2017
ANNUAL REPORT

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1613

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. Wang Chen
Ms. Li Mingqi

COMMITTEES

AUDIT COMMITTEE

Mr. Lam Ying Hung Andy *(Chairperson)*
Mr. Wang Chen
Ms. Li Mingqi

NOMINATION COMMITTEE

Mr. Wang Chen *(Chairperson)*
Mr. Lam Ying Hung Andy
Ms. Li Mingqi

REMUNERATION COMMITTEE

Ms. Li Mingqi *(Chairperson)*
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

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Cayman Islands

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Shenzhen
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road, P.O. Box 1586
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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183 Queen's Road East
Hong Kong

LEGAL ADVISER

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AUDITOR

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Certified Public Accountants
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WEBSITE

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STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1613

FINANCIAL HIGHLIGHTS

- The Group recorded an increase of revenue of approximately HK$38.3 million or 36.0% from approximately HK$106.4 million for the year ended 31 March 2016 to approximately HK$144.7 million for the year ended 31 March 2017.

- Gross profit of the Group increased by approximately HK$39.2 million from gross loss of approximately HK$(11.1) million for the year ended 31 March 2016 to a gross profit of approximately HK$28.1 million for the year ended 31 March 2017, with gross profit margin rose from approximately (10.5)% for the year ended 31 March 2016 to a gross profit margin of approximately 19.4% for the year ended 31 March 2017.

- The Group recorded a decrease of loss attributable to owners of the Company of approximately HK$273.0 million or 58.1% from approximately HK$469.7 million for the year ended 31 March 2016 to approximately HK$196.7 million for the year ended 31 March 2017.

Results performance for the year ended 31 March	**2017**	2016	2015
Revenue *(HK$'000)*	**144,677**	106,376	329,667
Gross profit/(loss) *(HK$'000)*	**28,083**	(11,128)	165,935
Gross profit/(loss) margin *(%)*	**19.4**	(10.5)	50.3
(Loss)/profit for the year *(HK$'000)*	**(201,416)**	(468,909)	33,739
Net (loss)/profit margin *(%)*	**(139.2)**	(440.8)	10.2
			(Restated)
Basic (loss)/earnings per share *(HK$)*	**(0.06)**	(0.28)	0.02

Liquidity and gearing ratios as at 31 March	**2017**	2016	2015
Inventories turnover days *(Note 1)*	**192**	155	63
Trade receivables turnover days *(Note 2)*	**337**	786	270
Trade payables turnover days *(Note 3)*	**156**	173	76
Current ratio	**0.9**	1.1	2.0
Gearing ratio *(%) (Note 4)*	**197.0**	130.8	82.2

Operating cash flow and capital expenditure for the year ended 31 March	**2017**	2016	2015
Net cash (used in)/generated from operating activities *(HK$'000)*	**(14,492)**	(15,945)	22,817
Capital expenditure *(HK$'000) (Note 5)*	**34,273**	15,214	67,606

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 cost of sales (except Synertone1's leasing costs) for the year and multiplied by 365 days.

4. Calculation was based on total bank and other 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 (the "Board") of directors (the "Directors") 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 2017.

FINANCIAL REVIEW

The Group recorded a revenue of approximately HK$144.7 million for the year ended 31 March 2017, representing an increase of approximately HK$38.3 million or 36% as compared to approximately HK$106.4 million for the year ended 31 March 2016, in which the sales of building intelligence and smart home products surged by approximately HK$56.2 million or 170.8%. On the other hand, the Group's gross profit for the year ended 31 March 2017 was approximately HK$28.1 million, as compared with gross loss of approximately HK$11.1 million for the year ended 31 March 2016. There was an increase in the overall gross profit margin from approximately (10.5)% to 19.4%, mainly as a result of the increase of gross profit contributed by the building intelligence and smart home business acquired last year; and the substantial drop in the amortisation expense of intangible asset in respect of Synertone 1 satellite bandwidth.

