協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1613

2016 Annual Report

CONTENTS

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

PRINCIPAL BANKERS

HONG KONG

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

PEOPLE'S REPUBLIC OF CHINA ("PRC")

Bank of China
China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
China Merchants Bank

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
Hong Kong

LEGAL ADVISER

Alvan Liu & Partners
25 & 26th Floor
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

WEBSITE

www.synertone.net

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1613

FINANCIAL HIGHLIGHTS

- The Group recorded a decrease of revenue of approximately HK$223.3 million or 67.7% from approximately HK$329.7 million for the year ended 31 March 2015 to approximately HK$106.4 million for the year ended 31 March 2016.

- Gross profit of the Group decreased by approximately HK$177.1 million or 106.7% from approximately HK$165.9 million for the year ended 31 March 2015 to a gross loss of approximately HK$11.1 million for the year ended 31 March 2016, with gross profit margin dropped from approximately 50.3% for the year ended 31 March 2015 to a gross loss margin of approximately 10.5% for the year ended 31 March 2016.

- The Group recorded the loss attributable to the owner of the Company of approximately HK$469.7 million for the year ended 31 March 2016, while the profit attributable to the owner of the Company for the last financial year was approximately HK$33.7 million.

Results performance for the year ended 31 March	**2016**	2015	2014
Total turnover *(HK$'000)*	**106,376**	329,667	174,421
Gross (loss)/profit *(HK$'000)*	**(11,128)**	165,935	92,206
Gross (loss)/profit margin *(%)*	**(10.5)**	50.3	52.9
(Loss)/Profit for the year *(HK$'000)*	**(468,909)**	33,739	30,027
Net (loss)/profit margin *(%)*	**(440.8)**	10.2	17.2
		(Restated)	(Restated)
Basic (loss)/earnings per share *(HK$)*	**(0.28)**	0.02	0.02

Liquidity and gearing ratios as at 31 March	**2016**	2015	2014
Inventories turnover days *(Note 1)*	**155**	63	160
Trade receivables turnover days *(Note 2)*	**786**	270	295
Trade payables turnover days *(Note 3)*	**173**	76	82
Current ratio	**1.1**	2.0	2.4
Gearing ratio *(%) (Note 4)*	**130.8**	82.2	95.0

Operating cash flow and capital expenditure for the year ended 31 March	**2016**	2015	2014
Net cash (used in)/generated from operating activities *(HK$'000)*	**(15,945)**	22,817	14,697
Capital expenditure *(HK$'000) (Note 5)*	**15,214**	67,606	29,444

Notes:

1. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of sales (except Synertone1's leasing costs and costs related to provision of safe communication technologies) for the year and multiplied by 365 days.

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

3. Calculation was based on the average of the trade payables balance at the beginning and the end of the relevant year divided by costs of sales (except Synertone1's leasing costs) for the year and multiplied by 365 days.

4. Calculation was based on total bank borrowings and finance lease payables, net of cash and cash equivalents at the end of the relevant year, over total equity at the end of the relevant year.

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

CHAIRMAN'S STATEMENT

To Shareholders,

On behalf of the board of directors (the "Board") of Synertone Communication Corporation (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2016.

FINANCIAL REVIEW

The Group recorded a revenue of approximately HK$106.4 million for the year ended 31 March 2016, representing a decrease of approximately HK$223.3 million or 67.7% as compared to approximately HK$329.7 million for the year ended 31 March 2015. It was mainly attributable to the technology upgrade for Synertone 1 satellite system during the year which resulted in the suspension of some business and the adjustment of some business market and opportunities, leading to lower revenue.

The gross profit of the Group decreased by approximately HK$177.1 million or 106.7% from a gross profit of approximately HK$165.9 million for the year ended 31 March 2015 to a gross loss of approximately HK$11.1 million for the year ended 31 March 2016, mainly attributable to the decrease in income from Synertone 1 satellite system and digital trunking system. And the gross profit margin of the Group dropped from approximately 50.3% for the year ended 31 March 2015 to a gross loss margin of approximately 10.5% for the year ended 31 March 2016.

The Group recorded the loss attributable to the owner of the Company of approximately HK$469.7 million for the year ended 31 March 2016, while the profit attributable to the owner of the Company for the last financial year was approximately HK$33.7 million.

On 28 April 2016, the Company completed the rights issue of 1,674,400,000 rights shares at the subscription price of HK$0.125 per rights share on the basis of 1 rights share for every one share held on the record date. The net proceeds, after deducting all necessary expenses, raised from the Rights Issue were approximately HK$206.2 million, which were intended to be used according to the prospectus of the Company dated 7 April 2016.

BUSINESS REVIEW

Chinese economic fluctuations and economic reform is keep going. The market demand on our various products in China was affected by the fluctuation of the economic environment. And the Group's commencement of the comprehensive technology upgrade for Synertone 1 satellite system during the year and the suspension of part of its business due to the upgrade. In addition, the Group, through its newly acquired subsidiaries, MOX Products Pty Limited ("MOX") and Sense Field Group Limited ("Sense Field"), is engaged in building intelligence and security alarm industry solutions, smart home system solutions, industrial control system solutions, and internet-based intelligent management solutions.

The sales of the Synertone 1 satellite system decreased by approximately HK$136.3 million or 89.9% from approximately HK$151.6 million for the year ended 31 March 2015 to approximately HK$15.3 million for the year ended 31 March 2016. It was mainly due to the Group's commencement of the comprehensive technology upgrade for Synertone 1 satellite system from the second half of 2015, and the suspension of part of its business due to the upgrade.

The sales of VSAT satellite system decreased by approximately HK$19.6 million or 94.2% from approximately HK$20.8 million for the year ended 31 March 2015 to approximately HK$1.2 million for the year ended 31 March 2016. It was mainly due to the Group's commencement of the comprehensive technology upgrade for Synertone 1 satellite system, and the supplementary VSAT satellite terminals for Synertone 1 satellite system was in synchronous development and upgrade. It will start selling after the first phase of the upgrade is completed, which is expected to be finished before the end of 2016.

The sales of digital trunking system decreased by approximately HK$95.4 million or 71.0% from approximately HK$134.4 million for the year ended 31 March 2015 to approximately HK$39.0 million for the year ended 31 March 2016. It was mainly due to the dampened demand from certain major customers as a result of the economic fluctuations and economic reform. The Company received only a small amount of orders from the second half of 2015.

The sales of systems technologies decreased by approximately HK$17.7 million or 100% from approximately HK$17.7 million for the year ended 31 March 2015 to approximately HK$0 million for the year ended 31 March 2016, primarily as a result of no technologies being licensed to the Group's customers for the year ended 31 March 2016, as compared to three technologies being licensed for the year ended 31 March 2015.

The sales of other accessory parts and components decreased by approximately HK$4.1 million or 180.4% from approximately HK$5.1 million for the year ended 31 March 2015 to approximately HK$1 million for the year ended 31 March 2016.

During the year under review, building intelligence and smart home business recorded an income of HK$32.9 million.

During the year under review, industrial control system business recorded an income of HK$17.0 million.

PROSPECTS

Looking forward, the Group expects that the technology upgrade of Synertone 1 satellite system will be completed in stages and the new high-throughput satellite (HTS) system products and integrated satellite solutions will be available to the customers from various industries. The recent innovation in technologies for the satellite industry will usher in a brand new era in satellite broadband communications. The Group is poised to seize the opportunities to gain greater achievements by promoting its newly developed products and upgraded systems, through constant innovation in its technology, business and services.

Wong Chit On
Chairman

15 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of integrated satellite broadband communication systems. The Group provides customers with (i) the high-throughput satellite (HTS) bandwidth transmission services; (ii) satellite broadband Internet access and applications; (iii) ground equipment and solutions for satellite communications; and (iv) building intelligence and industrial control systems and solutions. Through its own research and development efforts as well as the acquisition of the related intellectual property rights and technologies from third parties, the Group designs and develops products, solutions and services for satellite broadband communication systems. The Group also provides specialised communications network designs and implementation solutions to address the specific needs of its customers. In addition, the Group, through its newly acquired subsidiaries, MOX Products Pty Limited ("MOX") and Sense Field Group Limited ("Sense Field"), is engaged in building intelligence and security alarm industry solutions, smart home system solutions, industrial control system solutions, and internet-based intelligent management solutions.

The principal businesses of the Group include (i) Synertone 1 satellite system business; (ii) the VSAT satellite system business; (iii) building intelligence and smart home business; (iv) industrial control system business; (v) the digital trunking system business; and (vi) other ancillary businesses.

SYNERTONE 1 SATELLITE SYSTEM

Synertone 1 satellite system business mainly provides customers with (i) the high-throughput satellite (HTS) bandwidth transmission service; and (ii) the satellite broadband Internet access and applications.

The Company has entered into a memorandum of understanding with Gilat Satellite Networks Ltd. ("Gilat"), a public company headquartered in Israel that develops and sells a wide range of satellite ground segment equipment and Very Small Aperture Terminal, on 20 November 2015 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. On the same date, the Group has also 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). The purchase of equipment from Gilat under the sales agreement represent part of the Group's ordinary investments in upgrading its ground network segment of Synertone 1 satellite and thereby increase the capacity of Synertone 1 satellite substantially, allowing it to support more application scenarios, and improve the service quality. Details of the aforesaid memorandum of understanding and sales agreement are set out in the Company's announcement dated 20 November 2015. The upgrade has begun from December 2015, and been carried out in phases. To address the highmarket demand, the whole progress has been expedited. A preliminary upgrade has been finished and it enabled the Group to perform business demonstrations for different clients. The first major upgrade phase will be finished before the end of 2016, which will give the Group the ability to operate across China with an upgraded network with all the important features enabled.

The sales of the Synertone 1 satellite system decreased by approximately HK$136.3 million or 89.9% from approximately HK$151.6 million for the year ended 31 March 2015 to approximately HK$15.3 million for the year ended 31 March 2016. It was mainly due to the Group's commencement of the comprehensive technology upgrade for Synertone 1 satellite system from the second half of 2015, and the suspension of part of its business due to the upgrade.

VSAT SATELLITE SYSTEM

VSAT satellite system is a component of the broadband satellite communication system, which enables and maintains communication in-motion. The Group provides different solutions to various applications with different VSAT satellite systems, including (i) vehicle satellite communication system; (ii) shipping satellite communication system; and (iii) fixed station satellite communication system.

During the year under review, the Group focused on the development of the VSAT satellite system and the technology upgrades for Synertone 1 satellite system, and completed the design and development of a wide range of VSAT satellite products to meet the application requirements of the upgraded Synertone 1 satellite system.

The sales of VSAT satellite system decreased by approximately HK$19.6 million or 94.2% from approximately HK$20.8 million for the year ended 31 March 2015 to approximately HK$1.2 million for the year ended 31 March 2016. It was mainly due to the Group's commencement of the comprehensive technology upgrade for Synertone 1 satellite system, and the supplementary VSAT satellite terminals for Synertone 1 satellite system which were in synchronous development and upgrade. It will start selling after the first phase of the upgrade is complete.

INDUSTRIAL CONTROL SYSTEM BUSINESS THROUGH MOX

Industrial control system business mainly provides customers with (i) automation hardware and software products and information system platform, as well as (ii) the industrial and monitoring and scheduling management system solutions for municipal utilities industry.

The Group has acquired 100% equity interests in MOX from an independent vendor at a consideration of HK$302 million, payable by issuing 604,000,000 consideration shares at the issue price of HK$0.50 each on 17 July 2015 ("Acquisition of 100% interest in MOX"). MOX, through its 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.) ("Hangzhou Wankesi"), is principally engaged in the design, development and sales of automation control systems for industrial use. As a result, 604,000,000 consideration shares have been issued as consideration upon the completion of the acquisition on 17 July 2015. Such acquisition would enable the Group to broaden its customer base by integrating Hangzhou Wankesi's existing customers which have strong demand for the Group's existing products and the automation control systems provided by Hangzhou Wankesi would become more reliable and efficient with the support of Synertone 1 satellite bandwidth. Details of the Acquisition of 100% interest in MOX and the issue of 604,000,000 consideration shares are set out in the Company's announcements dated 30 June 2015, 3 July 2015 and 17 July 2015.

During the year under review, industrial control system business recorded an income of HK$17.0 million.

DIGITAL TRUNKING SYSTEM

Digital trunking system is designed to meet the demand from governmental departments, public utility institutions and business enterprises for public safety and emergency communications. 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.

The turnover of digital trunking system decreased by approximately HK$95.4 million or 71.0% from approximately HK$134.4 million for the year ended 31 March 2015 to approximately HK$39.0 million for the year ended 31 March 2016. It was mainly due to the dampened demand from certain major customers as a result of the economic fluctuations and economic reform. The Company received only a small amount of orders from the second half of 2015.

BUILDING INTELLIGENCE AND SMART HOME BUSINESS THROUGH SENSE FIELD

Building intelligence and smart home business mainly provides customers with (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home devices and systems for households.

The Group has acquired 49% equity interests in Sense Field from independent vendors at a consideration of HK$195 million, payable by issuing 1,323,000,000 consideration shares at the issue price of approximately HK$0.1474 each on 16 December 2015 ("Acquisition of 49% interest in Sense Field"). Sense Field and its group of companies ("SF Group") are principally engaged in the research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for building across the PRC. As a result, 1,323,000,000 consideration shares have been issued as consideration upon the completion of the acquisition on 16 December 2015. Such acquisition would enable the Group to diversify its customers' base in the private sector, particularly with regard to property development companies in the PRC, and also to provide services to the existing and potential customers of SF Group through the Group's existing satellite communication capabilities. Details of the Acquisition of 49% interest in Sense Field and the issue of 1,323,000,000 consideration shares are set out in the Company's announcements dated 27 November 2015 and 16 December 2015.

During the year under review, building intelligence and smart home business recorded an income of HK$32.9 million.

The sales of systems technologies decreased by approximately HK$17.7 million or 100% from approximately HK$17.7 million for the year ended 31 March 2015 to approximately HK$NIL for the year ended 31 March 2016, primarily as a result of no technologies being licensed to the Group's customers for the year ended 31 March 2016, as compared to three technologies being licensed for the year ended 31 March 2015, mainly due to the sales of systems technologies, which are depending on customer's requirement, and was non-recurring.

The sales of other accessory parts and components decreased by approximately HK$4.1 million or 180.4% from approximately HK$5.1 million for the year ended 31 March 2015 to approximately HK$1 million for the year ended 31 March 2016. It was mainly due to the decrease of digital trunking system.

OTHER SIGNIFICANT EVENTS

TERMINATION OF THE SUBSCRIPTION AGREEMENT RELATING TO THE CONVERTIBLE BONDS

On 15 January 2014, the Group and Regal Force Limited (the "Subscriber") entered into a subscription agreement ("Subscription Agreement"), pursuant to which the Company had agreed to issue and Regal Force Limited had agreed to subscribe for the convertible bonds in the aggregate principal amount of HK$500,000,000 ("Convertible Bonds") in tranches in accordance with the written demands to be made by the Company within 2 years from 15 January 2014. During the year ended 31 March 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 and the Subscriber subsequently exercised the conversion rights attached to the Convertible Bonds to convert an aggregate principal amount of HK$50,000,000 of the Convertible Bonds into 125,000,000 conversion shares 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.

TERMINATION OF THE MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE SUBSCRIPTION OF NEW SHARES

On 10 October 2014, the Company and Mr. Wong Chit On ("Mr. Wong"), the Chairman of the Board and an executive Director, entered into the memorandum of understanding ("MOU") (which is legally binding) with an independent 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 by cash. On 10 April 2015, the parties entered into a supplemental MOU 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 parties have not reached an agreement for further extension, the MOU was terminated on 6 June 2015.

PROSPECTS

Looking forward, the Group expects that the technology upgrade of Synertone 1 satellite system will be completed in stages and the new high-throughput satellite (HTS) system products and integrated satellite solutions will be available to the customers from various industries. The recent innovation in technologies for the satellite industry will usher in a brand new era in satellite broadband communications. The Group is poised to seize the opportunities to gain greater achievements by promoting its newly developed products and upgraded systems, through constant innovation in its technology, business and services.

FINANCIAL REVIEW

TURNOVER

The Group recorded a revenue of approximately HK$106.4 million for the year ended 31 March 2016, representing a decrease of approximately HK$223.3 million or 67.7% as compared to approximately HK$329.7 million for the year ended 31 March 2015. It was mainly attributable to the technology upgrade for Synertone 1 satellite system during the year which resulted in the suspension of some business and the adjustment of some business market and opportunities, leading to lower revenue.

During the year ended 31 March 2016, the Group derived its revenue substantially from digital trunking system and building intelligence and smart home. The following table sets forth a breakdown of revenue by product category for the years presented:

	2016		2015	
	HK$'000	**%**	HK$'000	%
Digital trunking system	**39,011**	**36.7**	134,376	40.8
VSAT satellite system	**1,195**	**1.1**	20,845	6.3
Systems technologies	**–**	**–**	17,664	5.4
Synertone 1 satellite system	**15,308**	**14.4**	151,635	46.0
Building intelligence and smart home	**32,896**	**30.9**	–	–
Industrial control system	**17,011**	**16.0**	–	–
Other accessory parts and components	**955**	**0.9**	5,147	1.5
	106,376	**100.0**	329,667	100.0

The sales of the Synertone 1 satellite system decreased by approximately HK$136.3 million or 89.9% from approximately HK$151.6 million for the year ended 31 March 2015 to approximately HK$15.3 million for the year ended 31 March 2016. It was mainly due to the Group's commencement of the comprehensive technology upgrade for Synertone 1 satellite system from the second half of 2015, and the suspension of part of its business due to the upgrade.

The sales of VSAT satellite system decreased by approximately HK$19.6 million or 94.2% from approximately HK$20.8 million for the year ended 31 March 2015 to approximately HK$1.2 million for the year ended 31 March 2016. It was mainly due to the Group's commencement of the comprehensive technology upgrade for Synertone 1 satellite system, and the supplementary VSAT satellite terminals for Synertone 1 satellite system was in synchronous development and upgrade. It will start selling after the first phase of the upgrade is complete.

The sales of digital trunking system decreased by approximately HK$95.4 million or 71.0% from approximately HK$134.4 million for the year ended 31 March 2015 to approximately HK$39.0 million for the year ended 31 March 2016. It was mainly due to the dampened demand from certain major customers as a result of the economic fluctuations and economic reform. The Company received only a small amount of orders from the second half of 2015.

The sales of systems technologies decreased by approximately HK$17.7 million or 100% from approximately HK$17.7 million for the year ended 31 March 2015 to approximately HK$0 million for the year ended 31 March 2016, primarily as a result of no technologies being licensed to the Group's customers for the year ended 31 March 2016, as compared to three technologies being licensed for the year ended 31 March 2015, mainly due to the sales of systems technologies, which are depending on customer's requirement, and was non-recurring.

The sales of other accessory parts and components decreased by approximately HK$4.1 million or 180.4% from approximately HK$5.1 million for the year ended 31 March 2015 to approximately HK$1 million for the year ended 31 March 2016. It was mainly due to the decrease of digital trunking system.

