<b>(86,854)</b>		(90,256)
Present value of lease obligations		<b>432,396</b>		<b>438,229</b>



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

For the six months ended 30 September 2015

### 19. SHARE CAPITAL

	30 September 2015		31 March 2015	
	No. of Shares '000	Amount HK\$'000 (Unaudited)	No. of Shares '000	Amount HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary Shares of HK\$0.01 each	<b>20,000,000</b>	<b>200,000</b>	20,000,000	200,000
<b>Issued and fully paid:</b>				
Ordinary Shares of HK\$0.01 each				
At beginning of the period/year	<b>6,445,000</b>	<b>64,450</b>	6,320,000	63,200
Issue of consideration Shares upon acquisition (note)	<b>604,000</b>	<b>6,040</b>	–	–
Issue of Shares upon conversion of convertible bonds	–	–	125,000	1,250
At end of the period/year	<b>7,049,000</b>	<b>70,490</b>	6,445,000	64,450

Note: On 17 July 2015, 604,000,000 Shares were issued to Mr. John Edward Hunt as the consideration for the acquisition of the 100% equity interests in MOX Products Pty Limited.

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

For the six months ended 30 September 2015

### 20. COMMITMENTS

- (a) Capital commitments outstanding but not provided for in the interim results:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
<hr/>		
Contracted but not provided for:		
Renovation of new office	<b>1,752</b>	1,815
	<hr/> <b>1,752</b> <hr/>	<hr/> 1,815 <hr/>

- (b) As at 30 September 2015, the total future minimum lease payments under non-cancellable operating leases were as follows:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
<hr/>		
Within one year	<b>4,032</b>	5,363
In the second to fifth year inclusive	<b>11,570</b>	11,014
Over five years	<b>2,020</b>	4,094
	<hr/> <b>17,622</b> <hr/>	<hr/> 20,471 <hr/>

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

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

For the six months ended 30 September 2015

### 21. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions.

#### (a) Balances with related parties

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

##### Amount due to a Director

	<b>30 September</b> <b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Wong Chit On	<u>1</u>	<u>1</u>

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

#### (b) Transactions with key management personnel

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

	<b>For the six months ended</b> <b>30 September</b>	
	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2014 HK\$'000 (Unaudited)
Salaries and other short-term employee benefits	<u>5,302</u>	<u>4,237</u>
	<u>5,302</u>	<u>4,237</u>

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

For the six months ended 30 September 2015

### 22. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the following events took place after the reporting period:

On 20 November 2015, (i) the Company entered into a memorandum of understanding (the "**MOU**") with Gilat Satellite Networks Ltd. ("**Gilat**") for developing a strategic cooperation in the areas of Synertone 1 ground system upgrade, manufacturing of satellite communication products, and the research and development of the next generation of satellite communication products; and (ii) the Company has nominated its wholly-owned subsidiary, Vastsuccess Holdings Limited ("**Vastsuccess**"), to enter into the sales agreement with Gilat for purchasing gateway equipment, a right to use the NMS software and related technical support services at a total consideration of US\$12,392,924 (equivalent to approximately HK\$96,700,000).

On 27 November 2015, Vastsuccess (as purchaser) and three independent third parties (as vendors) entered into a sale and purchase agreement for the acquisition of 49% equity interest in Sense Field Group Limited ("**Sense**") from the vendors, for a consideration of HK\$195,000,000 to be satisfied by the allotment and issue of 1,323,000,000 consideration shares at the issue price of approximately HK\$0.1474 per consideration share upon completion. Such acquisition is mainly for the access to and the expansion of Synertone 1 satellite service business by utilizing Sense's domestic sales network and customer resources as well as its research and production base located in the Yangtze River Delta.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a satellite resource operator in research and development and manufacturing satellite equipment, as well as a provider of information network solutions. 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 information network solutions to satellite communication systems. Thanks to its self-initiated research and development efforts and through the acquisition of the related customer resources, 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 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 business.