The Group recorded the loss attributable to owners of the Company of approximately HK$196.7 million for the year ended 31 March 2017, representing a decrease of approximately HK$273.0 million or 58% as compared to approximately HK$469.7 million for the year ended 31 March 2016.

During the year, the Group further acquired 36% equity interest of Sense Field Group Limited ("Sense Field", together with its subsidiaries the "Sense Field Group") for a consideration of HK$130 million satisfied by cash (the "Further Acquisition"), after which the Group's shareholding in Sense Field increased from 49% to 85%. We are of the view that the Further Acquisition would enable the Group to consolidate and secure control over the Sense Field 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.

BUSINESS REVIEW

During the year under review, the Company entered into a non-exclusive manufacturing agreement with a cooperating partner ("Manufacturing Agreement"), pursuant to which the cooperating partner grants a non-exclusive license to the Company to manufacture certain of its products including the "Capricorn" and "Gemini" VSAT's as set out in the Manufacturing Agreement (the "Products"), and the right to manufacture and sell the Products to the Company's customers using the services of the "Synertone 1" satellite within the territory of the PRC including Hong Kong, Macau and Taiwan. The Company considers that the entering into of the Manufacturing Agreement represents a good opportunity for the Group to fully utilize its manufacturing facility, enhance its product capability and services enabling the Group to further expand its business and revenue base.

During the year under review, the Group has set up a demonstration system to do market promotions in respect of the Synertone 1 satellite system. The first phase is substantially finished in the fourth quarter of 2016, and by then one third of the total bandwidth and the network management system (NMS) have been upgraded. The new system increased the bandwidth capacity from 12Gbps to 18Gbps, with the ability to deliver 150Mbps downstream and 12Mbps upstream data transmission speed for the users. The Group expects that the new system and application can be put into operation in the coming year, and with the enhanced NMS and operations support system (OSS) the Group could attract new customers for delivering various types of internet content and applications, which could drive the growth of the Group's revenue substantially in the future.

Furthermore, the Group is developing a series of innovative network element products which provide customers with multi-channel network access such as satellite network, 3G/4G public network, trunking private network and Wi-Fi. Data transmission rate of these network element products will be over 150Mbps, which can support high quality voice, data, video, image, positioning and other multimedia applications and achieve the Company's mission of "Broadband at Anytime in Anywhere". These network element products are easy to deploy and use that could meet communication service requirements in aviation, railway, maritime, emergency, field survey and oil exploration, etc.

PROSPECTS

The Group expects that the fully upgraded Synertone 1 satellite system will be capable of providing updated, high-performance satellite communication products and satellite broadband mobile internet services to customers of large-scale industry and governmental and high-end enterprises. Meanwhile, the Group will provide quality satellite broadband wireless services through its qualified operators in Mainland China, Hong Kong, Macau and overseas. It is expected that the Group's continuous innovation and efforts will present it a brand new image in the coming year.

Wong Chit On
Chairman

20 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of integrated communication systems, and industrial and building automation solutions. The Group provides its systems and solutions products through research and development and acquisition of relevant intellectual property rights and technology know-how from third parties. The Group also provides specialised communication network design and implementation to address the specific needs of the customers.

The principal businesses of the Group include provision of (i) communication technology systems and solutions, (ii) Synertone 1 satellite communication resources; (iii) industrial control system; and (iv) building intelligence and smart home products.

Communication Technology

The Group manufactures and assembles the core components of the digital trunking system and VSAT satellite system at its production facilities in Shenzhen. Customers of the Group's products include system integrators, distributors and end-users.

(a) 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.

(b) 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 a wide range of VSAT satellite system products to meet the application requirements of the upgraded Synertone 1 satellite system. The first phase of development has been completed and the new products have been put into commercial trial cases.

On 24 November 2016, the Company entered into a non-exclusive manufacturing agreement with a cooperating partner ("Manufacturing Agreement"), pursuant to which the cooperating partner grants a non-exclusive license to the Company to manufacture certain of its products including the "Capricorn" and "Gemini" VSAT's as set out in the Manufacturing Agreement (the "Products"), and the right to manufacture and sell the Products to the Company's customers using the services of the "Synertone 1" satellite within the territory of the PRC including Hong Kong, Macau and Taiwan. The Company considers that the entering into of the Manufacturing Agreement represents a good opportunity for the Group to fully utilize its manufacturing facility, enhance its product capability and services enabling the Group to further expand its business and revenue base.