COST OF SALES

Cost of sales of the Group comprises costs of raw materials, labour costs, manufacturing overheads and amortisation of intangible assets. It decrease by approximately HK$46.2 million or 28.2% from approximately HK$163.7 million for the year ended 31 March 2015 to approximately HK$117.5 million for the year ended 31 March 2016, mainly attributable to the decrease of revenue.

GROSS (LOSS)/PROFIT AND GROSS (LOSS)/PROFIT MARGIN

As a result of the foregoing factors, the gross profit of the Group decreased by approximately HK$177.1 million or 106.7% from a gross profit of approximately HK$165.9 million for the year ended 31 March 2015 to a gross loss of approximately HK$11.1 million for the year ended 31 March 2016, mainly attributable to the decrease in income from Synertone 1 satellite system and digital trunking system. And the gross profit margin of the Group dropped from approximately 50.3% for the year ended 31 March 2015 to a gross loss margin of approximately 10.5% for the year ended 31 March 2016.

OTHER REVENUE

The other revenue of the Group amounted to approximately HK$23.9 million for the year ended 31 March 2016, representing a decrease of approximately HK$0.7 million or 2.9% from approximately HK$24.6 million for the year ended 31 March 2015.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses of the Group increased by approximately HK$1.1 million or 15.7% from approximately HK$7.0 million for the year ended 31 March 2015 to approximately HK$8.1 million for the year ended 31 March 2016, mainly due to the new business acquisitions which led to an expansion of the scale during the year.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other operating expenses of the Group increased by approximately HK$16.8 million or 24.4% from approximately HK$68.9 million for the year ended 31 March 2015 to approximately HK$85.7 million for the year ended 31 March 2016, mainly attributable to the new business acquisitions which led to an expansion of the scale during the year.

RESEARCH AND DEVELOPMENT EXPENDITURE

The research and development expenditure of the Group surged by approximately HK$5.2 million or 18.4% from approximately HK$28.3 million for the year ended 31 March 2015 to approximately HK$33.5 million for the year ended 31 March 2016. 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 to developing future new products, with a view to minimising the decline in and fluctuations of the life cycles and competitiveness of the products.

IMPAIRMENT LOSS OF TRADE RECEIVABLES

For the year ended 31 March 2016, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2015: 30 to 180 days). A longer credit period of 181 to 365 days (2015: 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.

As at 31 March 2016, trade receivables amounting to HK$61.2 million (2015: HK$Nil) were individually determined to be impaired. The individually impaired receivables were outstanding beyond its credit period and without any repayment subsequent to the year end date. Accordingly, specific allowances for doubtful debts of HK$61,207,000 (2015: HK$Nil) were recognised. The Directors will take further possible actions to follow up those impaired receivables.

IMPAIRMENT LOSS OF PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2016, property, plant and equipment amounting to HK$45.4 million (2015: HK$Nil) were determined to be impaired. Impairment losses on property, plant and equipment in respect of the Group's digital trunking system and VSAT satellite system reportable segments have been recognised during the year ended 31 March 2016 which are based on value in use calculations and made reference to a valuation performed by an independent professional valuer. The impairment losses primarily arose as a result of the significant drop in demand and change in operating environment of customers in the near term. These calculations used cash flow projections based on financial forecasts prepared by management for the next five years, discounted using a pretax discount rate of 17.81%. Cash flows beyond the 5-year period were extrapolated using a growth rate of 3%. The discount rate used reflects specific risks relating to the relevant assets.

IMPAIRMENT LOSS OF INTANGIBLE ASSETS

As at 31 March 2016, intangible assets amounting to HK$204.0 million (2015: HK$Nil) were determined to be impaired. Impairment losses in respect of the Group's rights to use Synertone 1 satellite bandwidth related to Synertone 1 satellite system reportable segment has been recognised during the year ended 31 March 2016 primarily arose from the change in Group's operating strategy and upgrade of Synertone 1 satellite system. The impairment loss was provided based on value in use calculations with reference to a valuation report issued by an independent appraisal firm. These calculations used cash flow projections based on financial forecasts prepared by management cover the life of the intangible assets for a 9.5-year period and a discount rate of 15.23% has been applied. The discount rate used reflects specific risks relating to the relevant assets.

IMPAIRMENT LOSS OF GOODWILL

As at 31 March 2016, goodwill amounting to HK$31.1 million (2015: HK$Nil) were determined to be impaired, it was under provision of safe communication technologies cash generating unit .The recoverable amount of the cash generating units is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating units operates.

Based on management's assessment and by reference to the calculations performed by an independent appraisal firm, ROMA Appraisal Limited, the carrying amounts of provision of safe communication technologies exceeded its recoverable amount as at 31 March 2016, the Group recognised impairment loss of HK$31.1 million under provision of safe communication technologies cash generating unit.

FINANCE COSTS

The finance costs of the Group was HK$14.3 million for the year ended 31 March 2016, mainly attributable to the finance fee of approximately HK$9.7 million mainly in relation to the finance charges on finance lease payable of acquisition of Synertone 1 satellite bandwidth resources.

INCOME TAX

The tax expense of the Group decreased by approximately HK$28.4 million or 94.7% from approximately HK$30.0 million for the year ended 31 March 2015 to approximately HK$1.6 million for the year ended 31 March 2016, mainly attributable to the decrease in direct tax expense as a result of the decreased in revenue.

LOSS FOR THE YEAR

Given the foregoing factors, the Group recorded the loss attributable to the owner of the Company of approximately HK$469.7 million for the year ended 31 March 2016, while the profit attributable to the owner of the Company for the last financial year was approximately HK$33.7 million.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

SHARE CONSOLIDATION

At an extraordinary general meeting held on 23 March 2016 ("EGM"), the shareholders of the Company ("Shareholders") approved an ordinary resolution to consolidate every five (5) issued and unissued shares of par value of HK$0.01 each ("Old Shares") into one (1) consolidated share of par value of HK$0.05 each ("Shares") ("Share Consolidation"). Prior to the Share Consolidation, the authorised share capital of the Company was HK$200,000,000 divided into 20,000,000,000 Old Shares, of which 8,372,000,000 Old Shares were in issue and were fully paid or credited as fully paid. Upon the implementation of the Share Consolidation on 24 March 2016, the authorised share capital of the Company had become HK$200,000,000 divided into 4,000,000,000 Shares and the number of issued Shares (which were fully paid or credited as fully paid) was reduced to 1,674,400,000.

INCREASE IN AUTHORISED SHARE CAPITAL

At the EGM, the Shareholders also passed an ordinary resolution to increase the authorised share capital of the Company which took effect immediately after the Share Consolidation on 24 March 2016, such that the authorised share capital of the Company was increased from HK$200,000,000 divided into 4,000,000,000 Shares to HK$400,000,000 divided into 8,000,000,000 Shares by the creation of an additional 4,000,000,000 Shares ("Increase in Authorised Share Capital"), which rank pari passu in all respects with each other.

Further details on the Share Consolidation and Increase in Authorised Share Capital are set out in the Company's announcements dated 5 February 2016 and 23 March 2016, and the Company's circular dated 7 March 2016.

RIGHTS ISSUE

At the EGM, the independent Shareholders also passed an ordinary resolution which subject to, amongst others, the Share Consolidation and the Increase in Authorised Share Capital becoming effective, to implement a rights issue, by way of the issue of not less than 1,674,400,000 Shares and not more than 1,829,279,995 Shares ("Rights Shares"), on the basis of one Rights Share for every one Share held on the record date i.e. 6 April 2016 ("Record Date") at the subscription price of HK$0.125 per share ("Rights Issue") to raise a minimum gross proceeds of approximately HK$209.3 million. Pursuant to the ordinary resolution approving the Right Issue, the Company provisionally allotted to the qualifying shareholders one (1) Rights Share in nil-paid form for every one (1) Share in issue and held on the Record Date, as detailed in the prospectus of the Company dated 7 April 2016 (the "Prospectus"). Pursuant to the underwriting agreement dated 5 February 2016 (as supplemented on 26 February 2016) entered into between the Company and Excel Time Investments Limited ("Underwriter"), a company whose entire issued share capital is beneficially owned by Mr. Wong, the Rights Issue was fully underwritten.

The Rights Issue was subsequently completed on 28 April 2016 and a total of 1,674,400,000 Rights Shares were issued. The net proceeds, after deducting all necessary expenses, raised from the Rights Issue were approximately HK$206.2 million, which were intended to be used according to the prospectus of the Company dated 7 April 2016. Details of the Rights Issue were set out in the Company's announcements dated 5 February 2016, 23 March 2016 and 28 April 2016, the Company's circular dated 7 March 2016 and the Company's prospectus dated 7 April 2016.

As at 31 March 2016, the Company's total issued shares were 1,674,400,000 Shares (31 March 2015: 6,445,000,000 Old Shares). As disclosed above, during the year under review, the Company completed the Acquisition of 100% interest in MOX and the Acquisition of 49% interest in Sense Field and 604,000,000 Old Shares and 1,323,000,000 Old Shares were issued on 17 July 2015 and 16 December 2015 respectively.

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 current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2016 was approximately 1.1 (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 31 March 2016 was 130.8% (31 March 2015: 82.2%).

The following table summarises the cash flows for the two years ended 31 March 2015 and 2016:

	2016 **HK$'000**	2015 HK$'000
Net cash (used in)/generated from operating activities	**(15,945)**	22,817
Net cash generated from/(used in) investing activities	**5,074**	(66,906)
Net cash (used in)/generated from financing activities	**(24,189)**	7,768

OPERATING ACTIVITIES

Net cash used in operating activities amounted to approximately HK$15.9 million for the year ended 31 March 2016 compared to net cash generated from operating activities amounted to approximately HK$22.8 million for the year ended 31 March 2015.

INVESTING ACTIVITIES

Net cash generated from investing activities amounted to approximately HK$5.1 million for the year ended 31 March 2016 compared to net cash used in investing activities amounted to approximately HK$66.9 million for the year ended 31 March 2015. The decrease in the net cash used in investing activities was mainly attributable to the decrease of payment of the acquisition of subsidiaries.

FINANCING ACTIVITIES

Net cash used in financing activities amounted to approximately HK$24.2 million for the year ended 31 March 2016 compared to net cash generated from financing activities amounted to approximately HK$7.8 million for the year ended 31 March 2015.

DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2016, Derivative financial instruments amounting to HK$95.2 million (2015: HK$Nil) were recognized.

Derivative financial instruments represented the currently exercisable purchased call option over 51% voting power over Sense Field pursuant to the shareholders agreement entered into between the Group and the other shareholders of Sense Field. The call options are classified as derivative financial instruments and are carried at fair value. The fair value of the call options were calculated using the Binomial option pricing model by assuming the present value of business value for Sense Field, based on discounted cash flow forecast provided by management of the Group.

OTHER RECEIVABLE

The balance mainly represented other receivables from two independent third parties of approximately HK$92.8 million, mainly due to the Company will have opportunities to cooperate on acquiring some high-end technologies development orders.

In June 2015, the Group had entered into an agreement with an independent third party in relation to the co-operation of a tender project related to shipping dynamic information security system for digital trunking system. Pursuant to the terms of the agreement, the Group was required to prepay approximately HK$60.0 million to assist the independent third party to fulfil the application requirements for the project, and will be returned when the project start or lose. As at 31 March 2016, the Group prepaid approximately HK$60.1 million to the independent third party. Subsequent to the year-end date, the outstanding receivables was fully received by the Group as the timing of the project was uncertain and the parties thereby terminate the co-operation. In June 2015, the Group had also entered into an agreement with an independent third party in relation to the co-operation of a tender project related to digital trunking system. Pursuant to the terms of the agreement, the Group was required to prepay approximately HK$54.4 million to assist the independent third party to fulfil the application requirements for the project, and will be returned when the project start or lose. Further on 12 January 2016, the Group has entered into a termination agreement with the independent third party as a result of the failure in the tender. As at 31 March 2016, included in trade and other receivables were other receivables of approximately HK$30.6 million from the independent third party. Subsequent to the year-end date, the outstanding receivables was fully received.

BANK BORROWINGS

As at 31 March 2016, the Group had outstanding bank borrowings of HK$129.7 million, among which bank borrowings amounting to approximately HK$97.1 million were secured by the Group's assets.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group had no material contingent liabilities.

SIGNIFICANT CAPITAL EXPENDITURE FOR THE YEAR

Save as disclosed above, the Group has no significant capital expenditure commitments as at 31 March 2016.

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 2016.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2016, the Group had 465 employees. For the year ended 31 March 2016, the staff costs (including Directors' remuneration) of the Group amounted to approximately HK$65.2 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 2016, the Company had 68,600,000 share options outstanding under the share option scheme.

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.

EVENT AFTER THE REPORTING PERIOD

COMPLETION OF RIGHTS ISSUE

As disclosed above, the Rights Issue was subsequently completed on 28 April 2016 and a total of 1,674,400,000 new Shares were issued.

FURTHER ACQUISITION OF 36% INTEREST IN SENSE FIELD

As set out in the Company's prospectus dated 7 April 2016 in relation to the Rights Issue, the Company intends to raise additional fund to acquire future equity stakes in Sense Field beyond 50% thereby securing a control over the SF Group.

On 29 June 2016, the Company entered into a conditional agreement with the three current shareholders of Sense Field ("Vendors") for the acquisition of a further 36% equity interest in Sense Field for a consideration of HK$130 million to be satisfied by cash. The proposed acquisition is subject to the approval of the shareholders of the Company. The Directors are of the view that the proposed acquisition would enable the Group to consolidate and secure control over the SF Group which would allow it to better diversify its customers' base in the private sector, particularly with regard to property development companies in the PRC. Details of the proposed acquisition were set out in the announcement of the Company dated 29 June 2016. As at the date of the approval of these consolidated financial statements, the proposed acquisition has not yet completed and a circular containing more information on the proposed acquisition will be despatched to the shareholders of the Company in due course.

OTHER INFORMATION

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2016.

DIRECTORS

DIRECTOR

EXECUTIVE DIRECTORS

Wong Chit On (王浙安), (formerly known as Wang Gang Jun (王鋼軍)) aged 57, is the founder of the Group and was appointed as a director of the Company in October 2006 and is currently an executive Director and the Chairman of the Group. Until June 2015, he also served as Chief Executive Officer of the Company. He is also a director of certain subsidiaries of the Company. As Chairman, Mr. Wong is primarily responsible for formulating the overall corporate strategy of the Group and the management of the Board of the Company. Mr. Wong founded the Group in 2001 and has over 15 years of experience in the specialised communication industry. He was an executive director and the chairman of China Fortune Investments (Holding) Limited (中國幸福投資(控股)有限公司) (formerly known as China Public Healthcare (Holding) Limited (中國公共醫療(控股)有限公司), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 8116), Global Resources Development (Holding) Limited (大地資源發展(控股)有限公司) and Neolink Cyber Technology (Holding) Limited (優能數碼科技(控股)有限公司*)) from 1999 to 2001. In 2004, Mr. Wong was appointed as an adjunct professor of Harbin Institute of Technology Shenzhen Graduate School (哈爾濱工業大學深圳研究生院). From 2005 to 2009, Mr. Wong served as a committee member of electronics and communications specialist working committee of Shenzhen City Specialist Working Association (深圳市專家工作聯合會). In 2009, Mr. Wong was recognized as one of the "2009 Outstanding and Innovation Entrepreneur in China" (2009中國優秀創新企業家). Mr. Wong was nominated as the standing supervisor of the China Users Association for Communications Broadcasting & Television in December 2010. Save as disclosed herein, Mr. Wong did not hold any directorship in any other listed companies in the past three years.

Han Weining (韓衛寧), aged 54, was appointed as an executive Director and chief executive officer of the Company in February 2011 and June 2015, respectively. From 1989 to 2006, Mr. Han worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the director of Asia pacific region. Since 2006, Mr. Han has been an executive director of MOX Group in Australia. He graduated from Zhejiang University (浙江大學) with major in wireless electronic technology and Master Degree in Engineering in 1983 and 1986, respectively. He was elected as a member of the Institution of Engineers in Australia in 1994. Save as disclosed herein, Mr. Han did not hold any directorship in any other listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Lam Ying Hung Andy (林英鴻), aged 51, was appointed as an independent non-executive Director in February 2011. He is the chairman of the audit committee ("Audit Committee") and a member of each of the nomination committee ("Nomination Committee") and the remuneration committee of the Company ("Remuneration Committee"). Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry. Mr. Lam is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators (United Kingdom) and the Chartered Institute of Bankers. Mr. Lam obtained his postgraduate diploma in corporate administration, master degree of professional accounting and master degree in E-commerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. Mr. Lam is currently the managing consultant of Lontreprise Consulting Limited, and had been the finance director and administrative accountant in two logistics companies. Mr. Lam is currently an independent non-executive director of Xingfa Aluminum Holdings Limited (Stock Code: 0098) and Brilliant Circle Holdings International Limited (Stock Code: 1008), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Lam was also an independent non-executive director of Gamma Logistic Corporation (now known as Dafeng Port Heshun Technology Company Limited) (Stock Code: 8310), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, from 22 August 2013 to 12 June 2014. Save as disclosed herein, Mr. Lam did not hold any directorship in any other listed companies in the past three years.

Hu Yunlin (胡雲林), aged 53, was appointed as an independent non-executive Director in February 2011. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Hu graduated from People's Liberation Army Air Force Electronic Communication Engineering Institute (中國人民解放軍空軍電訊工程學院) in 1986, major in wireless electronic engineering. He has served as chief manager in Zhuhai Ji Di Te Communication Utilities Company Limited (珠海吉迪特通信器材有限公司) since 1995. He has also served as director in Zhuhai Gao Ling Information Technology Company Limited (珠海高淩資訊科技有限公司) since 2000. Save as disclosed herein, Mr. Hu did not hold any directorship in any other listed companies in the past three years.

Wang Chen (王忱), aged 51, was appointed as an independent non-executive Director in June 2015. He is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Wang holds a Bachelor of Engineering degree in Microwave Communication Engineering from PLA Institute of Communication Engineering (中國人民解放軍通信工程學院) (now known as PLA University of Science and Technology) and a degree of Executive Master of Business Administration (EMBA) from the School of Business, Sun Yat-Sen University (中山大學). From 1986 to 2006, he worked in the Information Technology Department of the People's Liberation Army General Staff. Mr. Wang is the Chairman of Guangzhou SKYI Information Technology Co., Ltd., a company established in 2006 and engages in development on software of quality assurance and general automated test system, since 2006. Save as disclosed herein, Mr. Wang did not hold any directorship in any other listed companies in the past three years.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present the Company's annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2016.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal operations of the Group are conducted in the PRC. The principal businesses of the Group include (i) Synertone 1 satellite system business; (ii) the VSAT satellite system business; (iii) building intelligence and smart home business; (iv) industrial control system business; (v) the digital trunking system business; and (vi) other ancillary businesses. Particulars of principal activities of the principal subsidiaries of the Company are set out in note 18 to the consolidated financial statements.

Further discussion and analysis of these activities, including an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group realised the importance of sufficient financial funding. The Group will keep on to monitor and measure the liquidity and funding risk in an on-going basis, and ensure a sufficient cash flow for the business operations.