For the six months ended 30 September 2015, the Group's turnover was approximately HK\$37.1 million, representing a significant decrease of approximately HK\$189.9 million or 83.7% when compared to approximately HK\$227.0 million for the six months ended 30 September 2014. It was mainly attributable to the fact that adjustments were made to certain business markets and opportunities in light of the comprehensive upgrade measures for the satellite resources network by the Group during the period so as to avoid the potential huge compensation cost derived from the change in services, leading to a substantial decrease in turnover from Synertone 1 satellite system. For the six months ended 30 September 2015, the Group's turnover from digital trunking system was approximately HK\$23.4 million, accounting for 63.1% of its total turnover. Turnover from Synertone 1 satellite system was approximately HK\$8.4 million, accounting for 22.7% of its total turnover.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

On 30 June 2015, Vastsuccess, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party (the “Vendor”), to acquire the entire equity interest of MOX Products Pty Limited (“MOX”) at a consideration of HK\$302,000,000 (the “MOX Acquisition”), which was satisfied by the issue of 604,000,000 consideration shares to the Vendor at the issue price of HK\$0.50 per consideration shares upon completion. The principal businesses of MOX and its direct and indirect wholly-owned subsidiaries, namely 萬科思自動化(上海)有限公司 (Wankesi Automation (Shanghai) Company Ltd.) and 悉雅特萬科思自動化(杭州)有限公司 (Xiyate Wankesi Automation (Hangzhou) Company Ltd.) (together the “MOX Group”), are the design, development and sales of automation control systems for industrial use. Such control systems are widely used in various industries to monitor pressure, temperature, fluid levels, traffic condition etc., including airport control and public utilities control. The consideration of the MOX Acquisition was determined by the Group and the Vendor following arm’s length negotiation and with reference to a business valuation report dated 30 June 2015 prepared by Roma Appraisals Limited (“Roma”), a valuer independent to the Group, which has put a valuation of HK\$311 million to the MOX Group. The MOX Acquisition was completed on 17 July 2015. Details of the MOX Acquisition were set out in the announcements of the Company dated 30 June 2015, 3 July 2015 and 17 July 2015.

### PROSPECTS

On 20 November 2015, (i) the Company entered into the MOU with Gilat for developing a strategic cooperation in the areas of Synertone 1 ground system upgrade, manufacturing of satellite communication products, and the research and development of the next generation of satellite communication products; and (ii) Vastsuccess entered into the sales agreement with Gilat for purchasing gateway equipment, a right to use the NMS software and related technical support services at a total consideration of US\$12,392,924 (equivalent to approximately HK\$96,700,000).

On 27 November 2015, the Company entered into a purchase agreement for the acquisition of 49% equity interest in Sense Field Group Limited (“Sense”), for a consideration of HK\$195,000,000 to be satisfied by the allotment and issue of 1,323,000,000 consideration shares at the issue price of approximately HK\$0.1474 per consideration share upon completion. Such acquisition is mainly for the access to and the expansion of Synertone 1 satellite service business by utilizing Sense’s domestic sales network and customer resources as well as its research and production base located in the Yangtze River Delta. As at the date of this report, the acquisition has not been completed.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **PROSPECTS** *(Continued)*

Looking forward, the Company expects that revenue from satellite will decrease for a period of time until the implementation of gateway technology for Synertone 1 satellite, and expects that there will be difficulties in yielding considerable revenue during the year. The Company is striving to provide comprehensive market opportunities for its business development through identifying more channels and markets in various ways, and planning to launch new products of satellite system in line with the high-speed resources and information services of the fully upgraded Synertone 1 in the coming year. The Company is confident of the business improvement and development initiatives under planning. It is expected that the Company's continuous innovation and efforts will present it a brand new image in the coming year.