Synertone 1 Satellite Communication

The Group provides high quality satellite broadband services in the PRC through licensed telecommunication partners. The Synertone 1 satellite system provides customers with high throughput satellite (HTS) resources over the PRC including the coastal areas. The Group's infrastructure can provide up to 200Mbps high-speed wireless broadband connectivity to high-speed rail, ferries and shipping, road transportation and aircraft, as well as wireless broadband connectivity in remote areas with no electricity.

The Group has commenced the upgrade for Synertone 1 satellite's gateway system since November 2015. The upgrade does not only meet the market requirements, but can also increase the total bandwidth of the Synertone 1 satellite system from 12Gbps to around 20Gbps as well as the uplink and downlink transmission limits. Besides, with the network management system (NMS) to be upgraded also, the Group is capable of developing a new NMS and operations support system (OSS), evolving the business mode, and expanding the market of the Synertone 1 satellite system from B2B business to B2C business.

The upgrade of gateway system is implemented in phases. In April 2016, the Group has set up a demonstration system to do market promotions. The first phase is substantially finished in the fourth quarter of 2016, and by then one third of the total bandwidth and the NMS have been upgraded. With the upgraded bandwidth, the Group can enter market fields which they could not enter before, such as 4G backhaul, connectivity for high speed rail and etc. In phase 2 and 3, the Group will upgrade the rest of the bandwidth, build a comprehensive satellite communication network and evolve the business model from B2B to B2C business. The Group expects that the new system and application can be put into operation in the coming year, and with the enhanced NMS and OSS the Group could attract new customers for delivering various types of internet content and applications, which could drive the growth of the Group's revenue in the future.

Despite the successful launch of China's first self-developed HTS in April 2017, it is expected that it would take a long period of time for testing and trial run before it could be brought into commercial operation. In addition, it would encourage the development of HTS communication applications and expand the customer base. It is the Group's strategy to further promote its leading market position in order to benefit from the rapid growth of the satellite communication market.

Furthermore, the Group is developing series of innovative network element products which provide customers with multi-channel network access such as satellite network, 3G/4G public network, trunking private network and Wi-Fi. Data transmission rate of these network element products will be over 150Mbps, which can support high quality voice, data, video, image, positioning and other multimedia applications. These network element products are easy to deploy and use that could meet communication service requirements in aviation, railway, maritime, emergency, field survey and oil exploration, etc.

Industrial Control System

Following the acquisition of entire issued share capital of MOX Products Pty Limited ("MOX") in July 2015, the Group entered into the industrial control business to provide customers with automation control systems for industrial use. Such control systems are widely used in various industries to monitor pressure, temperature, fluid levels, traffic condition etc., including airport control and public utilities control. MOX and its subsidiaries (the "MOX Group") have established a solid customer base ranging from large listed corporations to governmental entities, municipal utilities (fresh water, waste water, gas and city lights) as well as power generation plants.

Building Intelligence and Smart Home Products

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.

During the year ended 31 March 2017, the Group completed the further acquisition of 36% equity interest in Sense Field Group Limited ("Sense Field") and its shareholding in Sense Field increased from 49% to 85%. Sense Field and its subsidiaries (the "Sense Field Group") design, develop and manufacture various building intelligence and smart home products in its production facility located at Jiaxing Science City in the Zhejiang province of the PRC. The Sense Field Group has developed an efficient and unified manufacturing control process with ISO9001 certification. One of the Sense Field Group companies has been accredited high technology enterprise status with continuing new products and software developments.

Most of the customers of the Sense Field Group are either property developers or building systems' integrators. These customers include, inter alia, Greentown China Holdings Limited, Longfor Properties Company Limited and China Resources Land Limited. Over the years, the Sense Field Group has established a sales network in not less than 23 first and second tier cities across the PRC, with a total installation base of around 2,000 residential complexes and 1,000 apartments for each complex.