Other risks and uncertainties are set out in note 34 to the consolidated financial statements.

KEY RELATIONSHIPS

(a) *Employees*

Human resources are one of the greatest assets of the Group and the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety. The Group maintains a good relationship with its employees. Staff salary payment and promotion will be measured against their progressive performance level, contribution, and achievement against the objectives set by the Group. The annual performance evaluation will be conducted annually.

(b) *Customers*

To maintain customer intimacy and keep good relationship with key customers, the Group has implemented a series of policies including the promotion of new products to customers, offered free testing and the provision of after sales and maintenance services.

(c) *Suppliers*

The Group has developed stable relationships with many of its key suppliers and implements stringent selection criteria for raw materials suppliers and product parts and components suppliers to maintain the quality of its products. The Group only procures raw materials and parts and components from suppliers who have passed its quality and reliability tests. The Group randomly inspects test samples of raw materials and product parts from its suppliers and return these that do not pass the inspection. Every year the Group will also conduct annual appraisal on key suppliers and new suppliers so as to ensure materials produced by those suppliers are in line with the Group's quality requirement.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

As a responsible corporation, the Group is committed to maintain the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 March 2016 and up to the date of this annual report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 37 and 38 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2016.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 122 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2016, together with the reasons therefor, are set out in note 32 and note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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 2016.

RESERVES

The movements in the reserves of the Company and the Group during the year are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was approximately HK$214,421,000 (2015: HK$254,139,000).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2016, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 3.7% (2015: 20.5%) and 13.5% (2015: 57.9%) of the Group's total purchases respectively.

For the year ended 31 March 2016, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 22.9% (2015: 43.0%) and 54.9% (2015: 95.3%) of the Group's total turnover respectively.

At all time during the year ended 31 March 2016, none of the Directors or any of their associates or any Shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Wong Chit On *(Chairman)*
Mr. Han Weining *(Chief Executive Officer)*
Dr. Wang Shaodong (resigned on 2 June 2015)
Mr. Xia Liangbing (resigned on 26 May 2015)

NON-EXECUTIVE DIRECTOR

Mr. Zhang Xuebin (resigned on 2 June 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Wang Chen (appointed on 25 June 2015)
Mr. Cai Youliang (resigned on 25 June 2015)

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

In accordance with the Articles of Association, Mr. Wong Chit On and Mr. Lam Ying Hung Andy will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during the year ended 31 March 2016.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2016.

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

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company in any of the Company's Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571, Laws of Hong Kong ("SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

(A) LONG POSITIONS IN SHARES

Name of Director	Capacity/Nature of interest	Number and class of Shares/ underlying Shares held	Approximate percentage of shareholding
Mr. Wong Chit On	Interest of controlled corporation *(Note 1)*	246,000,000	14.69%
	Interest of controlled corporation *(Note 1)*	1,828,879,995 *(Note 2)*	43.27% *(Note 3)*

Notes:

1. These interest in Shares are held by Excel Time Investments Limited ("Excel Time"), which is wholly and beneficially owned by Mr. Wong Chit On. By virtue of the SFO, Mr. Wong Chit On is deemed to be interested in these 246,000,000 Shares and 1,828,879,995 underlying Shares. Mr. Wong Chit On is the sole director of Excel Time.

2. These include the interests of Excel Time in (i) 246,000,000 Rights Shares under the irrevocable undertaking given by Excel Time to the Company of its acceptance of the Rights Shares under the Rights Issue; and (ii) a maximum of 1,582,879,995 Rights Shares underwritten by Excel Time as the underwriter of the Rights Issue under the underwriting agreement entered into between the Company and Excel Time dated 5 February 2016 (as supplemented on 26 February 2016) in relation to the Rights Issue ("Underwriting Agreement").

3. The percentage shareholding in the Company is calculated based on the assumption of (i) full exercise of the subscription rights attached to the share options granted pursuant to the share option scheme of the Company adopted on 22 March 2012 which have been validly vested to the holders entitling them to subscribe for Shares on or before the record date of the Rights Issue and the outstanding unlisted warrants issued by the Company; and (ii) completion of the Rights Issue.

(B) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS

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

(C) LONG POSITIONS IN SHARE OPTIONS

Name of Directors	Date of grant	Exercise price (HK$)	Exercisable period	Outstanding as at 31.3.2016
Mr. Wong Chit On	24.12.2013	2.50	24.12.2015 — 23.12.2018	1,200,000
Mr. Han Weining	24.12.2013	2.50	24.12.2015 — 23.12.2018	1,200,000
Mr. Lam Ying Hung Andy	24.12.2013	2.50	24.12.2015 — 23.12.2018	1,200,000
Mr. Hu Yunlin	24.12.2013	2.50	24.12.2015 — 23.12.2018	1,200,000

Save as disclosed above, as at 31 March 2016, 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.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the paragraph headed "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 during the year 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 and fellow 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.

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 31 March 2016, 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:

Name of Shareholders	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding
Excel Time *(Note 2)*	Beneficial owner	246,000,000 (L) 1,828,879,995 (L) *(Note 3)*	14.69% 43.27% *(Note 4)*
Ms. Ni Yunzi	Beneficial owner	120,000,000 (L)	7.17%
UBS AG	Beneficial owner Beneficial owner Person having a security interest	200,828 (L) 200,000 (S) 104,187,200 (L)	0.01% 0.01% 6.22%
UBS Group AG	Person having a security interest Interest of a controlled corporation	105,187,200 (L) 447,200 (L) 446,400 (S)	6.28% 0.03% 0.03%
Joy Power International Limited	Beneficial owner	96,160,000	5.74%
Xiong Sylvia Wei	Beneficial owner	129,600,000 (L)	7.74%
Cheng Edward	Beneficial owner	108,000,000 (L)	6.45%
CITIC Capital Management Limited	Beneficial owner	132,000,000 (L) *(Note 5)*	7.88%

Notes:

1. The Letter (L) denotes a long position and the letter (S) denotes short position.

2. All the issued share capital of Excel Time is owned by Mr. Wong Chit On.

3. These include the interests of Excel Time in (i) 246,000,000 Rights Shares under the irrevocable undertaking given by Excel Time to the Company its acceptance of the Rights Shares under the Rights Issue; and (ii) a maximum of 1,582,879,995 Rights Shares underwritten by Excel Time as the underwriter of the Rights Issue under the Underwriting Agreement.

4. The percentage shareholding in the Company is calculated based on the assumption of (i) full exercise of the subscription rights attached to the share options granted pursuant to the share option scheme of the Company adopted on 22 March 2012 which have been validly vested to the holders entitling them to subscribe for Shares on or before the record date of the Rights Issue and the outstanding unlisted warrants issued by the Company; and (ii) completion of the Rights Issue.

5. 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 Old Shares (restated to 132,000,000 Shares following the Share Consolidation).

Save as disclosed herein, as at 31 March 2016, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

Category of participants	Date of grant of share options	Exercisable period *(Note 2)*	Exercise price (HK$) *(Note 1)*	Outstanding as at 01.04.2015	Granted during the year	Cancelled during the year	Lapsed during the year	Adjustment due to Share Consolidation *(Note 1)*	Outstanding as at 31.03.2016
Directors									
Mr. Wong Chit On	24.12.2013	24.12.2015–23.12.2018	2.50	6,000,000	–	–	–	(4,800,000)	1,200,000
Mr. Han Weining	24.12.2013	24.12.2015–23.12.2018	2.50	6,000,000	–	–	–	(4,800,000)	1,200,000
Dr. Wang Shaodong	24.12.2013	24.12.2015–23.12.2018	2.50	6,000,000	–	–	(6,000,000)	–	–
Mr. Zhang Xuebin	24.12.2013	24.12.2015–23.12.2018	2.50	60,000,000	–	–	(60,000,000)	–	–
Mr. Lam Ying Hung Andy	24.12.2013	24.12.2015–23.12.2018	2.50	6,000,000	–	–	–	(4,800,000)	1,200,000
Mr. Hu Yunlin	24.12.2013	24.12.2015–23.12.2018	2.50	6,000,000	–	–	–	(4,800,000)	1,200,000
Mr. Cai Youliang	24.12.2013	24.12.2015–23.12.2018	2.50	6,000,000	–	–	(6,000,000)	–	–
Sub-total				96,000,000	–	–	(72,000,000)	(19,200,000)	4,800,000
Employees									
In aggregate	24.12.2013	24.12.2015–23.12.2018	2.50	311,350,000	–	–	(112,350,000)	(159,200,000)	39,800,000
Other Participants									
In aggregate	24.12.2013	24.12.2015–23.12.2018	2.50	120,000,000	–	–	–	(96,000,000)	24,000,000
Total				527,350,000	–	–	(184,350,000)	(274,400,000)	68,600,000

Notes:

1. Number of Shares that can be subscribed for upon exercise of the outstanding share options stated in table above and exercise price are restated taking into adjustments as a result of the Share Consolidation which took place during the year.

2. 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.

During the year, the Group recognized the net expenses of HK$8,067,000 (2015: HK$8,128,000) in relation to share options granted.

As at 31 March 2016, the total number of Shares available for issue under the Share Option Scheme was 120,000,000 Shares (including 68,600,000 Shares to be issued upon exercise of the outstanding share options granted under the Share Option Scheme), representing approximately 7.17% and 3.58% of the Shares in issue as at 31 March 2016 and 15 August 2016, being the date of this report, respectively.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in Director's information since the date of the 2015 interim report of the Company is set out below:

— With effect from 1 July 2016, annual director's remuneration of Mr. Han Weining, the Chief Executive Officer and an executive Director, increased from HK$1,200,000 to HK$1,800,000 with effect from 1 July 2016.

Save as disclosed above, there were no substantial changes to the Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

A report on the principal corporate governance practice adopted by the Company is set out on pages 27 to 34 of this annual report.

CONNECTED TRANSACTION

During the year ended 31 March 2016, the Directors are not aware of any transactions of the Group which constituted non-exempt connected transactions or non-exempt continuing connected transactions under the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2016, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are set out in note 37 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period up to the date of this annual report are set out in note 39 to the consolidated financial statements of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an Audit Committee. The Audit Committee comprised three independent non-executive Directors, namely Mr. Lam Ying Hung Andy (Chairman), Mr. Hu Yunlin and Mr. Wang Chen. An Audit Committee meeting was held on 15 August 2016 to review the Company's annual report and consolidated financial statements for the year ended 31 March 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient public float as required under the Listing Rules during the year ended 31 March 2016 and up to the date of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2016 were audited by CCIF CPA Limited. CCIF CPA Limited shall retire and a resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to reappoint CCIF CPA Limited as the auditor of the Company.

On behalf of the Board

Wong Chit On
Chairman

15 August 2016

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board believes that the Company was in compliance with all the applicable code provisions as set out in the CG Code during the year ended 31 March 2016 apart from code provisions A.2.1 and E.1.2 as disclosed below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2016.

BOARD OF DIRECTORS

(A) THE COMPOSITION OF THE BOARD

As at 30 June 2015, the Board comprises two executive Directors and three independent non-executive Directors. The Board members during the year and up to the date of this annual report, 30 June 2016, were:

Executive Directors
Mr. Wong Chit On *(Chairman)*
Mr. Han Weining *(Chief Executive Officer)*
Dr. Wang Shaodong (resigned on 2 June 2015)
Mr. Xia Liangbing (resigned on 26 May 2015)

Non-Executive Director
Mr. Zhang Xuebin (resigned on 2 June 2015)

Independent Non-Executive Directors
Mr. Lam Ying Hung Andy
Mr. Hu Yunlin
Mr. Wang Chen (appointed on 25 June 2015)
Mr. Cai Youliang (resigned on 25 June 2015)

Each Director possesses skills and experience appropriate to the business of the Group and the biographical details of the Directors and senior management, as at the date of this annual report, are set out on pages 16 to 17 of this annual report.

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

(B) RESPONSIBILITY OF DIRECTORS

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

Training and Continuous Development for Directors

Each newly appointed Director is provided with comprehensive induction to ensure that he has a proper understanding of the operations and businesses of the Group as well as his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. As at the date of this report, the Company has received the completed continuous professional development records from each of the Directors as a record of training (in the form of reading materials relating to rules and regulations and discharge of directors' duties and responsibilities) they received for the year ended 31 March 2016.

(C) BOARD MEETINGS AND GENERAL MEETING

In compliance with the code provision A.1.1 of the CG Code, there are at least four regular board meetings should be held each year at approximately quarterly intervals. A notice of the meeting would be given to all Directors at least 14 days prior to the date of the meeting to enable all Directors to attend the meetings. The agenda of the meeting shall be determined after consulting each Director so that each Director is given the opportunity to include their proposals into the agenda.

For the year ended 31 March 2016, 12 Board meetings and 2 general meeting, being the 2015 annual general meeting held on 30 September 2015 ("2015 AGM") and an extraordinary general meeting held on 23 March 2016 ("EGM") were held and the attendance record of Directors is set out below:

	Number of board meetings attended/held	Attendance ratio	2015 AGM	EGM
Executive Directors				
Mr. Wong Chit On *(Chairman)*	12/12	100%	0/1	0/1
Mr. Han Weining *(Chief Executive Officer)*	11/12	92%	1/1	1/1
Dr. Wang Shaodong (resigned on 2 June 2015) *(Note 1)*	0/2	0%	N/A	N/A
Mr. Xia Liangbing (resigned on 26 May 2015) *(Note 2)*	0/1	0%	N/A	N/A
Non-executive Director				
Mr. Zhang Xuebin (resigned on 2 June 2015) *(Note 2)*	1/2	50%	N/A	N/A
Independent Non-executive Directors				
Mr. Lam Ying Hung Andy	11/12	92%	1/1	1/1
Mr. Hu Yunlin	8/12	67%	0/1	0/1
Mr. Cai Youliang (resigned on 25 June 2015) *(Note 4)*	0/4	0%	N/A	N/A
Mr. Wang Chen (appointed on 25 June 2015) *(Note 5)*	8/8	100%	0/1	0/1

Notes:

1. Dr. Wang Shaodong resigned on 2 June 2015. His attendance above by reference to the Board meetings held during his tenure.
2. Mr. Xia Liangbing resigned on 26 May 2015. His attendance above by reference to the Board meeting held during his tenure.
3. M. Zhang Xuebin resigned on 2 June 2015. His attendance above by reference to the Board meetings held during his tenure.
4. Mr. Cai Youliang resigned on 25 June 2015. His attendance above by reference to the Board meetings held during his tenure.
5. Mr. Wang Chen appointed on 25 June 2015. His attendance above by reference to the Board meetings and general meetings held during his tenure.

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 2015 AGM due to another important business meeting.

The company secretary (the "Company Secretary") of the Company assists the chairman of each meeting in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. The Company Secretary also keeps detailed minutes of each meeting, which are available to all Directors for inspection. A draft of Board minutes are circulated to all Directors for their comments and approved as soon as practicable after the Board meetings.

All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing Directors with board papers and related materials and ensuring that board procedures are followed.

(D) INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The current independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Hu Yunlin and Mr. Wang Chen. The Board considers that all independent non-executive Directors possess appropriate and sufficient industry and finance experience and qualification to carry out their duties so as to protect the interest of the Shareholders. One of the independent non-executive Directors, Mr. Lam Ying Hung Andy, has over 20 years of experience in accounting and finance industry and he is a fellow of the Association of Chartered Certified Accountants of United Kingdom. Mr. Lam has been the finance director and administrative accountant in two logistics companies.

On 25 June 2015, Mr. Cai Youliang tendered his resignation as an independent non-executive Director due to his engagement in his other work and ceased to be the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee. On the same date, Mr. Wang Chen was appointed as an independent non-executive Director, the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee.

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

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

Each of Mr. Lam Ying Hung Andy and Mr. Hu Yunlin has entered into a new letter of appointment with the Company on 22 March 2015 as independent non-executive Directors for a further term of three years commencing from 22 March 2015.

Mr. Wang Chen has entered into a letter of appointment with the Company with effect from 25 June 2015. The length of service of Mr. Wang Chen as an independent non-executive Director is a term of three years commencing from 25 June 2015.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. 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 chief executive officer of the Company ("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. 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.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Mr. Tse Kam Fai ("Mr. Tse"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Dr. Jian Bao, the CEO Assistant, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Tse, being a person who was a company secretary of an issuer before 31 December 1994, will take no less than 15 hours of relevant professional training for the financial year commencing on 1 January 2017.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee was established by the Company on 22 March 2012 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and monitor the Group's financial reporting process and internal control system. The members of the audit committee are 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 Company's annual results for the year ended 31 March 2016 have been reviewed and discussed by the audit committee.

For the year ended 31 March 2016, the audit committee has held 2 meetings mainly to review the financial performance of the Group for the year ended 31 March 2015 and six months ended 30 September 2015, respectively. The attendance record of each member of the Audit Committee is set out below:

	Number of Audit Committee meetings attended/held	Attendance ratio
Mr. Lam Ying Hung Andy	**2/2**	**100%**
Mr. Hu Yunlin	**1/2**	**50%**
Mr. Cai Youliang (resigned on 25 June 2015)	**N/A**	**N/A**
Mr. Wang Chen (appointed on 25 June 2015)	**2/2**	**100%**

REMUNERATION COMMITTEE

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

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

For the year ended 31 March 2016, the remuneration committee has held 2 meetings mainly to make recommendation to the Board on the compensation package for the new CEO and independent non-executive Director and the review of the existing policy and structure of the remuneration for the Directors and senior management of the Company. The attendance record of each member of the Remuneration Committee is set out below:

	Number of remuneration committee meetings attended/held	Attendance ratio
Mr. Hu Yunlin	1/2	50%
Mr. Lam Ying Hung Andy	2/2	100%
Mr. Cai Youliang (resigned on 25 June 2015)	0/1	0%
Mr. Wang Chen (appointed on 25 June 2015)	1/1	100%

NOMINATION COMMITTEE

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

For the year ended 31 March 2016, the Nomination Committee has held 2 meetings mainly to make recommendation to the Board on the nomination of new Director and to review the structure, size and composition of the Board, considering the independence of independent non-executive Directors and make recommendations to the Board on the re-election of retiring Directors at the 2015 AGM. The attendance record of each member of the Nomination Committee is set are below:

	Number of nomination committee meetings attended/held	Attendance ratio
Mr. Wang Chen (appointed on 25 June 2015)	1/1	100%
Mr. Lam Ying Hung Andy	2/2	100%
Mr. Cai Youliang (resigned on 25 June 2015)	0/1	0%
Mr. Hu Yunlin	1/2	50%

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the prospectus of the Company dated 30 March 2012 ("Prospectus"), to protect the Group from any potential competition, Mr. Wong Chit On and Excel Time Investments Limited ("Covenantors") have executed a deed of non-competition undertaking ("Non-competition Undertaking") in favour of the Company on 25 March 2012 pursuant to which the Covenantors have, among other matters, undertaken to the Company (for itself and for the benefit of the subsidiaries) that each of the Covenantors and their respective associates shall not engaged in any business which will or may compete with the business currently and from time to time engaged by the Group. Details of the Non-competition Undertaking have been set out in the paragraph headed "Relationship with controlling shareholders — Non-competition Undertaking" of the Prospectus.