### **FINANCIAL REVIEW**

#### **Turnover**

The Group recorded turnover of approximately HK\$37.1 million for the six months ended 30 September 2015, representing a decrease of approximately HK\$189.9 million or 83.7% as compared with that of approximately HK\$227.0 million for the corresponding period last year. The decrease was mainly attributable to (1) the sales of approximately HK\$8.4 million from Synertone 1 satellite system for the six months ended 30 September 2015, as compared with approximately HK\$139.7 million recorded during the six months ended 30 September 2014; and (2) the drop in sales of digital trunking systems by approximately HK\$53.4 million or 69.5% from approximately HK\$76.8 million for the six months ended 30 September 2014 to approximately HK\$23.4 million for the six months ended 30 September 2015.

#### **Gross Profit and Gross Profit Margin**

Due to the decrease in sales as discussed above, the Group's loss of gross profit for the six months ended 30 September 2015 was approximately HK\$6.7 million, representing a decrease of approximately HK\$158.4 million or 104.4% as compared with gross profit of approximately HK\$151.7 million for the six months ended 30 September 2014. There was a decrease in the overall gross profit margin from approximately 66.8% to (18.0)%, mainly as a result of the substantial drop in sales from Synertone 1 satellite system, while the amortisation costs of Synertone 1 remained at a fixed level, resulting in the significant decrease in the gross profit.

#### **Other Revenue**

Other revenue of the Group decreased by approximately HK\$19.6 million or 75.7% from approximately HK\$25.9 million for the six months ended 30 September 2014 to approximately HK\$6.3 million for the six months ended 30 September 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Selling and Distribution Expenses

For the six months ended 30 September 2015, the selling and distribution expenses of the Group amounted to approximately HK\$2.6 million, representing a decrease of 58.1% as compared with that of approximately HK\$6.2 million for the six months ended 30 September 2014. The decrease was mainly due to the drop in sales.

#### Administrative Expenses

The administrative expenses of the Group increased by approximately HK\$3.4 million or 12.9% from approximately HK\$26.3 million for the six months ended 30 September 2014 to approximately HK\$29.7 million for the six months ended 30 September 2015. The increase is mainly attributable to the increase in the amortisation of relevant leasehold improvements.

#### Research and Development Expenditure

The research and development expenditure of the Group increased by approximately HK\$1.2 million or 13.6% from approximately HK\$8.8 million for the six months ended 30 September 2014 to approximately HK\$10.0 million for the six months ended 30 September 2015, mainly due to the increase in the amortisation arising from the acquisition of security technologies related to the digital trunking system.

#### Finance Costs

Owing to the finance lease payable in relation to the acquisition of Synertone 1 satellite bandwidth resources as well as interest expenses of approximately HK\$9.7 million, the Group's finance costs decreased by approximately HK\$1.1 million or 8.9% from approximately HK\$12.3 million for the six months ended 30 September 2014 to approximately HK\$11.2 million for the six months ended 30 September 2015.

#### Tax Expense

The tax expense of the Group decreased by approximately HK\$24.0 million or 104.1% from approximately HK\$23.1 million for the six months ended 30 September 2014 to approximately HK\$(0.9) million for the six months ended 30 September 2015. It was mainly due to the drop in sales, the loss from operations and the substantial decrease of the PRC EIT,

#### Loss for the Period

The Group recorded a loss of approximately HK\$52.9 million for the six months ended 30 September 2015, as compared with the profit of approximately HK100.8 million for the six months ended 30 September 2014, mainly due to the substantial decrease in the turnover from Synertone 1 satellite system business as compared to the corresponding period last year.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Liquidity and Capital Resources

The liquidity requirements of the Group arise principally from the need for working capital to finance its operations and expansions. Previously, the Group met its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by the Shareholders. In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings.

For the six months ended 30 September 2015, the net cash used in operating activities, net cash used in investing activities, and net cash used in financing activities were HK\$37.3 million (compared to the net cash generated from operating activities of approximately HK\$1.8 million for the corresponding period last year), HK\$2.7 million (compared to HK\$7.5 million for the corresponding period last year), and HK\$3.1 million (compared to HK\$11.8 million for the corresponding period last year), respectively.