PROSPECTS

The Company is striving for comprehensive market opportunities for its business development through identifying more channels and markets in various ways, and has recently launched new satellite system products in line with the high-speed resources and information services under the fully upgraded Synertone 1 satellite system in the coming year. The Group is capable of providing updated, high-performance satellite communication products and satellite broadband mobile internet services to customers of large-scale industry and governmental and high-end enterprises. Meanwhile, the Group will provide quality satellite broadband wireless services through its qualified operators in Mainland China, Hong Kong, Macau and overseas. It is expected that the Company's continuous innovation and efforts will present it a brand new image in the coming year.

Leveraging the large installation base and advanced technology, the Sense Field Group is also making progress in the home automation markets, both in China and overseas in countries such as Australia, Israel and Thailand. Its suite of home automation products are proven, and leading-edge, creating some exciting growth potential in new and existing dwellings markets.

FINANCIAL REVIEW

Turnover

The Group recorded a revenue of approximately HK$144.7 million for the year ended 31 March 2017, representing an increase of approximately HK$38.3 million or 36% as compared to approximately HK$106.4 million for the year ended 31 March 2016.

During the year ended 31 March 2017, the Group derived its revenue substantially from industrial control system and building intelligence and smart home business. The following table sets forth a breakdown of revenue by product category for the years presented:

	2017		2016	
	HK$'000	%	HK$'000	%
Specialised communication systems and technologies	11,483	7.9	41,161	38.7
Synertone 1 satellite system	16,378	11.3	15,308	14.4
Building intelligence and smart home	89,132	61.6	32,896	30.9
Industrial control system	27,684	19.2	17,011	16.0
	144,677	100.0	106,376	100.0

The sales of specialised communication systems and technologies decreased by approximately HK$29.7 million or 72.1% from approximately HK$41.2 million for the year ended 31 March 2016 to approximately HK$11.5 million for the year ended 31 March 2017. It was mainly due to the fluctuant demand from certain major customers as a result of the economic fluctuations and economic reform.

The sales of building intelligence and smart home products surged by approximately HK$56.2 million or 170.8% for the year ended 31 March 2017, mainly because only four months' sales generated from the Sense Field Group were accounted for as the Group's revenue in the previous year, following the Group's acquisition of 49% equity interest in Sense Field in December 2015.

Similarly, the sales of industrial control system products increased by approximately HK$10.7 million or 62.9% for the year ended 31 March 2017 as a result of the increase in sales contributed to the Group following the Group's acquisition of entire issued share capital of MOX in July 2015.

Cost of sales

Cost of sales of the Group comprises costs of raw materials, labour costs, manufacturing overheads and amortisation charge of intangible assets. It decreased by approximately HK$0.9 million or 0.8% from approximately HK$117.5 million for the year ended 31 March 2016 to approximately HK$116.6 million for the year ended 31 March 2017.

Gross profit/(loss) and gross profit/(loss) margin

The Group's gross profit for the year ended 31 March 2017 was approximately HK$28.1 million, as compared with gross loss of approximately HK$11.1 million for the year ended 31 March 2016. There was an increase in the overall gross profit margin from approximately (10.5)% to 19.4%, mainly as a result of (1) gross profit contributed by the building intelligence and smart home business acquired last year; and (2) the substantial drop in the amortisation expense of intangible asset in respect of Synertone 1 satellite bandwidth.

Other income

Other income of the Group amounted to approximately HK$58.2 million for the year ended 31 March 2017, representing an increase of approximately HK$43.3 million or 290.6% from approximately HK$14.9 million for the year ended 31 March 2016. The increase was mainly due to the reversal of consideration payable under the Thrive United S&P Agreement (as defined in note 6(c) to the financial statements), the increase in government grants and tax subsidies received by the Group and recovery of bad debts written off in prior years.