The Company has received the annual declaration from each of the Covenantors in respect of their respective compliance with the terms of the Non-competition Undertaking during the year under review. The independent non-executive Directors, having reviewed the annual declarations and made reasonable enquiry, were satisfied that the Covenantors have complied with the terms of the Non-competition Undertaking during the year under review.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

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

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

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

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

The procedures for shareholders to convene and put forward proposals at an annual general meeting or extraordinary general meeting are set out in Article 58 of the Company's articles of association, which can be accessed on the Company's website at www.synertone.net or on the website of the Stock Exchange. Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

During the year ended 31 March 2016, no changes in the Company's constitutional documents.

ACCOUNTABILITY AND AUDIT

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2016 under the section headed "Management Discussion and Analysis" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2016, the remuneration paid or payable to the Company's external auditor, CCIF CPA Limited, in respect of audit and non-audit services rendered is set out below:

	Fee paid/payable for services rendered HK$'000
Audit service	**1,170**
Review of preliminary announcement service	**10**
Total	**1,180**

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group for the year ended 31 March 2016 and confirm that the financial statements give a true and fair view of the state of affairs of the Group in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The statement of the auditor as to its responsibility for the financial statements is set out in the Independent Auditor's Report set out on pages 35 to 36 of this annual report. There are no material uncertainties relating to events or circumstances which would otherwise cast significant doubt upon the Company's and the Group's ability to operate as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

The Board is responsible for maintaining the effectiveness of the Group's internal control systems, which includes financial, operational, and compliance controls and risk management functions. During the year under review, a review of the effectiveness of the Group's internal control system was conducted.

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

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates on the one hand and the Group on the other, and to protect the interests of the Shareholders, in particular, the minority Shareholders.

On behalf of the Board
Wong Chit On
Chairman

15 August 2016

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

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

We have audited the consolidated financial statements of Synertone Communication Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 37 to 121, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 15 August 2016

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**106,376**	329,667
Cost of sales		**(117,504)**	(163,732)
Gross (loss)/profit		**(11,128)**	165,935
Other revenue and other net income	6	**23,946**	24,596
Selling and distribution expenses		**(8,060)**	(6,994)
Administrative and other operating expenses		**(85,695)**	(68,866)
Research and development expenditure	7(c)	**(33,477)**	(28,346)
Impairment loss of trade receivables	7(c)	**(61,207)**	–
Impairment loss of property, plant and equipment	7(c)	**(45,452)**	–
Impairment loss of intangible assets	7(c)	**(204,024)**	–
Impairment loss of goodwill	7(c)	**(31,063)**	–
(Loss)/profit from operations		**(456,160)**	86,325
Finance costs	7(a)	**(14,298)**	(22,577)
Share of results of an associate		**(97)**	–
(Loss)/profit before taxation	7	**(470,555)**	63,748
Income tax	8	**1,646**	(30,009)
(Loss)/profit for the year		**(468,909)**	33,739
Attributable to:			
Owners of the Company		**(469,702)**	33,739
Non-controlling interests		**793**	–
(Loss)/profit for the year		**(468,909)**	33,739
		HK$	HK$
(Loss)/earnings per share	12		(Restated)
— Basic		**(0.28)**	0.02
— Diluted		**(0.28)**	0.02

The notes on pages 43 to 121 form part of these financial statements.

Details of dividends payable to owners of the Company are set out in note 11.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
(Loss)/profit for the year	**(468,909)**	33,739
Other comprehensive loss 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	**(22,486)**	(701)
Other comprehensive loss for the year, net of tax	**(22,486)**	(701)
Total comprehensive (loss)/income for the year (net of tax)	**(491,395)**	33,038
Attributable to:		
Owners of the Company	**(493,605)**	33,038
Non-controlling interests	**2,210**	–
	(491,395)	33,038

The notes on pages 43 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**80,484**	71,904
Prepaid lease payments	15	**9,163**	–
Intangible assets	16	**375,584**	614,610
Goodwill	17	**214,960**	34,814
Interests in an associate	19	**2,844**	–
Available-for-sale investments	20	**3,900**	3,900
Derivative financial instruments	21	**95,235**	–
Prepayment for acquisition of property, plant and equipment	23	**8,901**	–
		791,071	725,228
Current assets			
Inventories	22(a)	**37,746**	3,713
Trade and other receivables	23	**277,994**	345,714
Prepaid lease payments	15	**207**	–
Cash and cash equivalents	24	**12,421**	54,064
		328,368	403,491
Current liabilities			
Bank and other borrowings	26	**137,333**	44,439
Trade and other payables	25	**84,229**	75,831
Finance leases payables	27	**71,146**	49,810
Amount due to a director	29	**1**	1
Current taxation	30(a)	**10,435**	26,789
		(303,144)	(196,870)
Non-current liabilities			
Bank and other borrowings	26	**3,600**	–
Finance leases payables	27	**355,523**	388,419
Deferred tax liabilities	30(b)	**32,874**	22,159
		(391,997)	(410,578)
Net assets		**424,298**	521,271
EQUITY			
Equity attributable to owners of the Company			
Share capital	32(b)	**83,720**	64,450
Reserves		**281,216**	456,821
		364,936	521,271
Non-controlling interests		**59,362**	–
Total equity		**424,298**	521,271

Approved and authorised for issue by the board of directors on 15 August 2016

Wong Chit On
Director

Han Weining
Director

The notes on pages 43 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Warrants reserve HK$'000	Convertible bonds reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2014		63,200	263,558	2,308	1,200	–	(90)	28,467	25,460	49,119	433,222	–	433,222
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	33,739	33,739	–	33,739
Other comprehensive loss													
Exchange differences arising on translation of financial statements of overseas and PRC subsidiaries		–	–	–	–	–	–	–	(701)	–	(701)	–	(701)
Total comprehensive income for the year		–	–	–	–	–	–	–	(701)	33,739	33,038	–	33,038
Transactions with owners													
Equity-settled share-based payments		–	–	8,128	–	–	–	–	–	–	8,128	–	8,128
Transfer to statutory reserves		–	–	–	–	–	–	3,717	–	(3,717)	–	–	–
Issue of warrants	32(c)(vi)	–	–	–	6,600	–	–	–	–	–	6,600	–	6,600
Issue of convertible bonds	32(b)(iv)	–	–	–	–	14,459	–	–	–	–	14,459	–	14,459
Shares issued upon conversion of convertible bonds	32(b)(iv)	1,250	49,145	–	–	(14,459)	–	–	–	–	35,936	–	35,936
Final dividend in respect of the previous year	11(b)	–	–	–	–	–	–	–	–	(10,112)	(10,112)	–	(10,112)
Total transactions with owners		1,250	49,145	8,128	6,600	–	–	3,717	–	(13,829)	55,011	–	55,011
At 31 March 2015		64,450	312,703	10,436	7,800	–	(90)	32,184	24,759	69,029	521,271	–	521,271
At 1 April 2015		**64,450**	**312,703**	**10,436**	**7,800**	**–**	**(90)**	**32,184**	**24,759**	**69,029**	**521,271**	**–**	**521,271**
Comprehensive income													
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(469,702)**	**(469,702)**	**793**	**(468,909)**
Other comprehensive loss													
Exchange differences arising on translation of financial statements of overseas and PRC subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,903)**	**–**	**(23,903)**	**1,417**	**(22,486)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,903)**	**(469,702)**	**(493,605)**	**2,210**	**(491,395)**
Transactions with owners													
Equity-settled share-based payments		**–**	**–**	**8,067**	**–**	**–**	**–**	**–**	**–**	**–**	**8,067**	**–**	**8,067**
Transfer to statutory reserves		**–**	**–**	**–**	**–**	**–**	**–**	**2,985**	**–**	**(2,985)**	**–**	**–**	**–**
Lapse of warrants	32(c)(vi)	**–**	**–**	**–**	**(1,200)**	**–**	**–**	**–**	**–**	**1,200**	**–**	**–**	**–**
Shares issued upon acquisition of subsidiaries	35(a)	**19,270**	**309,933**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**329,203**	**–**	**329,203**
Non-controlling interest arising upon acquisition of subsidiaries	35(a)(ii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**57,152**	**57,152**
Total transactions with owners		**19,270**	**309,933**	**8,067**	**(1,200)**	**–**	**–**	**2,985**	**–**	**(1,785)**	**337,270**	**57,152**	**394,422**
At 31 March 2016		**83,720**	**622,636**	**18,503**	**6,600**	**–**	**(90)**	**35,169**	**856**	**(402,458)**	**364,936**	**59,362**	**424,298**

The notes on pages 43 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Operating activities			
(Loss)/profit before taxation		**(470,555)**	63,748
Adjustments for:			
Interest income	*6*	**(78)**	(700)
Finance costs	*7(a)*	**14,298**	22,577
Amortisation of prepaid lease payments	*7(c)*	**71**	–
Amortisation of intangible assets	*7(c)*	**78,046**	72,181
Depreciation of property, plant and equipment	*7(c)*	**13,716**	10,321
Write down of inventories	*22(b)*	**2,045**	9,994
Reversal of write down of inventories	*22(b)*	**(2,945)**	(3,875)
Net loss on disposal of property, plant and equipment		**281**	985
Net fair value gain on derivative financial instruments		**(9,082)**	–
Share-based payment expenses	*7(b)*	**8,067**	8,128
Share of results of an associate		**97**	–
Impairment loss of property, plant and equipment	*7(c)*	**45,452**	–
Impairment loss of intangible assets	*7(c)*	**204,024**	–
Impairment loss of goodwill	*7(c)*	**31,063**	–
Impairment loss of trade receivables	*7(c)*	**61,207**	–
		(24,293)	183,359
Changes in working capital			
Decrease in inventories		**13,635**	12,512
Decrease/(increase) in trade and other receivables		**107,356**	(170,147)
Decrease in amounts due to directors		**–**	(238)
(Decrease)/increase in trade and other payables		**(96,029)**	21,850
Cash generated from operations		**669**	47,336
Income tax paid			
The People's Republic of China ("PRC")	*30(a)*	**(16,852)**	(24,519)
Income tax refund			
PRC	*30(a)*	**238**	–
		(16,614)	(24,519)
Net cash (used in)/generated from operating activities		**(15,945)**	22,817

	Note	2016 HK$'000	2015 HK$'000
Investing activities			
Payment for the purchase of property, plant and equipment		**(15,199)**	(6,853)
Payment for the purchase of intangible assets		**(15)**	–
Proceeds from disposal of property, plant and equipment		**2,526**	–
Payment for purchase of available-for-sale investments		**–**	(3,900)
Net cash inflows/(outflows) from acquisition of subsidiaries	*35*	**17,684**	(56,853)
Interest received	*6*	**78**	700
Net cash generated from/(used in) investing activities		**5,074**	(66,906)
Financing activities			
Capital element of finance lease rentals paid		**(11,560)**	(38,103)
Interest element of finance lease rentals paid		**(9,677)**	(18,965)
Proceeds from bank and other borrowings		**80,277**	50,564
Repayment of bank and other borrowings		**(78,608)**	(28,999)
Proceeds from issue of warrants		**–**	6,600
Net proceeds from issue of convertible bonds		**–**	50,000
Dividend paid		**–**	(10,112)
Interest paid		**(4,621)**	(3,217)
Net cash (used in)/generated from financing activities		**(24,189)**	7,768
Net decrease in cash and cash equivalents		**(35,060)**	(36,321)
Cash and cash equivalents at beginning of the year		**54,064**	87,753
Effect of foreign exchange rates changes		**(6,583)**	2,632
Cash and cash equivalents at end of the year	*24*	**12,421**	54,064
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	*24*	**12,421**	54,064

The notes on pages 43 to 121 form part of these financial statements.

1. GENERAL

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

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) providing a total solution of specialised communication system, including digital trunking system, Very Small Aperture Terminal ("VSAT") satellite system and operation integrated system and (iii) provision of Synertone 1 satellite bandwidth capacity and communication service application, (iv) design, development and sale of automation control systems for industrial use and (v) research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings across the PRC.

The principal operations of the Group are conducted in the PRC. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). 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$. These financial statements are presented in HK$, rounded to the nearest thousand except for per share data.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(i) The consolidated financial statements for the year ended 31 March 2016 comprise the financial statements of the Company and its subsidiaries and the Group's interests in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise set out in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(ii) During the year ended 31 March 2016, the Group incurred a net loss of approximately HK$468,909,000 and had a net operating cash outflows of approximately HK$15,945,000. Its current bank and other borrowings and finance lease payables amounted to approximately HK$208,479,000, while the Group only maintained cash and cash equivalents amounted to approximately HK$12,421,000.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Taking into account the completion of a rights issue on 27 April 2016 and derived a cash flow to the Group of approximately HK$209,300,000 (note 39(a)), and derive adequate operating cash flows from its operations, the directors of the Company consider that it has sufficient working capital to enable the Group to meet its financial obligations as and when they fall due ffor the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

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

(d) ASSOCIATES

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) ASSOCIATES *(Continued)*

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(e) (i) BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

— deferred tax assets or liabilities, and assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) (i) BUSINESS COMBINATIONS *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) *(Continued)*

(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) OTHER INVESTMENTS IN EQUITY SECURITIES

The Group's policies for investments in equity securities, other than investments in subsidiaries and associate, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(v)(iv) and (iii) respectively.

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(v)(iv).

When the investments are derecognised or impaired, the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress, are stated at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(k)(ii)).

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

— Leasehold improvements	5 years
— Plant and machinery	4–10 years
— Furniture, fixtures and equipment	3–5 years
— Motor vehicles	5–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in the profit or loss on the date of retirement or disposal.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

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

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

— Technical know-how for digital trunking system	3–5 years
— Technical know-how for VSAT satellite system	5 years
— Administrative system costs	5 years
— Rights to use Synertone 1 satellite bandwidth	9.5 years
— Safe communication technology software	10 years
— Patents and software	5–10 years
— Trademarks	5–10 years
— Customer relationship	5 years

Both the period and method of amortisation are reviewed annually.

(j) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(j)(ii)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) LEASED ASSETS *(Continued)*

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(iv) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) IMPAIRMENT OF ASSETS

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

— a significant or prolonged decline in the fair value of an investment in equity instrument below its cost.

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

— For investment in an associate accounted under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) IMPAIRMENT OF ASSETS *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

— For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— prepaid lease payments;

— intangible assets;

— goodwill;

— interests in an associate;

— prepayment for acquisition of property, plant and equipment, and;

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Impairment of other assets (Continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) TRADE AND OTHER RECEIVABLES

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

(n) CONVERTIBLE BONDS

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the note is converted or redeemed.

If the note is converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible bonds reserve is released directly to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) CONVERTIBLE BONDS *(Continued)*

(ii) Other convertible bonds

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see note 2(g)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(g). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(o) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) TRADE AND OTHER PAYABLES

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

(r) EMPLOYEE BENEFITS

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

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

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) SHARE-BASED PAYMENTS

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

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

(t) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) INCOME TAX *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

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

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

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

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

  — the same taxable entity; or

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

(u) PROVISIONS AND CONTINGENT LIABILITIES

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(u)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(u)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) PROVISIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of services

Revenue is recognised when the services are provided to customers.

(iii) Interest income

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

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Government grants

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

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

(vi) Value-added taxes refund

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005 are translated into HK$ at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(x) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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

(y) RELATED PARTIES

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

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

  (ii) has significant influence over the Group; or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) RELATED PARTIES *(Continued)*

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(z) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief executive officer, who has been identified as the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

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

Amendments to HKAS 19	Defined Benefits Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

ANNUAL IMPROVEMENTS TO HKFRSs 2010–2012 CYCLE AND 2011–2013 CYCLE

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24 *Related Party Disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period. Note 31 contain information about the assumptions and risk factors relating to equity-settled share-based transactions. Other judgements made by the management in the application of HKFRSs that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of non-financial assets (other than goodwill)

Determining whether there is an impairment requires an estimation of recoverable amounts of the property, plant and equipment prepaid lease payments, intangible assets prepayment for acquisition of property, plant and equipment or the respective cash generating unit in which property, plant and equipment prepaid lease payments, intangible assets prepayment for acquisition of property, plant and equipment belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash generating unit to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets of cash generating units and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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

(ii) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2016, the carrying amount of goodwill is HK$214,960,000 (net of accumulated impairment lots of HK$31,063,000). Details fo the recoverable amount calculation are disclosed in note 17.

(iii) *Useful lives and residual values of property, plant and equipment*

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment in accordance with accounting policy stated in note 2(h). The Group will revise the depreciation charge where useful lives and residual values are different from the previous estimates, or will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) *Amortisation of intangible assets*

Intangible assets are amortised on a straight-line basis over their estimated useful lives in accordance with accounting policy stated in note 2(i). The determination of the useful lives involves management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

(v) *Net realisable value of inventories*

Inventories are stated at the lower of cost and net recognised value. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. The directors estimated the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

(vi) *Estimation of impairment of receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2016, the carrying amount of trade and other receivables is HK$260,133,000 (net of allowance for doubtful debts of HK$61,207,000) (2015: carrying amount of HK$322,281,000, net of allowance for doubtful debts of HK$Nil).

(vii) *Estimation of provision for warranty*

The Group generally provides 0 to 3 years warranties to its customers on its products under which faulty products are repaired and replaced. Provision for warranty is made based on possible claims on the products by customers with reference to the percentage of warranty expenses incurred over total sales amounts during the year ended 31 March 2016, and no provision for warranty has been made in the consolidated financial statements. In case where actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such claim takes place.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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

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

(i) Determining that certain investees are subsidiaries even though less than 50% of the potential voting power are owned by the Group

The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group over 51% voting power over Sense Field Group Limited ("Sense Field"). Based on the director's assessment, the currently exercisable purchased call option provided the Group with the potential voting rights over Sense Field Group Limited which in turn provided the Group with the ability to control Sense Field Group Limited. In preparing the Group's consolidated financial statements for the year ended 31 March 2016, Sense Field Group Limited and its subsidiaries (together the "Sense Field Group") were consolidated as subsidiaries in accordance with HKFRS 10. As the Group held 49% equity interests in Sense Field Group, 51% of the post-acquisition results and net assets of Sense Field Group were allocated to non-controlling interests.

(ii) Income tax

The Group is subject to income tax in Hong Kong and various taxes in PRC. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the financial period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charge in the periods in which such estimates are changed.

(iii) PRC withholding tax

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment and withholding taxes arising from acquisition.

(iv) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group's finance department works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the Group's finance department's findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions in the determination of the fair value of various assets and liabilities are disclosed in respective notes.

5. REVENUE

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, (iii) provision of Synertone 1 satellite bandwidth capacity and communication services application, (iv) design, development and sale of automation control systems for industrial use and (v) research and development, manufacture and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC.