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.38 as at 30 September 2015 (31 March 2015: approximately 2.0). 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 30 September 2015 was 72.8% (31 March 2015: 82.2%).

On 22 October 2013, the Company completed the issue of 120,000,000 warrants, which was adjusted to 600,000,000 warrants due to the issue of bonus shares on 21 February 2014, to the CITIC Merchant Co., Limited (中信國通投資管理有限公司), the issue price was 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 adjusted subscription price of HK\$0.4. During the period, the warrants were not yet exercised and have expired on 21 October 2015.

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

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Liquidity and Capital Resources *(Continued)*

On 15 January 2014, the Group and Regal Force Limited (the “**Subscriber**”) 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 for the subscription of the convertible bonds in a principal amount of HK\$50,000,000. 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 15 July 2015, a second written demand was issued to the Subscriber for the subscription of the convertible bonds in a principal amount of HK\$445,000,000 (the “**Subscription Money**”). The Subscriber has neither paid the Subscription Money nor made any response to the written demand on or before 15 August 2015. On 31 August 2015, the Company, via the Company’s legal adviser, issued a letter to the Subscriber for accepting the Subscriber’s repudiation of the subscription agreement and the subscription agreement was thereby terminated.

#### Bank Borrowings

As at 30 September 2015, the Group had outstanding bank borrowings of HK\$37.3 million, such borrowings represent the bank credit facilities granted without pledge.

#### Pledge of Assets

As at 30 September 2015, the Group had no assets pledged for securing any credit facilities.

#### Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2015.

#### Financing and Treasury Policies

The Group continues to adopt prudent financing and treasury policies. All the Group’s financing and treasury activities are centrally managed and controlled. The Group’s related policies are implemented after thorough and extensive consideration on liquidity risk, financing cost and exchange rate risk is made.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **FINANCIAL REVIEW** *(Continued)*

#### **Foreign Exchange Risk**

Almost all transactions of the Group are denominated in RMB, United State dollars and Hong Kong dollars and most of the bank deposits are held in RMB and Hong Kong dollars to minimise exposure to foreign exchange risk. 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 Group's potential foreign exchange exposure was limited. Moreover, the existing operation activities of the Company is mainly located in Mainland China. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the six months ended 30 September 2015.

### **MATERIAL TRANSACTION**

#### **Material Acquisitions and Disposals**

For the six months ended 30 September 2015, except the MOX Acquisition disclosed above, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures.

### **EMPLOYEE AND REMUNERATION POLICY**

As at 30 September 2015, the Group had 165 employees. For the six months ended 30 September 2015, the staff cost of the Group was approximately HK\$20.1 million, which decreased by approximately HK\$3.8 million or 15.9% as compared to HK\$23.9 million for the corresponding period last year, mainly due to the optimisation of operations and costs as well as change of staff.

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 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 has been committing resources to 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, ranging from technical training for production staff to financial and administrative trainings for management staff.

### **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: nil).

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 September 2015, the interests and short positions of the Directors and chief executive of the Company in any of the 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 of Shares held	Approximate percentage of shareholding
Mr. Wong Chit On	Interest of a controlled corporation	1,230,000,000 (Note 1)	17.45%
	Interest of spouse	650,000,000 (Note 2 & 3)	9.22%

Notes:

- Mr. Wong Chit On is the beneficial owner of all the issued share capital of Excel Time Investments Limited ("**Excel Time**"). Therefore, Mr. Wong Chit On is deemed, or taken to be, interested in all the Shares held by Excel Time for the purposes of the SFO.
- As at 30 September 2015, being the spouse of Ms. Ni Yunzi, Mr. Wong Chit On is also deemed to be interested in all the Shares held by Ms. Ni Yunzi for the purposes of the SFO.
- Subsequent to the end of the reporting period, the District Court of Hong Kong (the "**District Court**") has granted a decree absolute on 20 November 2015 in respect of the petition filed by Ms. Ni Yunzi for divorce with Mr. Wong Chit On, and the marriage between Mr. Wong Chit On and Ms. Ni Yunzi was dissolved accordingly. Since then, Mr. Wong Chit On is no longer deemed or taken to be interested in the Shares beneficially owned by Ms. Ni Yunzi for the purposes of the SFO.