Fair value change on derivative financial instruments

The loss on fair value change on derivative financial instruments was approximately HK$95.2 million for the year ended 31 March 2017, as compared with gain on fair value change of approximately HK$9.1 million in the corresponding period last year. Derivative financial instruments represent the currently exercisable purchased call option over 51% voting power over Sense Field, which has been lapsed upon completion of further acquisition of 36% equity interest in Sense Field on 30 March 2017. The fair value at each reporting date was measured using the binomial option pricing model.

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately HK$8.9 million or 109.9% from approximately HK$8.1 million for the year ended 31 March 2016 to approximately HK$17.0 million for the year ended 31 March 2017, mainly attributable to the Sense Field Group which was acquired by the Group in the second half of the preceding year.

Administrative and other operating expenses

The administrative and other operating expenses of the Group increased by approximately HK$10.4 million or 12.4% from approximately HK$84.1 million for the year ended 31 March 2016 to approximately HK$94.5 million for the year ended 31 March 2017, mainly attributable to the new business acquisitions which led to an expansion of scale during the year.

Research and development expenditure

The research and development expenditure of the Group reduced by approximately HK$0.7 million or 2.1% from approximately HK$33.5 million for the year ended 31 March 2016 to approximately HK$32.8 million for the year ended 31 March 2017.

Impairment loss of trade receivables

During the year ended 31 March 2017, the Group generally grant a credit period of 30 to 180 days (2016: 30 to 180 days) to its trade customers. A longer credit period of 181 to 365 days (2016: 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 2017, trade receivables amounting to approximately HK$71.2 million (2016: HK$61.2 million) were individually determined to be impaired which were outstanding beyond its credit period and without any repayment subsequent to the year end date. Impairment loss of approximately HK$16.7 million (2016: HK$61.2 million) was recognised in profit or loss for the year ended 31 March 2017. The Directors will take further possible actions to follow up those impaired receivables.

Impairment loss of goodwill

During the year ended 31 March 2017, goodwill amounting to approximately HK$15.7 million were determined to be impaired, in which HK$3.3 million and HK$12.4 million were attributable to industrial control system cash generating unit and building intelligence and smart home cash generating unit, respectively. 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 and a long-term average growth rate.

The Directors considered that the goodwill attributable to industrial control system cash generating unit was impaired as the temporary suspension of Synertone 1 satellite system reduced the anticipated cash flows from the future operating synergies through the combination of the automation control systems provided by the MOX Group with the support of Synertone 1 satellite system.

The Directors considered that the goodwill attributable to building intelligence and smart home cash generating unit was impaired as the temporary suspension of Synertone 1 satellite system reduced the anticipated cash flows from the future operating synergies from exploiting the customer base of the Sense Field Group for the Group's existing communication business.

Finance costs

The finance costs of the Group was approximately HK$25.0 million for the year ended 31 March 2017, comprising interest on bank and other borrowings of approximately HK$5.9 million and finance charges of approximately HK$19.1 million on finance lease payables in relation to acquisition of Synertone 1 satellite bandwidth resources and motor vehicles.

Income tax

The tax credit of the Group increased by approximately HK$6.3 million or 382% from approximately HK$1.6 million for the year ended 31 March 2016 to approximately HK$7.9 million for the year ended 31 March 2017, mainly attributable to the increase in deferred tax credit along with the reversal of temporary differences arising on fair value adjustments on property, plant and equipment and intangible assets.

Loss for the year

Given the foregoing factors, the Group recorded the loss attributable to owners of the Company of approximately HK$196.7 million for the year ended 31 March 2017, while the loss attributable to owners of the Company for the preceding financial year was approximately HK$469.7 million.

Capital structure, liquidity and financial resources

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

On 28 April 2016, the Company completed the rights issue of 1,674,400,000 new shares of the Company (the "Shares") at the subscription price of HK$0.125 per share ("Rights Issue"). The net proceeds, after deducting all necessary expenses, raised from the Rights Issue were approximately HK$207 million, which were used according to the prospectus of the Company dated 7 April 2016 in which HK$117 million was paid as part of the consideration for further acquisition of 36% equity interest in Sense Field and HK$13 million was reserved as the Retention Funds (as defined in the paragraph headed "Material Acquisitions and Disposals" of this section), and as to the remaining balance of approximately HK$77 million was used as general working capital of the Group including payments for staff salaries, operating expenses and purchase of raw materials.