Revenue 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:

	2016	2015
	HK$'000	HK$'000
Digital trunking system	**39,011**	134,376
VSAT satellite system	**1,195**	20,845
Systems technologies	**–**	17,664
Other accessory parts and components	**955**	5,147
Synertone 1 satellite system	**15,308**	151,635
Building intelligence and smart home	**32,896**	–
Industrial control system	**17,011**	–
	106,376	329,667

6. OTHER REVENUE AND OTHER NET INCOME

	2016	2015
	HK$'000	HK$'000
Bank interest income from bank deposits *(note a)*	**78**	700
Government grants *(note b)*	**1,597**	11,911
Value-added taxes refund *(note c)*	**12,052**	11,902
Fair value change on derivative financial instruments *(note 34(e)(ii))*	**9,082**	–
Sundry income	**1,137**	83
	23,946	24,596

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. (LOSS)/PROFIT BEFORE TAXATION

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

(a) FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on bank and other borrowings	**4,621**	3,217
Effective interest expenses on convertible bonds payables	**–**	395
Finance charges on finance lease payables	**9,677**	18,965
	14,298	22,577

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

	2016 HK$'000	2015 HK$'000
Salaries, wages and other benefits	**53,523**	58,552
Contributions to defined contribution retirement plans	**3,643**	1,057
Equity-settled share-based payment expenses	**8,067**	8,128
	65,233	67,737

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

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2015: HK$30,000). Contributions to the plan vest immediately.

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

7. (LOSS)/PROFIT BEFORE TAXATION *(Continued)*

(c) OTHER ITEMS

	2016 HK$'000	2015 HK$'000
Auditor's remuneration	**1,180**	910
Cost of inventories *(note 22(b))*	**38,400**	76,062
Amortisation of prepaid lease payments *(note 15)*	**71**	–
Amortisation of intangible assets *(note 16)*	**78,046**	72,181
Depreciation of property, plant and equipment *(note 14)*	**13,716**	10,321
Net loss on disposal of property, plant and equipment	**281**	985
Net exchange loss	**1,307**	752
Impairment loss of trade receivables *(note 23)*	**61,207**	–
Impairment loss of property, plant and equipment *(note 14)*	**45,452**	–
Impairment loss of intangible assets *(note 16)*	**204,024**	–
Impairment loss of goodwill *(note 17)*	**31,063**	–
Operating lease charges in respect of leased property	**7,240**	4,749
Research and development expenditure *	**33,477**	28,346

* Research and development expenditure for the year ended 31 March 2016 included approximately HK$16,521,000 (2015: HK$13,406,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 7(b).

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

(a) INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS REPRESENTS:

	2016 HK$'000	2015 HK$'000
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (iv))*	**328**	29,982
Over-provision in respect of prior year		
PRC EIT	**(13)**	–
Deferred tax		
Origination and reversal of temporary differences	**(1,961)**	(1,991)
Attributable to a change in the tax rate	**–**	2,018
	(1,646)	30,009

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

(a) INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS REPRESENTS: *(Continued)*

Notes:

(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) One of the PRC subsidiaries of the Group, 協同通信技術有限公司 (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 is valid for three years starting from 19 June 2015. Thus, Synertone Technology was therefore subject to EIT rate of 25% during the year ended 31 March 2015.

Pursuant to the relevant laws and regulations in the PRC, one of the PRC subsidiaries of the Group, 萬科思自控信息（中國）有限公司, is exempted from PRC EIT for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The first profit-making year was the year 2014.

Other PRC subsidiaries of the Group are subject to PRC EIT at a rate of 25% (2015: 25%).

(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. During the year ended 31 March 2016, withholding income tax rate of Synertone Technology was 10% (2015: increased from 5% to 10%).

Deferred tax liabilities of approximately HK$2,700,000 (2015: HK$4,659,000) in respect of the withholding income tax on dividend to be paid out of earnings not yet distributed since 1 January 2008 has been recognised by the Group for the year ended 31 March 2016.

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

(b) RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING (LOSS)/PROFIT AT APPLICABLE TAX RATES:

	2016 HK$'000	2015 HK$'000
(Loss)/profit before taxation	**(470,555)**	63,748
Notional tax on (loss)/profit before taxation, calculated at the rates applicable in the countries concerned	**(109,261)**	14,468
Tax effect of non-deductible expenses	**102,023**	11,711
Tax effect of non-taxable income	**(2,405)**	(3,535)
Tax effect of deductible temporary differences not recognised	**2,331**	306
Tax effect of unused tax losses not recognised	**7,494**	2,470
Tax effect of tax losses not allowed for tax deduction	**887**	559
Tax effect of utilisation of tax losses not recognised in prior years	**(741)**	–
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	**(1,961)**	4,030
Over-provision in prior years	**(13)**	–
Actual tax expense	**(1,646)**	30,009

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	Year ended 31 March 2016						
	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 *(note a)*	Total HK$'000
Executive directors							
Wong Chit On *(Chairman) (note b)*	100	3,865	–	18	3,983	215	4,198
Han Weining (Chief executive officer) *(note c)*	23	976	1,000	17	2,016	215	2,231
Wang Shaodong *(note f)*	17	40	–	3	60	–	60
Xia Liangbing *(note e)*	–	60	–	–	60	–	60
Non-executive director							
Zhang Xuebin *(note g)*	17	–	–	–	17	–	17
Independent non-executive directors							
Lam Ying Hung Andy	100	–	–	–	100	215	315
Hu Yunlin	100	–	–	–	100	215	315
Wang Chen *(note d)*	77	–	–	–	77	–	77
Cai Youliang *(note h)*	24	–	–	–	24	–	24
	458	4,941	1,000	38	6,437	860	7,297

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

	Year ended 31 March 2015						
	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 *(note a)*	Total HK$'000
Executive directors							
Wong Chit On *(Chairman)* *(note b)*	100	3,565	–	18	3,683	87	3,770
Han Weining *(note c)*	100	240	–	13	353	87	440
Zhang Jinbing *(note i)*	4	22	–	1	27	68	95
Wang Shaodong *(note f)*	100	240	–	13	353	68	421
Xia Liangbing *(note e)*	–	403	–	–	403	–	403
Non-executive director							
Zhang Xuebin *(note g)*	100	–	–	–	100	680	780
Independent non-executive directors							
Lam Ying Hung Andy	100	–	–	–	100	87	187
Hu Yunlin	100	–	–	–	100	87	187
Cai Youliang *(note h)*	100	–	–	–	100	87	187
	704	4,470	–	45	5,219	1,251	6,470

Notes:

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

(b) Mr. Wong Chit On was the chief executive officer of the Group during the year ended 31 March 2015 and the emoluments disclosed above include those for services rendered by him as chief executive officer. Mr. Wong Chit On ceased to be the chief executive officer with effect from 25 June 2015.

(c) Appointed as chief executive officer with effect from 25 June 2015.

(d) Appointed on 25 June 2015.

(e) Appointed on 10 October 2014 and resigned on 26 May 2015.

(f) Appointed on 20 December 2013 and resigned on 2 June 2015.

(g) Appointed on 6 March 2014 and resigned on 2 June 2015.

(h) Appointed on 28 June 2013 with effect on 2 July 2013 and resigned on 25 June 2015.

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

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any emoluments for the years ended 31 March 2016 and 2015.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2015: two) are directors of the Company whose emoluments are disclosed in note 9. The aggregate of emoluments of the remaining three (2015: three) individuals were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other emoluments	**3,690**	3,451
Share-based payments expenses	**2,146**	2,184
Contributions to retirement benefit schemes	**39**	45
	5,875	5,680

The emoluments of the three (2015: three) individuals with the highest emoluments are within the following bands:

	2016	2015
HK$Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$4,000,000	**–**	–

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2016 and 2015.

11. DIVIDENDS

(a) The directors do not recommend the payment of any dividends in respect of the years ended 31 March 2016 and 2015.

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

	2016 HK$'000	2015 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKNil cent (2015: HK0.16 cents) per ordinary share	**–**	10,112

12. (LOSS)/EARNINGS PER SHARE

(a) BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss/(profit) attributable to owners of the Company of HK$469,702,000 (2015: profit of HK$33,739,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2016 HK$'000	2015 HK$'000
(Loss)/profit attributable to owners of the Company (basic)	**(469,702)**	33,739

Weighted average number of ordinary shares (basic)

	2016 '000	2015 '000 *(note)*
Issued ordinary shares at beginning of the year	**1,289,000**	1,264,000
Effect of shares issued under acquisition of subsidiaries *(note 32(b)(iii))*	**163,286**	–
Effect of shares issued upon conversion of convertible bonds *(note 32(b)(iv))*	**–**	8,082
Effect of shares issued under rights issue	**250,536**	219,449
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,702,822**	1,491,531

Note:

(i) The weighted average number of shares used in the calculation of basic (loss)/earning per share for the year has been adjusted for the shares issued under rights issue completed on 27 April 2016 (note 39(a)).

(ii) For the year ended 31 March 2015, the weighted average number of ordinary shares has been adjusted for the effect of share consolidation which occurred during the year ended 31 March 2016 (note 32(b)(ii)).

(b) DILUTED (LOSS)/EARNINGS PER SHARE

	2016 HK$'000	2015 HK$'000
(Loss)/profit attributable to owners of the Company (diluted)	**(469,702)**	33,739

Weighted average number of ordinary shares (diluted)

	2016 '000	2015 '000 *(note)*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,702,822**	1,491,531
Effect of deemed issue of shares from exercise of warrants	**–**	11,096
Effect of deemed issue of shares under share option scheme	**–**	11,515
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**1,702,822**	1,514,142

12. (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) DILUTED (LOSS)/EARNINGS PER SHARE *(Continued)*

For the year ended 31 March 2016, the computation of diluted loss per share did not assume the exercise of warrants and the exercise of the Company's outstanding share options as the exercise prices are higher than the average market price per share.

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

Note: For the year ended 31 March 2015, the weighted average number of ordinary shares has been adjusted for the effect of share consolidation which occurred during the year ended 31 March 2016.

13. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. During the year ended 31 March 2016, the Group has acquired MOX Products Pty Limited and Sense Field Group Limited. Consequently, two new segments, Building Intelligence and Smart Home and Industrial Control System, have been included in segment reporting.

In a manner consistent with the way in which information is reported internally to the chief executive officer of the Company, 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.

13. SEGMENT REPORTING *(Continued)*

Synertone 1 Satellite System:	This segment represent provision of satellite bandwidth capacity and communication services application.
Building Intelligence and Smart Home:	Building intelligence and smart home segment provides customers with (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home automation systems for new and existing households.
Industrial Control System:	Industrial control system segment provides customers with (i) automation hardware and software products, information systems platforms, as well as (ii) the industrial and monitoring and scheduling management system solutions for municipal utilities industry.

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 chief executive officer 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 activities of the individual segments, bank and other 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, the chief executive officer is provided with segment information concerning revenue (including inter-segment sales), interest income, value-added taxes refund, finance costs, amortisation of prepaid lease payments and intangible assets, depreciation of property, plant and equipment, write down of inventories, reversal of write down of inventories, impairment loss of property, plant and equipment, intangible assets, goodwill and trade receivables, research and development expenditure, income tax and additions to non-current segment assets used by the segments in their operations.

13. SEGMENT REPORTING *(Continued)*

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

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is as follows:

	2016							
	Digital trunking system HK$'000	VSAT satellite system HK$'000	Systems technologies HK$'000	Synertone 1 satellite system HK$'000	Building Intelligence and Smart Home HK$'000	Industrial Control System HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers *(note)*	39,011	1,195	–	15,308	32,896	17,011	955	106,376
Inter-segment revenue	–	–	–	–	–	–	–	–
Reportable segment revenue	39,011	1,195	–	15,308	32,896	17,011	955	106,376
Reportable segment profit/(loss) (adjusted EBIT)	(135,884)	(41,543)	–	(260,971)	(1,185)	(5,258)	273	(444,568)
Interest income	67	8	–	2	–	1	–	78
Value-added taxes refund	7,523	–	–	–	4,529	–	–	12,052
Finance costs	(2,918)	(103)	–	(9,548)	(1,729)	–	–	(14,298)
Amortisation of prepaid lease payments	–	–	–	–	(71)	–	–	(71)
Amortisation of intangible assets	(9,041)	–	–	(65,300)	(3,219)	(486)	–	(78,046)
Depreciation of property, plant and equipment	(9,043)	(3,082)	–	–	(1,525)	(66)	–	(13,716)
Write down of inventories	(2,045)	–	–	–	–	–	–	(2,045)
Reversal of write down of inventories	2,945	–	–	–	–	–	–	2,945
Impairment loss of:								
— Property, plant and equipment	(44,872)	(580)	–	–	–	–	–	(45,452)
— Intangible assets	–	–	–	(204,024)	–	–	–	(204,024)
— Goodwill	(31,063)	–	–	–	–	–	–	(31,063)
— Trade receivables	(38,072)	(15,545)	–	–	(2,098)	(5,492)	–	(61,207)
Research and development expenditure	(31,531)	(1,946)	–	–	–	–	–	(33,477)
Income tax credit/(expenses)	1,973	–	–	(327)	–	–	–	1,646
Reportable segment assets	224,781	52,256	–	299,550	312,250	226,577	–	1,115,414
Additions to non-current segment assets								
— Prepaid lease payments	–	–	–	–	9,432	–	–	9,432
— Property, plant and equipment	11,501	3,698	–	–	57,845	516	–	73,560
— Intangible assets	–	–	–	–	40,302	6,332	–	46,634
	11,501	3,698	–	–	107,579	6,848	–	129,626
Reportable segment liabilities	81,532	6,997	–	423,574	149,645	15,907	–	677,655
Revenue from:								
—Customer A	24,147	–	–	–	–	–	277	24,424
—Customer B	12,530	–	–	–	–	–	–	12,530
—Customer C	–	–	–	12,036	–	–	–	12,036
	36,677	–	–	12,036	–	–	277	48,990

13. SEGMENT REPORTING *(Continued)*

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

	2015					
	Digital trunking system HK$'000	VSAT satellite system HK$'000	Systems technologies HK$'000	Synertone 1 satellite system HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers *(note)*	134,376	20,845	17,664	151,635	5,147	329,667
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	134,376	20,845	17,664	151,635	5,147	329,667
Reportable segment profit/(loss) (adjusted EBIT)	22,121	637	8,917	71,392	(313)	102,754
Interest income	543	34	115	–	–	692
Value-added taxes refund	9,339	576	1,987	–	–	11,902
Finance costs	(2,525)	(156)	(537)	(18,964)	–	(22,182)
Amortisation of intangible assets	(6,514)	(79)	(274)	(65,314)	–	(72,181)
Depreciation of property, plant and equipment	(7,861)	(829)	(1,631)	–	–	(10,321)
Write down of inventories	(7,842)	(484)	(1,668)	–	–	(9,994)
Reversal of write down of inventories	3,040	188	647	–	–	3,875
Research and development expenditure	(22,242)	(1,373)	(4,731)	–	–	(28,346)
Income tax expenses	(13,008)	(666)	(2,294)	(14,041)	–	(30,009)
Reportable segment assets	371,252	18,035	54,191	681,088	–	1,124,566
Additions to non-current segment assets						
— Property, plant and equipment	5,203	559	1,104	–	–	6,866
— Intangible assets	73,736	–	–	–	–	73,736
	78,939	559	1,104	–	–	80,602
Reportable segment liabilities	85,015	9,369	14,347	464,626	–	573,357
Revenue from:						
—Customer A	–	1,346	–	140,410	–	141,756
—Customer B	99,409	16,780	17,664	–	4,480	138,333
—Customer C	7,581	–	–	–	–	7,581
—Customer D	16,124	–	–	–	–	16,124
	123,114	18,126	17,664	140,410	4,480	303,794

Note: Revenue of three (2015: two) customers, each of them accounted for 10 percent or more of the Group's revenue for the year ended 31 March 2016 are set out above. Further details of concentrations of credit risk arising from these customers are set out in note 34(a).

13. SEGMENT REPORTING *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Revenue		
Reportable segment revenue	**106,376**	329,667
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**106,376**	329,667
(Loss)/profit		
Reportable segment (loss)/profit	**(444,568)**	102,754
Elimination of inter-segment profits	**–**	–
Reportable segment (loss)/profit derived from Group's external customers	**(444,568)**	102,754
Interest income	**78**	700
Finance costs	**(14,298)**	(22,577)
Unallocated corporate expenses	**(11,767)**	(17,129)
Consolidated (loss)/profit before taxation	**(470,555)**	63,748
Assets		
Reportable segment assets	**1,115,414**	1,124,566
Elimination of inter-segment receivables	**–**	–
	1,115,414	1,124,566
Available-for-sale investments	**3,900**	3,900
Unallocated corporate assets	**125**	253
Consolidated total assets	**1,119,439**	1,128,719
Liabilities		
Reportable segment liabilities	**677,655**	573,357
Elimination of inter-segment payables	**–**	–
	677,655	573,357
Amount due to a director	**1**	1
Unallocated corporate liabilities	**17,485**	34,090
Consolidated total liabilities	**695,141**	607,448

13. 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, prepaid lease payments, intangible assets, goodwill, interests in an associate and prepayment for acquisition of property, plant and equipment. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of prepaid lease payments, prepayment for acquisition of property, plant and equipment and property, plant and equipment are based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to which they are allocated. In the case of interests in an associate, it is the location of operations of such associate.

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**–**	–	**6,026**	1,638
PRC	**106,180**	329,667	**685,910**	719,690
Overseas	**196**	–	**–**	–
	106,376	329,667	**691,936**	721,328

(d) INFORMATION ABOUT PRODUCTS AND SERVICES

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 April 2014	–	3,934	26,591	2,413	8,878	62,045	103,861
Additions	–	232	6,411	99	111	–	6,853
Acquisition through business combination *(note 35 (b))*	–	–	–	13	–	–	13
Disposals	–	(17)	(4,118)	(170)	–	–	(4,305)
Transfer	–	31,543	5,976	–	–	(37,519)	–
Adjustment resulted from cost variation	–	–	–	–	–	(213)	(213)
Effect of foreign currency exchange differences	–	24	37	3	8	52	124
At 31 March 2015	–	35,716	34,897	2,358	8,997	24,365	106,333
At 1 April 2015	–	35,716	34,897	2,358	8,997	24,365	106,333
Additions	–	73	7,894	435	5,937	860	15,199
Acquisition through business combination *(note 35 (a))*	46,136	2,400	7,729	1,465	631	–	58,361
Disposals	–	(492)	(6,688)	(2,028)	(2,860)	–	(12,068)
Effect of foreign currency exchange differences	37	(1,747)	(1,480)	(104)	(278)	(1,102)	(4,674)
At 31 March 2016	**46,173**	**35,950**	**42,352**	**2,126**	**12,427**	**24,123**	**163,151**
Accumulated depreciation and impairment							
At 1 April 2014	–	531	19,893	1,643	5,325	–	27,392
Charge for the year	–	6,783	2,400	185	953	–	10,321
Eliminated on disposals of assets	–	(13)	(3,137)	(170)	–	–	(3,320)
Effect of foreign currency exchange differences	–	5	24	2	5	–	36
At 31 March 2015	–	7,306	19,180	1,660	6,283	–	34,429
At 1 April 2015	–	7,306	19,180	1,660	6,283	–	34,429
Charge for the year	803	7,036	4,451	372	1,054	–	13,716
Impairment loss recognised	–	13,716	11,474	376	921	18,965	45,452
Eliminated on disposals of assets	–	(506)	(4,839)	(1,832)	(2,084)	–	(9,261)
Effect of foreign currency exchange differences	(16)	(524)	(849)	(79)	(201)	–	(1,669)
At 31 March 2016	**787**	**27,028**	**29,417**	**497**	**5,973**	**18,965**	**82,667**
Carrying amounts							
At 31 March 2016	**45,386**	**8,922**	**12,935**	**1,629**	**6,454**	**5,158**	**80,484**
At 31 March 2015	–	28,410	15,717	698	2,714	24,365	71,904

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(a) At 31 March 2016, buildings with a net book value of approximately HK$45,386,000 (2015: HK$Nil) was pledged to a bank as collateral against the bank borrowings of HK$37,204,000 (2015: HK$Nil) (note 26).