**OTHER INFORMATION** (Continued)**(B) Long Positions in the Shares of Associated Corporations**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature of interest</b>	<b>Number and class of securities held</b>	<b>Approximate percentage of shareholding</b>
Mr. Wong Chit On	Excel Time	Beneficial owner	78,000	100%

**(C) Long Positions in Share Options**

<b>Name of Directors</b>	<b>Date of grant</b>	<b>Exercise price (HK\$)</b>		<b>Exercisable period</b>	<b>Outstanding as at 30.09.2015</b>
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
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

Save as disclosed above, as at 30 September 2015, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**OTHER INFORMATION** (Continued)**INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO**

As at 30 September 2015, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares/ underlying Shares held (Note 1)</b>	<b>Approximate percentage of Shares</b>
Excel Time	Beneficial owner	1,230,000,000 (L) (Note 2)	17.45%
Ms. Ni Yunzi	Beneficial owner	650,000,000 (L)	9.22%
	Interest of spouse	1,236,000,000(L) (Notes 3 & 4)	17.53%
UBS AG	Beneficial owner	1,004,140 (L)	0.01%
		1,000,000 (S)	0.01%
	Person having a security interest in Shares	520,936,000 (L)	7.40%
UBS Group AG	Interest of a controlled corporation	1,004,140 (L) (Note 5)	0.01%
		1,000,000 (S) (Note 5)	0.01%
	Person having a security interest in Shares	520,936,000 (L)	7.40%
Joy Power International Limited	Beneficial owner	480,800,000 (L)	6.82%
CITIC Capital Management Limited	Beneficial owner	660,000,000 (L) (Note 6)	9.36%

## **OTHER INFORMATION** *(Continued)*

*Notes:*

1. The letter (L) denotes a long position and the letter (S) denotes short position.
2. Excel Time is wholly-owned by Mr. Wong Chit On.
3. 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 Yunzi is also deemed to be interested in all the Shares held 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.
4. Subsequent to the end of the reporting period, the District Court has granted a decree absolute on 20 November 2015 in respect of the petition filed by Ms. Ni Yunzi for divorce with Mr. Wong Chit On, and the marriage between Mr. Wong Chit On and Ms. Ni Yunzi was dissolved accordingly. Since then, Ms. Ni Yunzi is no longer deemed or taken to be interested in the Shares held 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.
5. These interests are held by UBS AG, which is a company owned as to 98.02% by UBS Group AG.
6. On 22 September 2014, 660,000,000 warrants of the Company were granted to CITIC Capital Management Limited, entitling the holder thereof to subscribe for 660,000,000 Shares.

Save as disclosed above, as at 30 September 2015, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

### **SHARE OPTION SCHEME**

Under the share option scheme of the Company adopted on 22 March 2012 (the “**Share Option Scheme**”), the Board may, at its discretion, grant options to the Directors and eligible participants (as defined in the Share Option Scheme) pursuant to the Share Option Scheme to enable them to subscribe for Shares as incentives or rewards for their contributions to the Group.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date of its adoption and will expire on 21 March 2022.

**OTHER INFORMATION** (Continued)

Details of the movement in the share options granted under the Share Option Scheme during the period under review are as follows:

Category of participants	Date of grant of share option	Exercise Period (Note)	Exercise price (HK\$)	Outstanding as at 01.04.2015	Granted	Cancelled	Lapsed	Outstanding as at 30.09.2015
					during the period under review	during the period under review	during the period under review	
<b>Directors</b>								
Mr. Wong Chit On	24.12.2013	24.12.2015-23.12.2018	0.50	6,000,000	-	-	-	6,000,000
Mr. Han Weining	24.12.2013	24.12.2015-23.12.2018	0.50	6,000,000	-	-	-	6,000,000
Mr. Lam Ying Hung Andy	24.12.2013	24.12.2015-23.12.2018	0.50	6,000,000	-	-	-	6,000,000
Mr. Hu Yunlin	24.12.2013	24.12.2015-23.12.2018	0.50	6,000,000	-	-	-	6,000,000
Dr. Wang Shaodong	24.12.2013	24.12.2015-23.12.2018	0.50	6,000,000	-	-	(6,000,000)	-
Mr. Zhang Xuebin	24.12.2013	24.12.2015-23.12.2018	0.50	60,000,000	-	-	(60,000,000)	-
Mr. Cai Youliang	24.12.2013	24.12.2015-23.12.2018	0.50	6,000,000	-	-	(6,000,000)	-
Sub-total				96,000,000	-	-	(72,000,000)	24,000,000
<b>Employees</b>								
In aggregate	24.12.2013	24.12.2015-23.12.2018	0.50	311,350,000	-	-	(110,900,000)	200,450,000
<b>Other Participants</b>								
In aggregate	24.12.2013	24.12.2015-23.12.2018	0.50	120,000,000	-	-	-	120,000,000
Total				527,350,000	-	-	(182,900,000)	344,450,000

Note: The option period of the options granted on 24 December 2013 is 5 years whereas the vesting period is 2 years. 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.



## **OTHER INFORMATION** *(Continued)*

### **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 of the Company or its Associated Corporations" 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.

### **CHANGES OF INFORMATION IN RESPECT OF DIRECTORS**

Below are the changes in Directors' information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

- Mr. Wong Chit On, the chairman ("**Chairman**") of the Board, has voluntarily tendered his resignation as the chief executive officer ("**CEO**") of the Company with effect from 25 June 2015, but remains as the Chairman and an executive Director.
- Mr. Han Weining, an executive Director, has been appointed as the CEO with effect from 25 June 2015 and in consideration of his responsibilities within the Group and the remuneration policy of the Company, his annual remuneration package has been revised to HK\$1,200,000 and he will be entitled to receive discretionary bonus as may be determined by the Board.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 September 2015.

## **OTHER INFORMATION** *(Continued)*

### **CORPORATE GOVERNANCE PRACTICES**

The Directors consider that throughout the six months ended 30 September 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 Listing Rules, except for the following deviations from certain code provisions:

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

In line with the development of the Company and for the enhancement of corporate governance of the Company, Mr. Wong Chit On has voluntarily tendered his resignation as the CEO on 25 June 2015, but remains as the Chairman and an executive Director. On the same date, Mr. Han Weining, an executive Director, was appointed as the CEO of the Company. Since then, the roles of Chairman and CEO have been separated and performed by different individuals, and therefore, the Company has complied with the Code provision A.2.1.

*Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting.*

Mr. Wong Chit On, the Chairman, was not able to attend the annual general meeting held on 30 September 2015 due to another important business meeting.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2015.

## **OTHER INFORMATION** *(Continued)*

### **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference and revised from time to time to comply with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors, Mr. Lam Ying Hung Andy (as chairman), Mr. Hu Yunlin and Mr. Wang Chen. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2015.

### **PUBLIC FLOAT**

Based on the information available and to the best of the Board’s knowledge, information and belief, the Company has maintained sufficient public float under the Listing Rules.

On Behalf of the Board  
**Synertone Communication Corporation**  
**Wong Chit On**  
*Chairman and Executive Director*

Hong Kong, 30 November 2015

*As at the date of this report, 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.*