(b) During the year, additions to motor vehicles financed by new finance leases were HK$5,648,000 (2015: HK$Nil). At the end of the reporting period, the carrying amount of motor vehicles held under finance leases was HK$5,271,000 (2015: HK$Nil).

(c) Impairment losses on property, plant and equipment in respect of the Group's digital trunking system and VSAT satellite system reportable segments have been recognised during the year ended 31 March 2016 which are based on value in use calculations and made reference to a valuation performed by an independent professional valuer. The impairment losses primarily arose as a result of the significant drop in demand and change in operating environment of customers in the near term. These calculations used cash flow projections based on financial forecasts prepared by management for the next five years, discounted using a pre-tax discount rate of 17.81%. Cash flows beyond the 5-year period were extrapolated using a growth rate of 3%. The discount rate used reflects specific risks relating to the relevant assets.

15. PREPAID LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Cost		
At beginning of year	**–**	–
Acquisition of subsidiaries *(note 35(a)(ii))*	**9,432**	–
Effect of foreign currency exchange differences	**9**	–
At end of the year	**9,441**	–
Accumulated amortisation and impairment losses		
At beginning of the year	**–**	–
Charge for the year	**71**	–
At end of the year	**71**	–
Carrying amount	**9,370**	–
Analysed for reporting purposes as:		
Current assets	**207**	–
Non-current assets	**9,163**	–
	9,370	–

At 31 March 2016, the carrying amount of prepaid lease payments of approximately HK$9,370,000 was pledged as security for the Group's bank borrowings amounted to approximately HK$33,603,000 (2015: HK$Nil).

16. INTANGIBLE ASSETS

	Technical know-how for digital trunking system HK$'000 (note a)	Technical know-how for VSAT satellite system HK$'000 (note a)	Administrative system costs HK$'000 (note a)	Rights to use Synertone 1 satellite bandwidth HK$'000 (note b)	Safe communication technology software HK$'000 (note c)	Patents and software HK$'000 (note d)	Trademark HK$'000 (note d)	Customer relationship HK$'000 (note e)	Total HK$'000
Cost									
At 1 April 2014	52,856	9,500	5,011	640,438	–	–	–	–	707,805
Acquisition through business combination *(note 35 (b))*	–	–	–	–	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
At 1 April 2015	52,871	9,500	5,011	636,696	34,654	39,117	–	–	777,849
Additions	–	–	15	–	–	–	–	–	15
Acquisition through business combination *(note 35 (a))*	–	–	198	–	–	27,586	4,040	14,795	46,619
Effect of foreign currency exchange differences	(592)	–	(1)	(18)	(1,712)	(2,084)	3	(155)	(4,559)
At 31 March 2016	**52,279**	**9,500**	**5,223**	**636,678**	**32,942**	**64,619**	**4,043**	**14,640**	**819,924**
Accumulated amortisation and impairment									
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
At 1 April 2015	49,326	9,500	4,759	95,965	1,733	1,956	–	–	163,239
Charge for the year	1,600	–	291	65,300	3,378	5,949	276	1,252	78,046
Impairment loss recognised	–	–	–	204,024	–	–	–	–	204,024
Effect of foreign currency exchange differences	(513)	–	(1)	(5)	(169)	(243)	(7)	(31)	(969)
At 31 March 2016	**50,413**	**9,500**	**5,049**	**365,284**	**4,942**	**7,662**	**269**	**1,221**	**444,340**
Carrying amounts									
At 31 March 2016	**1,866**	**–**	**174**	**271,394**	**28,000**	**56,957**	**3,774**	**13,419**	**375,584**
At 31 March 2015	3,545	–	252	540,731	32,921	37,161	–	–	614,610

16. INTANGIBLE ASSETS *(Continued)*

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. 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) Patents and software and trademarks related to automation control systems acquired by the Group for building intelligence and smart home and industrial control system during the year ended 31 March 2016.

(e) It represents customer relationship under building intelligence and smart home business and industrial control system business.

(f) At the end of the reporting period, the carrying amount of intangible assets held under finance lease of the Group was HK$271,394,000 (2015: HK$540,731,000).

(g) The amortisation charge for the year is included in cost of sales of approximately HK$76,104,000 (2015: HK$70,179,000), research and development expenditure of approximately HK$1,600,000 (2015: HK$462,000) and administrative expenses of approximately HK$342,000 (2015: HK$1,540,000) respectively in the consolidated statements of profit or loss.

(h) Impairment losses in respect of the Group's rights to use Synertone 1 satellite bandwidth related to Synertone 1 satellite system reportable segment has been recognised during the year ended 31 March 2016 primarily arose from the change in Group's operating strategy and upgrade of Synertone 1 satellite system. The impairment loss was provided based on value in use calculations with reference to a valuation report issued by an independent appraisal firm. These calculations used cash flow projections based on financial forecasts prepared by management cover the life of the intangible assets for a 9.5-year period and a discount rate of 15.23% has been applied. The discount rate used reflects specific risks relating to the relevant assets.

17. GOODWILL

	2016 HK$'000	2015 HK$'000
Cost:		
At beginning of year	**34,814**	–
Acquisition of subsidiaries *(note 35(a))*	**222,854**	34,798
Effect of foreign currency exchange differences	**(11,645)**	16
At end of the year	**246,023**	34,814
Accumulated impairment losses:		
At the beginning of the year	**–**	–
Impairment loss recognised	**31,063**	–
At end of the year	**31,063**	–
Carrying amount	**214,960**	34,814

17. GOODWILL *(Continued)*

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

Goodwill are allocated to the Group's cash generating units as follows:

	2016 HK$'000	2015 HK$'000
Provision of safe communication technologies	**2,799**	34,814
Building intelligence and smart home	**19,033**	–
Industrial control system	**193,128**	–
	214,960	34,814

The recoverable amount of the cash generating units is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating units operates.

The key assumptions used in value-in-use calculations are as follows:

	Provision of safe communication technologies		Building intelligence and smart home		Industrial control system	
	2016 %	2015 %	**2016 %**	2015 %	**2016 %**	2015 %
— Gross margin	**88%**	92%	**65%**	N/A	**42%**	N/A
— Long-term growth rate	**3%**	3%	**3%**	N/A	**3%**	N/A
— Pre-tax discount rate	**20.08%**	16.77%	**25.17%**	N/A	**25.18%**	N/A

Management determined the budgeted gross margin based on historical experience and its expectations for market development. The long term growth rates used was adopted based on the China long term projected inflation as sourced from the International Monetary Fund. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

At 31 March 2016, the recoverable amount of the relevant cash generating units were as follows:

	The Group	
	2016 HK$'000	2015 HK$'000
Recoverable amount		
— Provision of safe communication technologies	**62,406**	145,000
— Building intelligence and smart home	**416,000**	–
— Industrial control system	**205,221**	–

Based on management's assessment and by reference to the calculations performed by an independent appraisal firm, ROMA Appraisal Limited, the carrying amounts of provision of safe communication technologies exceeded its recoverable amount as at 31 March 2016, the Group recognised impairment loss of HK$31,063,000 under provision of safe communication technologies cash generating unit.

18. SUBSIDIARIES

The following is a list of subsidiaries at 31 March 2016:

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities/ place of operation
LakeWest Holdings Limited (previously known as "Synertone Group Holdings Limited") ("LakeWest")	Hong Kong	10,000 ordinary shares	100%	100%	–	Investment holding/Hong Kong
Vastsuccess Holdings Limited ("Vastsuccess")	BVI	1 ordinary share of US$1 each	100%	100%	–	Investment holding and provision of satellite bandwidth capacity and communication services application/Hong Kong and PRC
Radio World Holding Limited	BVI	1,000 ordinary shares of US$1 each	100%	100%	–	Investment holding/Hong Kong
Synertone Satellite Communication Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Trading of specialised communication systems, investment holding/Hong Kong
Synertone Communication Technology Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Trading of specialised communication systems, investment holding/Hong Kong
協同衛星通信（深圳）有限公司 *(note (a))*	PRC	Registered capital of HK$16,000,000	100%	–	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC
協同通信技術有限公司 *(note (a))*	PRC	Registered capital of HK$80,000,000	100%	–	100%	Design, research and development, production and sales of specialised communication, equipment and systems and system technologies/PRC
Thrive United Holdings Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding/Hong Kong and PRC

18. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation and business	Particulars of issued and paid-up share/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities/ place of operation
Longching Technology Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Investment holding/Hong Kong and PRC
朗晴通科技（深圳）有限公司 *(note (a))*	PRC	Registered capital of HK$1,000,000	100%	–	100%	Design, development and sale of security systems/PRC
MOX Products Pty Limited	BVI	50,000 ordinary shares of US$1 each	100%	–	100%	Investment holding
悉雅特萬科思自動化（杭州）有限公司 *(note (a))*	PRC	Registered capital of US$1,000,000	100%	–	100%	Design, development and sales of automation control systems for industrial use
萬科思自動化（上海）有限公司 *(note (b))*	PRC	Registered capital of RMB1,000,000	100%	–	100%	Design, development and sales of automation control systems for industrial use
Sense Field Group Limited *(note (c))*	BVI	100 ordinary shares of US$1 each	49%	–	49%	Investment holding
MOX Group Limited	BVI	50,000 ordinary shares of US$1 each	49%	–	49%	Investment holding
悉雅特樓宇自控（杭州）有限公司 *(note (a))*	PRC	Registered capital of US$300,000	49%	–	49%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC
萬科思自控信息（中國）有限公司 *(note (a))*	PRC	Registered capital of US$10,000,000	49%	–	49%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC

18. SUBSIDIARIES *(Continued)*

Note:

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

(b) Registered under the laws of the PRC as a limited liability company.

(c) The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group over 51% voting power over Sense Field Group Limited ("Sense Field"). Based on the director's assessment, the currently exercisable purchased call option provided the Group with the potential voting right over Sense Field Group Limited which in turn provided the Group with the ability to control Sense Field Group Limited and its subsidiaries (together the "Sense Field Group"). In preparing the Group's consolidated financial statements for the year ended 31 March 2016, Sense Field Group was consolidated as subsidiaries in accordance with HKFRS 10. As the Group held 49% equity interest in Sense Field Group, 51% of the post-acquisition results and net assets of Sense Field Group were allocated to non-controlling interests.

The following table lists out the information relating to each of the Group's subsidiaries which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Sense Field Group	
	2016	2015
	HK$'000	HK$'000
NCI percentage	**51%**	–
Current assets	**181,164**	–
Non-current assets	**64,295**	–
Current liabilities	**(125,463)**	–
Non-current liabilities	**(3,600)**	–
Net assets	**116,396**	–
Carrying amount of NCI	**59,362**	–
Revenue	**32,896**	–
Profit for the year	**1,554**	–
Other comprehensive income	**2,778**	
Total comprehensive income	**4,332**	–
Profit allocated to NCI	**2,210**	–
Dividend paid to NCI	**–**	–
Cash flows used in operating activities	**(5,103)**	–
Cash flows used in investing activities	**(8,816)**	–
Cash flows from financing activities	**69**	–

19. INTERESTS IN AN ASSOCIATE

Particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of company	Place of incorporation and business	Class of shares held	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by subsidiaries	Principal activity
杭州奧邁智能科技有限公司 *(note (a))*	PRC	Registered	Registered capital RMB2,450,000	24.01%	–	24.01%	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings across the PRC

Note:

(a) Registered under the laws of the PRC as a Sino-foreign joint venture.

(b) The above associate is accounted for using the equity method in the consolidated financial statements.

Aggregate information of associate that are not individually material:

	2016 HK$'000	2015 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**2,844**	–
Aggregate amounts of the Group's share of this associate		
Loss for the year	**(97)**	–
Other comprehensive income	**–**	–
Total comprehensive loss	**(97)**	–

20. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Unlisted investments, at cost:		
— Equity securities	**3,900**	3,900

Unlisted equity investments comprise equity interests in entity which focuses on the satellite technology, dedicated application-specific-integrated circuit ("ASIC") development and high-tech research and development. There is no open market for these investments and the directors consider that the marketability of the Group's shareholdings in these investments is low. In light of the non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of these investments cannot be reliably assessed. These investments are therefore stated at cost less impairment.

The Group makes assessment when there is objective evidence that the available-for-sale investment are impaired in accordance with the guidelines in HKAS 39 *Financial Instruments: Recognition and Measurement*. The assessment requires the directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investee, prospect of their operations in short to medium terms, as well as the prospect of the industries the investee operate in, and changes in their operating environment.

21. DERIVATE FINANCIAL INSTRUMENTS

	2016 HK$'000	2015 HK$'000
Call options	**95,235**	–

Derivative financial instruments represented the currently exercisable purchased call option over 51% voting power over Sense Field Group Limited ("Sense Field") (note 35(a)(ii)).

The call options are classified as derivative financial instruments and are carried at fair value. The fair value of the call options were calculated using the Binomial option pricing model by assuming the present value of business value for Sense Field Group Limited, based on discounted cash flow forecast provided by management of the Group.

22. INVENTORIES

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

	2016 HK$'000	2015 HK$'000
Raw materials	**6,962**	1,290
Work in progress	**28,013**	1,446
Finished goods	**2,771**	977
	37,746	3,713

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

	2016 HK$'000	2015 HK$'000
Carrying amount of inventories sold	**39,300**	69,943
Write down of inventories	**2,045**	9,994
Reversal of write down of inventories	**(2,945)**	(3,875)
	38,400	76,062

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

23. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables *(notes (b) and (c))*	**198,234**	321,014
Less: Allowance for doubtful debts *(note (d))*	**(61,207)**	–
	137,027	321,014
Other receivable *(note (e))*	**92,765**	–
Bills receivable	**349**	–
Advance to suppliers	**25,812**	691
Advance to staff	**1,251**	515
VAT receivables	**2,929**	61
Loans and receivables	**260,133**	322,281
Deposits and prepayments	**26,762**	23,433
	286,895	345,714
Reconciliation to the consolidated statement of financial position:		
Non-current	**8,901**	–
Current	**277,994**	345,714
	286,895	345,714

Deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$1,929,000 (2015: HK$1,829,000).

(a) For certain contracts, retention money representing 5% to 10% of the contract is not due until the warranty period expired, which varies from one year to two years. Included in trade receivables as at 31 March 2016 are retention money of HK$294,000 (2015: HK$294,000) which are expected to be recovered after the warranty period.

(b) For the year ended 31 March 2016, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2015: 30 to 180 days). A longer credit period of 181 to 365 days (2015: 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.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2016 HK$'000	2015 HK$'000
0–60 days	**19,368**	57,222
61–90 days	**6,040**	80
91–180 days	**36,258**	49,663
181–365 days	**58,555**	213,414
Over 365 days	**78,013**	635
	198,234	321,014
Less: allowance for doubtful debts	**(61,207)**	–
	137,027	321,014

(d) IMPAIRMENT OF TRADE RECEIVABLES

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(k)).

	2016 HK$'000	2015 HK$'000
At beginning of the year	**–**	–
Impairment loss recognised	**61,207**	–
At end of the year	**61,207**	–

As at 31 March 2016, trade receivables amounting to HK$61,207,000 (2015: HK$Nil) were individually determined to be impaired. The individually impaired receivables were outstanding beyond its credit period and without any repayment subsequent to the year end date. Accordingly, specific allowances for doubtful debts of HK$61,207,000 (2015: HK$Nil) were recognised.

(e) The balance mainly represented other receivables from two independent third parties of approximately RMB75,500,000 (equivalent to approximately HK$90,609,000).

(i) On 2 June 2015, the Group had entered into an agreement with an independent third party in relation to the co-operation of a tender project related to shipping dynamic information security system. Pursuant to the terms of the agreement, the Group was required to prepay RMB50,000,000 (equivalent to approximately HK$60,006,000) to assist the independent third party to fulfil the application requirements for the project. As at 31 March 2016, the Group prepaid RMB50,000,000 (equivalent to approximately HK$60,006,000) to the independent third party. Subsequent to the year-end date, the outstanding receivables was fully received by the Group as the timing of the project was uncertain and the parties thereby terminate the co-operation.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) *(Continued)*

(ii) On 10 June 2015, the Group had entered into an agreement with an independent third party in relation to the co-operation of a tender project related to digital trunking system. Pursuant to the terms of the agreement, the Group was required to prepay RMB47,000,000 ((equivalent to approximately HK$54,406,000) to assist the independent third party to fulfil the application requirements for the project. Further on 12 January 2016, the Group has entered into a termination agreement with the independent third party as a result of the failure in the tender. As at 31 March 2016, included in trade and other receivables were other receivables of RMB25,500,000 (equivalent to approximately HK$30,603,000) from the independent third party. Subsequent to the year-end date, the outstanding receivables was fully received.

(f) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**61,666**	105,367
Past due but not impaired		
Less than 1 month past due	**7,173**	56,197
1 to 3 months past due	**1,157**	20,388
More than 3 months but less than 12 months past due	**50,108**	138,427
More than 12 months past due	**16,923**	635
	75,361	215,647
	137,027	321,014

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. For any significant amounts past due, the Group would actively seek repayment from the debtors and the Group would enforce its legal right to the contractually due amount when considered necessary. There have been no disputes over the balances due from these debtors, therefore, the directors consider that the balances are fully recoverable. The Group does not hold any collateral over these balances.

24. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash at bank	**12,378**	54,054
Cash on hand	**43**	10
Cash and cash equivalents in the statement of financial position and statement of cash flows	**12,421**	54,064

The interest rates on the cash at bank and deposits with banks ranged from 0.001% to 0.35% (2015: 0.001% to 0.35%) per annum.

25. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables *(note (a))*	**26,036**	23,683
Bill payables	**4,026**	–
Accrued salaries	**4,784**	8,389
Accrued expenses and other payables	**40,611**	34,423
Financial liabilities measured at amortised cost	**75,457**	66,495
Deposits received from customers	**4,681**	3,823
Other tax payables	**4,091**	5,513
	84,229	75,831

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

	2016 HK$'000	2015 HK$'000
0–60 days	**2,472**	2,233
61–90 days	**1,145**	–
91–180 days	**1,898**	4,492
181–365 days	**5,962**	12,587
Over 365 days	**14,559**	4,371
	26,036	23,683

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

26. BANK AND OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank borrowings	**129,733**	44,439
Other borrowings	**11,200**	–
	140,933	44,439

At 31 March 2016, bank and other borrowings were due for repayment as follows:

	2016 HK$'000	2015 HK$'000
Portion of term loans due for repayment within 1 year	**137,333**	44,439
Portion of term loans due for repayment after 1 year	**3,600**	–
	140,933	44,439

26. BANK AND OTHER BORROWINGS *(Continued)*

At 31 March 2016, bank and other borrowings were secured as follows:

	2016 HK$'000	2015 HK$'000
Bank borrowings:		
— secured *(note (f))*	**97,090**	–
— unsecured *(note (d))*	**32,643**	44,439
Unsecured other borrowings	**11,200**	–
	140,933	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 at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 34(b). As at 31 March 2016, none of the covenants relating to drawn down facilities had been breached (2015: HK$Nil).

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

Bank borrowings which contains a repayment on demand clause is expected to be settled within one year. None of the portion of bank borrowings due for repayment after one year contains a repayment on demand clause.

Notes:

(a) All the Group's bank and other borrowings are denominated in RMB and HK$.

(b) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2016	2015
Effective interest rates:		
Fixed-rate borrowings	**4.30%–6.50%**	7.12%–7.5%
Variable-rate borrowings	**–**	6.26%

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

(d) The bank borrowings were unsecured and guaranteed by a subsidiary of the Company.

(e) At 31 March 2016, the banking facilities of the Group are secured by prepaid lease payments and property, plant and equipment of the Group (see notes 14 and 15).

(f) Other borrowings represented loan from an independent third party on 10 August 2015, bearing interest fixed at 4.85% per annum and is repayable within 1 year.

(g) At 31 March 2016, the Group have undrawn banking facilities in relation to bank borrowings of RMBNil (equivalent to approximately HK$Nil) (2015: RMB10,000,000 (equivalent to approximately HK$12,624,800)).

27. FINANCE LEASES PAYABLES

At 31 March 2016, the Group had obligation under finance leases repayable as follows:

	2016		2015	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**71,146**	**98,123**	49,810	54,281
After 1 year but within 2 years	**55,504**	**70,983**	61,292	69,790
After 2 years but within 5 years	**181,016**	**212,054**	168,533	209,369
After 5 years	**119,003**	**125,862**	158,594	195,045
	355,523	**408,899**	388,419	474,204
	426,669	**507,022**	438,229	528,485
Less: total future interest expenses		**(80,353)**		(90,256)
Present value of lease obligations		**426,669**		438,229

28. CONVERTIBLE BONDS PAYABLES

On 8 November 2013, the Company and an independent third party, Regal Force Limited ("Regal Force"), entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue, and Regal Force has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$500,000,000 at the conversion price of HK$2.00 per conversion share (adjusted to HK$0.4 after issuing of bonus shares on 21 February 2014). The subscription was completed on 15 January 2014.

Pursuant to the subscription agreement, the convertible bonds shall issue and subscribe by the parties in tranches in accordance with the written demands by the Company to be made within 2 years after completion date of subscription agreement. On 31 October 2014, the Company had issued a written demand to Regal Force Limited, for a subscription of the convertible bonds in a principal amount of HK$50,000,000 and convertible bonds in the principal amount of HK$50,000,000 was issued on 3 November 2014.

On 15 July 2015, the Company has issued a second written demand to Regal Force for the subscription of the convertible bonds in the principal amount of HK$445,000,000 (the "Subscription Money"). Regal Force had failed to pay the Subscription Money by 15 August 2015. Despite a further demand made by the Company, no response to the written demand was received from Regal Force.

In the above circumstances, Regal Force has repudiated the subscription agreement. After seeking legal advice, the Company has accepted the Regal Force's repudiation of the subscription agreement by way of a letter issued by the Company's legal adviser to the Regal Force on 31 August 2015, and the subscription agreement was thereby terminated.

The convertible bonds give the holder the right (the "Conversion Right") to convert all or any part of the outstanding principal amount of the convertible notes into fully paid ordinary shares of HK$0.01 each in the Company at HK$2 per share (the "Conversion Price"). The conversion price is subject to adjustment for share consolidation, share split or reverse share split, share subdivision or other similar event affecting the number of outstanding conversion shares.

28. CONVERTIBLE BONDS PAYABLES *(Continued)*

The holder can exercise the Conversion Right from time to time during the conversion period from the issuance date to the maturity date. The convertible bonds shall mature five years from the date of issue (i.e. 3 November 2018).

The convertible bonds bear interest from the date of issue of the convertible bonds at the rate of 5% per annum on the principal amount of the convertible bonds, payable at the anniversary date annually in arrears.

The movement of the liability component and equity component of the convertible bonds for the year ended 31 March 2015 was set out below:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
As at 1 April 2014	–	–	–
Issued during the year	35,541	14,459	50,000
Effective interest charged during the year	395	–	395
Converted during the year	(35,936)	(14,459)	(50,395)
As at 31 March 2015	–	–	–

The fair value of the liability component of the convertible bonds is calculated using cash flows discounted at a rate based on the effective interest rate of 13.342% per annum.

At the time when the convertible bonds are converted into ordinary shares of the Company, the nominal value of the shares issued upon conversion will be transferred from the liability component and the equity component of the convertible bonds to the share capital account while the difference will be transferred to the share premium.

On 3 December 2014, principal amount of HK$50,000,000 convertible bonds were converted into 125,000,000 ordinary shares of the Company. The conversion price of the convertible bonds has been adjusted from HK$2 to HK$0.4 per share for the effect of the issue of bonus shares on 21 February 2014. Accordingly, HK$1,250,000 was transferred to share capital account while HK$49,145,000 was transferred to share premium.

29. AMOUNT DUE TO A DIRECTOR

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

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016 HK$'000	2015 HK$'000
At beginning of the year	**26,789**	21,339
Provision for the year *(note 8(a))*		
— PRC EIT	**328**	29,982
Over-provision in respect of prior years *(note 8(a))*		
— PRC EIT	**(13)**	–
Tax payment for the year		
— Hong Kong Profits Tax	**–**	–
— PRC EIT	**(16,852)**	(24,519)
	(16,852)	(24,519)
Tax refund for the year		
— Hong Kong Profits Tax	**–**	–
— PRC EIT	**238**	–
	238	–
Effect of foreign currency exchange differences	**(55)**	(13)
At end of the year	**10,435**	26,789

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

	Fair value adjustment on intangible assets HK$'000	Undistributed profits of subsidiaries HK$'000	Total HK$'000
Deferred tax liabilities:			
At 1 April 2014	–	3,711	3,711
Acquired under business combination *(note 35(b))*	18,412	–	18,412
Charged/(credited) to profit or loss	(921)	948	27
Effect of foreign currency exchange differences	9	–	9
At 31 March 2015	17,500	4,659	22,159

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

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

	Fair value adjustment on property, plant and equipment HK$'000	Fair value adjustment on intangible assets HK$'000	Undistributed profits of subsidiaries HK$'000	Total HK$'000
At 1 April 2015	–	17,500	4,659	22,159
Acquired under business combination *(note 35(a))*	1,148	11,602	–	12,750
Credited to profit or loss	–	–	(1,961)	(1,961)
Effect of foreign currency exchange differences	–	(76)	2	(74)
At 31 March 2016	1,148	29,026	2,700	32,874

(c) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$95,493,000 (2015: HK$50,203,000) as at 31 March 2016 as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for tax losses of RMB28,180,000 (2015: RMBNil) in PRC which is available for carry forward to set-off future assessable income for a period of five years.

31. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

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

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

— all the remaining share options that have not been exercised (including those which have not been exercised under Lot 1 and Lot 2 above) exercisable commencing on 24 December 2017 to 23 December 2018, with vesting period from 24 December 2013 to 23 December 2017, the fair value of each option at the date of grant is approximately HK$0.3058 ("Lot 3").

(a) The terms and conditions of the grants that existed as at 31 March 2016 are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options *(note i)*	Exercise price *(note i)*	Contractual life of options
Options granted to directors: — on 24 December 2013	**24,000,000**	**HK$0.50**	**5 years**
Options granted to employees: — on 24 December 2013	**199,000,000**	**HK$0.50**	**5 years**
Options granted to other participants: — on 24 December 2013	**120,000,000**	**HK$0.50**	**5 years**
Adjusted during the year upon completion of share consolidation *(note 32(b)(ii))*	**(274,400,000)**		
	68,600,000	**HK$2.50**	

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

(a) *(Continued)*

The terms and conditions of the grants that existed as at 31 March 2015 are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options *(note i)*	Exercise price *(note i)*	Contractual life of options
Options granted to directors:			
— on 24 December 2013	96,000,000	HK$0.50	5 years
Options granted to employees:			
— on 24 December 2013	311,350,000	HK$0.50	5 years
Options granted to other participants:			
— on 24 December 2013	120,000,000	HK$0.50	5 years
Adjusted during the year upon completion of share consolidation *(note 32(b)(ii))*	(421,880,000)		
	105,470,000	HK$2.50	

Note:

(1) The exercise price and number of shares issuable under option granted has been adjusted for the effect of the issue of bonus shares on 21 February 2014 and the effect of share consolidation on 24 March 2016.

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

	2016		2015	
	Weighted average exercise price	**Number of shares issuable under options granted** *(note i)*	Weighted average exercise price	Number of shares issuable under options granted *(note i)*
Outstanding at the beginning of the year	**HK$0.50**	**527,350,000**	HK$0.50	600,000,000
Forfeited during the year *(note ii)*	**HK$0.50**	**(184,350,000)**	HK$0.50	(72,650,000)
Adjusted during the year upon completion of share consolidation *(note 32(b)(ii))*		**(274,400,000)**		–
Outstanding at the end of the year	**HK$2.50**	**68,600,000**	HK$0.50	527,350,000
Exercisable at the end of the year	**HK$2.50**	**22,867,000**		–

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

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

Notes:

(i) The exercise price and number of shares issuable under option granted has been adjusted for the effect of the issue of bonus shares on 21 February 2014 and the effect of share consolidation on 24 March 2016.

(ii) During the year ended 31 March 2016, 36,870,000 (2015: 72,650,000) share options were forfeited due to the resignation of directors and employees. The impact was recognised on the profit or loss, with a corresponding adjustment to the share-based compensation reserve.

The share options outstanding at 31 March 2016 had a weighted average remaining contractual life of 2.7 years (2015: 3 years).

As at 31 March 2016, the number of shares in respect of options under the Share Option Scheme that had been granted and remained outstanding was 68,600,000, as adjusted for the effect of share consolidation which occurred during the year ended 31 March 2016, representing approximately 4% of the shares of the Company in issue at the year end date.

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

No share option was exercised during the years ended 31 March 2016 and 2015.

(c) FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS

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

	Lot 1	Lot 2	Lot 3
Fair value of share options and assumptions	HK$0.2605	HK$0.2778	HK$0.3058
Share price *(note)*	HK$2.50	HK$2.50	HK$2.50
Exercise price *(note)*	HK$2.50	HK$2.50	HK$2.50
Contractual life	5 years	5 years	5 years
Expected volatility (expected as weighted average volatility used in the modeling under Black-Scholes Option Pricing Model)	31.510%	31.878%	33.069%
Expected option period (expressed as weighted average life used in the modeling under the Black-Scholes Option Pricing Model)	3.500 years	4.001 years	4.501 years
Expected dividends	5.882%	5.882%	5.882%
Risk-free rate (based on yields of Hong Kong government bonds and treasury bills)	0.835%	1.027%	1.204%

Note: The share price and the exercise price has been adjusted for the effect of the issue of bonus shares on 21 February 2014 and the effect of share consolidation on 24 March 2016.

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

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

32. CAPITAL AND RESERVES

(a) RESERVES

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

		Attributable to owners of the Company							
	Note	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Merger reserve (note 32(c)(v)) HK$'000	Convertible bonds reserves HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014		63,200	263,558	2,308	71,349	–	1,200	(48,099)	353,516
Comprehensive income									
Loss for the year		–	–	–	–	–	–	(353)	(353)
Total comprehensive loss for the year		–	–	–	–	–	–	(353)	(353)
Transactions with owners									
Equity-settled share-based payments		–	–	8,128	–	–	–	–	8,128
Issue of warrants	32(c)(vi)	–	–	–	–	–	6,600	–	6,600
Issue of convertible bonds	32(b)(iv)	–	–	–	–	14,459	–	–	14,459
Share issued upon conversion of convertible bonds	32(b)(iv)	1,250	49,145	–	–	(14,459)	–	–	35,936
Final dividend in respect of the previous year	11(b)	–	–	–	–	–	–	(10,112)	(10,112)
At 31 March 2015		64,450	312,703	10,436	71,349	–	7,800	(58,564)	408,174
At 1 April 2015		**64,450**	**312,703**	**10,436**	**71,349**	**–**	**7,800**	**(58,564)**	**408,174**
Comprehensive income									
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(350,851)**	**(350,851)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(350,851)**	**(350,851)**
Transactions with owners									
Equity-settled share-based payments		**–**	**–**	**8,067**	**–**	**–**	**–**	**–**	**8,067**
Lapse of warrants	32(c)(vi)	**–**	**–**	**–**	**–**	**–**	**(1,200)**	**1,200**	**–**
Shares issued upon acquisition of subsidiaries	32(b)(iii)	**19,270**	**309,933**	**–**	**–**	**–**	**–**	**–**	**329,203**
At 31 March 2016		**83,720**	**622,636**	**18,503**	**71,349**	**–**	**6,600**	**(408,215)**	**394,593**

32. CAPITAL AND RESERVES *(Continued)*

(b) SHARE CAPITAL

	2016 No. of shares '000	**2016** Amount HK$'000	2015 No. of shares '000	2015 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**20,000,000**	**200,000**	20,000,000	200,000
Increase during the year *(note 32(b)(i))*	**4,000,000**	**200,000**	–	
Share consolidation *(note 32(b)(ii))*	**(16,000,000)**	**–**	–	–
At end of the year				
Ordinary shares of HK$0.01 each	**–**	**–**	20,000,000	200,000
Ordinary shares of HK$0.05 each	**8,000,000**	**400,000**	–	–
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**6,445,000**	**64,450**	6,320,000	63,200
Issue of shares upon acquisition of subsidiaries *(note 32(b)(iii))*	**1,927,000**	**19,270**	–	–
Issue of shares upon conversion of convertible bonds *(note 32(b)(iv))*	**–**	**–**	125,000	1,250
Share consolidation *(note 32(b)(ii))*	**(6,697,600)**	**–**	–	–
At end of the year				
Ordinary shares of HK$0.01 each	**–**	**–**	6,445,000	64,450
Ordinary shares of HK$0.05 each	**1,674,400**	**83,720**	–	–

Notes:

(i) Pursuant to an ordinary resolution passed at the Company's extraordinary general meeting held on 23 March 2016 and upon the share consolidation become effective on 24 March 2016, the Company's authorised share capital was increased from HK$200,000,000 (divided into 4,000,000,000 shares of HK$0.05 each) to HK$400,000,000 (divided into 8,000,000,000 share of HK$0.05 each shares) by creation of 4,000,000,000 shares of HK$0.05 each.

(ii) During the year ended 31 March 2016, the Company consolidated every 5 issued shares of HK$0.01 each into 1 consolidated share of HK$0.05 each.

(iii) During the year ended 31 March 2016, the Company issued 1,927,000,000 shares upon acquisition of subsidiaries (note 35(a)).

(iv) On 31 October 2014, the Company issued convertible bonds in an aggregate principal amount of HK$50,000,000 (note 28). On 3 December 2014, convertible bonds of the principal amount of HK$50,000,000 were converted into 125,000,000 ordinary shares of the Company.

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

32. CAPITAL AND RESERVES *(Continued)*

(c) NATURE AND PURPOSE OF RESERVES

(i) Share premium

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

(ii) Capital reserve

The capital reserve of the Group represents the differences between the nominal value of the Company's shares issued and the nominal value of shares of LakeWest Holdings Limited (previously known as "Synertone Group Holdings Limited") acquired through a reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange in December 2006.

(iii) Statutory reserve

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

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

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

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

(iv) Translation reserve

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

(v) Merger reserve

The merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of LakeWest Holdings Limited and its subsidiaries acquired through an exchange of shares in December 2006 pursuant to the reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange, which was not available for distribution.

32. CAPITAL AND RESERVES *(Continued)*

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

(vi) Warrants reserve

On 30 September 2013, the Company entered into the subscription agreement with CITIC Merchant Co., Limited ("CITIC Merchant") pursuant to which the Company has agreed to issue and CITIC Merchant has agreed to subscribe for 120,000,000 warrants at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe at any time during the exercise period of two years commencing from the date of issue of the warrant. The subscription was completed on 22 October 2013 and an aggregate of 120,000,000 warrants have been issued. On 21 October 2015, the warrant subscription agreement between CITIC Merchant and the Company has not been exercised and was therefore expired.

On 28 August 2015, the Company and an independent third party, CITIC Capital Management Limited ("CITIC Management"), entered into a subscription agreement pursuant to which the Company has agreed to issue and CITIC Management has agreed to subscribe for 660,000,000 warrants at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe at any time during the exercise period at any time during the exercise period of five years commencing from the date of issue of the warrant. The subscription was completed on 22 September 2015 and an aggregate of 660,000,000 warrants have been issued.

(vii) Share-based compensation reserve

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

(viii) Convertible bonds reserve

The convertible bonds reserve comprises the value of the equity component of unexercised convertible bonds issued by the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(n).

(d) DISTRIBUTABILITY OF RESERVES

As at 31 March 2016, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was approximately HK$214,421,000 (2015: HK$254,139,000).

(e) CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or sell assets to reduce debt.

Consistent with industry practice, the Group monitors its capital structure on the basis of the adjusted net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the Group's bank and other borrowings and finance lease payables less cash and cash equivalents.

32. CAPITAL AND RESERVES *(Continued)*

(e) CAPITAL MANAGEMENT *(Continued)*

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the ratio at a reasonable level. The adjusted gearing ratios at 31 March 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Bank and other borrowings *(note 26)*	**140,933**	44,439
Finance lease payables (note 27)	**426,669**	438,229
	567,602	482,668
Less: Cash and cash equivalents *(note 24)*	**(12,421)**	(54,064)
Net debt	**555,181**	428,604
Total equity	**424,298**	521,271
Adjusted gearing ratio	**131%**	82%

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

33. FINANCIAL INSTRUMENTS BY CATEGORIES

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**272,554**	376,345
Available-for-sale investments	**3,900**	3,900
Derivative financial instruments	**95,235**	–
Financial liabilities		
Financial liabilities at amortised costs	**643,060**	549,164

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group has exposure to credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) CREDIT RISK

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

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

(a) CREDIT RISK *(Continued)*

(ii) The Group's credit risk is primarily attributable to trade and other receivables. In order to minimise the credit risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each major customer periodically. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The Group do not require collateral from its debtors. Debts are usually due within 30 to 180 days from the date of billing.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 March 2016, the Group has a certain concentration of credit risk as 33% (2015: 42%) of the total loans and receivables were due from the Groups' largest customer within digital trunking system segment and 44% (2015: 99%) of the total loans and receivables were due from the five largest customers within digital trunking system segment and Synertone 1 satellite system segment respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

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

(b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to parent company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

(b) LIQUIDITY RISK *(Continued)*

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2016						
Non-derivative financial liabilities						
Trade payables	26,036	–	–	–	26,036	26,036
Accrued salaries	4,784	–	–	–	4,784	4,784
Accrued expenses and other payables	40,611	–	–	–	40,611	40,611
Bills payable	4,026	–	–	–	4,026	4,026
Amount due to a director	1	–	–	–	1	1
Bank and other borrowings	140,972	3,888	–	–	144,860	140,933
Finance lease payables	98,123	70,983	212,054	125,862	507,022	426,669
	314,553	74,871	212,054	125,862	727,340	643,060

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2015						
Non-derivative financial liabilities						
Trade payables	23,683	–	–	–	23,683	23,683
Accrued salaries	8,389	–	–	–	8,389	8,389
Accrued expenses and other payables	34,423	–	–	–	34,423	34,423
Amount due to a director	1	–	–	–	1	1
Bank borrowings	45,085	–	–	–	45,085	44,439
Finance lease payables	54,281	68,790	209,369	195,045	527,485	438,229
	165,862	68,790	209,369	195,045	639,066	549,164

(c) INTEREST RATE RISK

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

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings.

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

(c) INTEREST RATE RISK *(Continued)*

(i) Interest rate profile

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

	2016		2015	
	Range of interest rates	**HK$'000**	Range of interest rates	HK$'000
Fixed rate borrowings:				
Bank and other borrowings	**4.30%–6.5%**	**140,933**	7.12%–7.5%	31,814
Finance lease payables	**1.98%–4.486%**	**426,669**	4.486%	438,229
		567,602		470,043
Variable rate bank deposits:				
Cash at bank	**0.001%–0.35%**	**12,215**	0.001%–0.35%	53,363
Variable rate borrowings:				
Bank borrowings		**–**	6.26%	12,625

(ii) Sensitivity analysis

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

At 31 March 2016, it is estimated that a general increase/decrease of 100 basis points (2015: 100 basis points) in interest rates for variable rate bank deposits and borrowings and with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by approximately HK$76,000 (2015: increase/decrease the Group's profit after taxation and retained profits by approximately HK$316,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

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

The 100 basis points (2015: 100 basis points) increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates. The analysis is performed on the same basis for 2015.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) CURRENCY RISK

(i) *Exposure to currency risk*

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

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in HK$'000)					
	2016			2015		
	United States Dollars	**Renminbi**	**Euro**	United States Dollars	Renminbi	Euro
Trade and other receivables	**1,851**	**13,135**	**–**	88	131,264	–
Cash and cash equivalents	**401**	**26**	**4**	198	5,655	4
Trade and other payables	**(2,776)**	**–**	**–**	(5,172)	–	–
Net exposure arising from recognised assets and liabilities	**(524)**	**13,161**	**4**	(4,886)	136,919	4

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's (loss)/profit after taxation and (accumulated losses)/retained profits that would arise if exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) CURRENCY RISK *(Continued)*

(ii) Sensitivity analysis (Continued)

	2016			2015		
	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation	Effect on accumulated losses	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation	Effect on retained profits
Renminbi	5%	(658)	(658)	5%	5,716	5,716
	(5%)	658	658	(5%)	(5,716)	(5,716)
Euro	5%	(1)	1	5%	1	1
	(5%)	1	(1)	(5%)	(1)	(1)

Results of the analysis is presented in the above table represent an aggregate of the instantaneous effects on each of the group entities' (loss)/profit after taxation and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2015.

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

(e) FAIR VALUE MEASUREMENT

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(e) FAIR VALUE MEASUREMENT *(Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

Fair value hierarchy *(Continued)*

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee ("AC"). Discussions of valuation processes and results are held between the management, AC and valuers at least once every six moths, in line with the Group's interim and annual reporting dates.

	Fair value measurements as at 31 March 2016 categorised into			
	Fair value at 31 March 2016 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
— Call option	**95,235**	**–**	**–**	**95,235**

	Fair value measurements as at 31 March 2015 categorised into			
	Fair value at 31 March 2015 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
— Call option	–	–	–	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

(e) FAIR VALUE MEASUREMENT *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

The main Level 3 inputs used by the Group in estimating the call options derivatives are gross development value, time to maturity, interest rate, and expected volatility. The fair value of the call options were calculated using the Binomial option pricing model by assuming the present value of business value for Sense Field Group Limited, based on discounted cash flow forecast provided by management of the Group.

The fair value of call option was estimated as at 31 March 2016, using a Binomial option pricing model, taking into account the terms upon the exercise of call option. The following table lists the key inputs to the model used:

Exercise price (HK$)	133,000,000
Risk free rate (%)	0.436
Expected option period (year)	1.710
Expected volatility (%)	83.445

Risk free rate of interest was used based on the market yield of Hong Kong government bond with similar maturity to the call option as of the valuation date and the volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise.

The movements during the period in the balance of Level 3 fair value measurements are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year	**–**	–
Acquisition through business combination *(note 35(a)(ii))*	**86,153**	–
Total gains recognised in the statement of profit or loss included in other net income *(note 6)*	**9,082**	–
At end of year	**95,235**	–
Total gains or losses for the period included in profit or loss for assets held of the end of the reporting period	**9,082**	–

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2016 and 2015.

35. BUSINESS COMBINATION

(a) FOR THE YEAR ENDED 31 MARCH 2016

(i) On 30 June 2015, Vastsuccess, a wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with an independent third party, Mr. John Edward Hunt (the "Vendor"), for the acquisition of 100% equity interests in MOX Products Pty Limited ("MOX") at a consideration of HK$302 million, which shall be satisfied by the allotment and issue of 604,000,000 consideration shares at the issue price of HK$0.50 per consideration share upon completion.

MOX is an investment holding company and together with its wholly-owned subsidiaries, 悉雅特萬科思自動化（杭州）有限公司 and 萬科思自動化（上海）有限公司 (together the "MOX Group"), are mainly engaged in the design, development and sales of automation control systems for industrial use. The directors of the Company are of the opinion that through the acquisition, the Group be able to broaden its customer base by integrating the existing customers of the MOX Group which have strong demand for the Group's existing products and the automation control systems provided by MOX Group would become more reliable and efficient with the support of Synertone 1 satellite bandwidth.

The acquisition was completed on 17 July 2015. A total of 604,000,000 consideration shares were issued to the Vendor.

Included in the loss for the year is profit of approximately HK$234,000 attributable to the additional business generated by MOX Group. Revenue for the year includes HK$17,011,000 in respect of MOX Group.

Had the business combination been effected at 1 April 2015, revenue of the Group for the year and loss for the year would have been approximately HK$112,046,000 and approximately HK$468,831,000 respectively. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment *(note 14)*	516
Intangible assets *(note 16)*	6,333
Inventories	5,220
Trade and other receivables	18,427
Cash and cash equivalents	8
Trade and other payables	(63,639)
Deferred tax liabilities *(note 30(b))*	(1,580)
Total identifiable net liabilities at fair value	(34,715)
Goodwill arising on acquisition *(note 17)*	203,835
	169,120

35. BUSINESS COMBINATION *(Continued)*

(a) FOR THE YEAR ENDED 31 MARCH 2016 *(Continued)*

(i) (Continued)

	Fair value recognised on acquisition HK$'000
Fair value of consideration transferred:	
Issue of consideration shares	169,120
Analysis of cash inflow in respect of the acquisition:	
Cash consideration paid	–
Less: Cash and cash equivalent balances acquired	8
	8

Acquisition-related costs amounting to approximately HK$599,000 have been excluded from the consideration transferred and have been recognised as an expense for the current year, within the "administrative and other operating expenses" line item in the consolidated statement of profit or loss.

The goodwill of approximately HK$203,835,000 arising from the acquisition is attributable to the anticipated cash flows from the future operating synergies through the combination the automation control systems provided by MOX Group with the support of Synertone 1 satellite bandwidth. None of the goodwill recognised is expected to be deductible for income tax purposes.

At the acquisition date, the gross contractual amount of receivables acquired in this transaction, including trade receivables of HK$15,238,000, note receivables of HK$367,000 and other receivables of HK$106,000, were equivalent to their fair value of HK$15,711,000 and it was expected that all amounts were fully collectible.

(ii) On 27 November 2015, Vastsuccess entered into the sales and purchase agreement with three independent third parties, Cheng Edward, Xiong Sylvia Wei and Hua Shu (together the "Vendors"), for the acquisition of 49% equity interests in Sense Field Group Limited, at a consideration of HK$195 million, which shall 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.

Sense Field is the investment holding company and held 100% equity interests of MOX Group Limited. MOX Group Limited has two subsidiaries, 萬科思自控信息（中國）有限公司 and 悉雅特樓宇自控（杭州）有限公司 and 萬科思自控信息（中國）有限公司 held 49% equity interests in 杭州奧邁智能科技有限公司 (together the "Sense Field Group").

Sense Field Group is primarily engaged in the research and development, manufacturing and sale of intelligent building systems including video intercom and surveillance systems for buildings across the PRC. The directors of the Company believed that the acquisition would enable the Group to diversify its customers' base in the private sector, particularly with regard to property development companies in the PRC.

According to the shareholders' agreement signed between the Vendors and Vastsuccess, Vastsuccess would have a right to subscribe further equity interests in Sense Field Group Limited. The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group over 51% voting power over Sense Field Group Limited. Based on the director's assessment, the currently exercisable purchased call option provided the Group with the potential voting rights over Sense Field Group Limited which in turn provided the Company with the ability to control Sense Field Group Limited and its subsidiaries (together the "Sense Field Group"). In preparing the Group's consolidated financial statements for the year ended 31 March 2016, Sense Field Group was consolidated as subsidiaries in accordance with HKFRS 10 *Consolidated Financial Statements*. As the Group held 49% equity interest in Sense Field Group, 51% of the post-acquisition results and net assets of Sense Field Group were allocated to non-controlling interest.

35. BUSINESS COMBINATION *(Continued)*

(a) FOR THE YEAR ENDED 31 MARCH 2016 *(Continued)*

(ii) (Continued)

The acquisition was completed on 16 December 2015 and a total of 1,323,000,000 consideration shares were issued to the Vendors.

Included in the loss for the year is profit of approximately HK$1,554,000 attributable to the additional business generated by Sense Field Group. Revenue for the year includes HK$32,896,000 in respect of Sense Field Group.

Had the business combination been effected at 1 April 2015, revenue of the Group for the year and loss for the year would have been approximately HK$188,053,000 and approximately HK$465,801,000 respectively. The directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment *(note 14)*	57,845
Prepaid land lease *(note 15)*	9,432
Intangible assets *(note 16)*	40,286
Interest in an associate	2,938
Cash and cash equivalents	17,676
Inventories	41,548
Trade and other receivables	91,317
Trade and other payables	(40,789)
Bank and other borrowings	(97,020)
Deferred tax liabilities *(note 30(b))*	(11,170)
Total identifiable net assets at fair value	112,063
Non-controlling interests arising from acquisition	(57,152)
Goodwill arising on acquisition *(note 17)*	19,019
Call option arising on acquisition *(note 34(e)(i))*	86,153
	160,083
Fair value of consideration transferred:	
Issue of consideration shares	160,083
Analysis of cash inflow in respect of the acquisition:	
Cash consideration paid	–
Less: Cash and cash equivalent balances acquired	17,676
	17,676

35. BUSINESS COMBINATION *(Continued)*

(a) FOR THE YEAR ENDED 31 MARCH 2016 *(Continued)*

(ii) (Continued)

Acquisition-related costs amounting to approximately HK$636,000 have been excluded from the consideration transferred and have been recognised as an expense for the current period, within the "administrative and other/operating expenses" line item on the consolidated statement of profit or loss.

The goodwill of approximately HK$19,019,000 arising from the acquisition is attributable to the anticipated cash flows from the future operating synergies from the customer base of Sense Field Group to the Group's existing business through the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

The non-controlling interests were recognised at their proportionate share of the recognised amounts of the acquirees' identifiable net assets.

Had the above business combinations been effected at 1 April 2015, revenue for the year would have been approximately HK$193,723,000 and loss for the year would have been approximately HK$465,723,000. The directors consider these "pro-forma" numbers to represent an approximate measure of the performance pf the combined group on an annualised basis and to provide a reference point for comparison in future periods.

At the acquisition date, the gross contractual amount of receivables acquired in this transaction, including trade receivables of HK$50,244,000 and other receivables of HK$38,197,000, were equivalent to their fair value of HK$88,441,000 and it was expected that all amounts were fully collectible.

(b) FOR THE YEAR ENDED 31 MARCH 2015

On 30 September 2014, the Group acquired 100% equity interests of Thrive United Holdings Limited ("Thrive United") and its subsidiaries at an aggregate consideration of HK$90,000,000.

Thrive United and its subsidiaries, Longching Technology Limited and 朗晴通科技（深圳）有限公司 (collectively referred to as the "Thrive United Group") are mainly engaged in the design, development and sale of security systems for use in the internet and mobile phones using Android operating system.

Following the acquisition of Synertone 1 satellite bandwidth during the year ended 31 March 2013, the Group had started to construct its own satellite communication network to provide broadband, telephone and broadcasting services. Network security is an important aspect in the provision of such services. The acquisition allows the Group to provide a safe communication environment for end users.

As for the Group's existing trunking business, the acquisition shall allow the Group to make use of the intellectual properties, know-how and research and development capabilities of the Thrive United Group to develop new generation digital trunking products with higher level of security capabilities.

Included in the profit for the year ended 31 March 2015 was loss of approximately HK$336,000 attributable to the Thrive United Group. Thrive United Group did not contribute any revenue to the Group during the year ended 31 March 2015.

35. BUSINESS COMBINATION *(Continued)*

(b) FOR THE YEAR ENDED 31 MARCH 2015 *(Continued)*

Had the business combination been effected at 1 April 2014, profit for the year would have been approximately HK$33,403,000. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment *(note 14)*	13
Intangible assets *(note 16)*	73,736
Cash and cash equivalents	147
Other payables	(282)
Deferred tax liabilities *(note 30(b))*	(18,412)
Total identifiable net assets at fair value	55,202
Goodwill arising on acquisition *(note 17)*	34,798
Consideration, satisfied in cash	90,000
Less: Other payables	(33,000)
Cash and cash equivalent balances acquired	(147)
Net cash outflow	56,853

Acquisition-related costs amounting to HK$150,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the 'administrative and other operating expenses' line item in the consolidated statement of profit or loss.

The goodwill of approximately HK$34,798,000 arising from the acquisition is attributable to the anticipated cash flows from the provision of a safe communication environment for end users and the future operating synergies from the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

36. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2016 not provided for in the consolidated financial statements were as follows:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for		
Property, plant and equipment	**89,008**	–
Renovation of new office	**1,726**	1,815
	90,734	1,815

36. COMMITMENTS *(Continued)*

(b) As at 31 March 2016, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**3,743**	5,363
In the second to fifth year inclusive	**9,239**	11,014
Over five years	**–**	4,094
	12,982	20,471

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

37. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

(a) BALANCES WITH RELATED PARTIES

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

(i) Amount due to a director

	2016 HK$'000	2015 HK$'000
Wong Chit On	**1**	1

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

(b) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Emoluments for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10 are as follows:

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	**12,986**	14,180
Equity-settled share-based payments	**3,245**	4,010
Post-employment benefit	**158**	193
	16,389	18,383

Total emoluments is included in "Staff Costs" (see note 7(b)).

37. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) GUARANTEE

During the year, a personal guarantee was given by Mr. Wong Chit On, Chairmen and executive director of the Company, for the purchase of motor vehicle under finance lease through OCBC Wing Hang Bank Limited.

38. COMPANY–LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Investments in subsidiaries		**–**	95,012
Current assets			
Amounts due from subsidiaries		**400,307**	314,632
Deposits		**–**	50
Cash and cash equivalents		**109**	157
		400,416	314,839
Current liabilities			
Other payables		**1,193**	944
Amount due to a director		**1**	1
Amount due to a subsidiary		**4,629**	732
		(5,823)	(1,677)
Net assets		**394,593**	408,174
EQUITY	*32*		
Share capital		**83,720**	64,450
Reserves		**310,873**	343,724
Total equity		**394,593**	408,174

Approved and authorised for issue by the board of directors on 15 August 2016

Wong Chit On
Director

Han Weining
Director

39. EVENTS AFTER THE REPORTING PERIOD

(a) On 27 April 2016, the Group has completed the rights issue of 1,674,400,000 rights shares on the basis of one rights share for every one share at the subscription price of HK$0.125 per rights share.

(b) On 29 June 2016, Vastsuccess Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, has entered into the sale and purchase agreement with Xiong Sylvia Wei, Hua Shu and Tse Suet Mei (together the "Vendors"), pursuant to which the Purchaser agreed to further acquire from the Vendors an aggregate of 36% equity interest in Sense Field for a cash consideration of HK$130 million. Upon completion of the acquisition, the Group will hold an aggregate of 85% equity interest in Sense Field.

40. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTIES

As at 31 March 2016, the directors consider the immediate parent and ultimate controlling company of the Group to be Excel Time Investments Limited ("Excel Time"), which is incorporated in the BVI with limited liability. The ultimate controlling party is Mr. Wong Chit On. Excel Time does not produce financial statements available for public use.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 "Revenue from Contracts with Customers"[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after 1 January 2017

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEARS SUMMARY

	For the year ended 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**106,376**	329,667	174,421	115,690	218,264
Cost of sales	**(117,504)**	(163,732)	(82,215)	(41,574)	(69,561)
Gross (loss)/profit	**(11,128)**	165,935	92,206	74,116	148,703
(Loss)/profit before taxation	**(470,555)**	63,748	38,837	47,890	89,817
Income tax	**1,646**	(30,009)	(8,810)	(11,883)	(26,207)
(Loss)/profit for the year	**(468,909)**	33,739	30,027	36,007	63,610
Attributable to:					
Owners of the Company	**(469,702)**	33,739	30,027	36,007	63,610
Non-controlling interests	**773**	–	–	–	–
(Loss)/profit for the year	**(468,909)**	33,739	30,027	36,007	63,610

	As at 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	**328,368**	403,491	285,664	264,058	245,110
Non-current assets	**791,071**	725,228	693,034	68,677	19,634
Total assets	**1,119,439**	1,128,719	978,698	332,735	264,744
Current liabilities	**303,144**	196,870	118,088	44,678	47,728
Non-current liabilities	**391,997**	410,578	427,388	9,871	12,936
Total liabilities	**695,141**	607,448	545,476	54,549	60,664
Net assets	**424,298**	521,271	433,222	278,186	204,080
Share capital	**83,720**	64,450	63,200	12,000	9,000
Reserves	**281,216**	456,821	370,022	266,186	195,080
Equity attributable to owners of the Company	**364,936**	521,271	433,222	278,186	204,080
Non-controlling interests	**59,362**	–	–	–	–
Total equity	**424,298**	521,271	433,222	278,186	204,080