On 22 September 2014, the Company issued 660,000,000 warrants to CITIC Capital Management Limited at the issue price of HK$0.01 per warrant (restated to 196,666,667 warrants following share consolidation on 24 March 2016 and the Rights Issue completed on 28 April 2016). Each warrant carries the right to subscribe for one warrant share at the subscription price of HK$1.98 (subject to adjustment). Such warrants can be exercised at any time during the exercise period of five (5) years commencing from the date of issue. During the year ended 31 March 2017, the warrants were not yet exercised.

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2017 was approximately 0.9 (31 March 2016: approximately 1.1). Gearing ratio calculated by total borrowings (comprising bank and other borrowings and finance lease payables) net of cash and cash equivalents, over total equity as at 31 March 2017 was 197% (31 March 2016: 131%).

The following table summarises the cash flows of the Group for the year ended 31 March 2017 together with the comparative figures for the year ended 31 March 2016:

	2017 **HK$'000**	2016 HK$'000
Net cash used in operating activities	**(14,492)**	(15,945)
Net cash (used in)/generated from investing activities	**(53,241)**	5,074
Net cash generated from/(used in) financing activities	**74,140**	(24,189)

Operating activities
Net cash used in operating activities amounted to approximately HK$14.5 million for the year ended 31 March 2017 compared to approximately HK$15.9 million for the year ended 31 March 2016. The decrease in net cash used in operating activities was mainly attributable to the increase in sales generated from the Sense Field Group.

Investing activities
Net cash used in investing activities amounted to approximately HK$53.2 million for the year ended 31 March 2017 and arose from capital expenditure incurred for upgrade of Synertone 1 satellite system and loan advanced to an independent third party. In contrast, there was net cash generated from investing activities of approximately HK$5.1 million for the year ended 31 March 2016 mainly attributable to the acquisition of subsidiaries.

Financing activities
Net cash generated from financing activities amounted to approximately HK$74.1 million for the year ended 31 March 2017 due to new share capital raised from the Rights Issue, partly offset by the consideration paid to the then non-controlling shareholders of Sense Field for the further acquisition of 36% equity interest in Sense Field. For the year ended 31 March 2016, net cash used in financing activities amounted to approximately HK$24.2 million.

Bank and other borrowings
As at 31 March 2017, the Group had outstanding bank and other borrowings of approximately HK$165.2 million (31 March 2016: HK$140.9 million).

Pledge of assets
As at 31 March 2017, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK$53.7 million (31 March 2016: HK$60.0 million) pledged against bank borrowings raised by the Group and finance lease payables.

Contingent liabilities
Save as the profit guarantee arising from further acquisition of 36% equity interest of Sense Field described in the section headed "Material Acquisitions and Disposals" below, the Group had no material contingent liabilities as at 31 March 2017.

Material Acquisitions and Disposals

On 29 June 2016, the Group entered into a conditional agreement (the "Further Acquisition Agreement") with the three then shareholders of Sense Field ("Vendors") for the further acquisition of 36% equity interest in Sense Field for a consideration of HK$130 million to be satisfied by cash (the "Further Acquisition"). The Directors are of the view that the Further Acquisition would enable the Group to consolidate and secure control over the Sense Field 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. The Further Acquisition has been approved by the Shareholders at an extraordinary general meeting held on 16 January 2017 (the "EGM") and completed on 30 March 2017.

Pursuant to the Further Acquisition Agreement, consideration of HK$117 million has been paid in cash to the Vendors during the year ended 31 March 2017. The remaining HK$13 million (the "Retention Funds") shall be paid by the Group to the Vendors within 14 business days after the consolidated audited accounts of the Sense Field Group for the year ended 31 December 2016 become available, provided that the earnings before interest, tax, depreciation and amortisation ("EBITDA") of the Sense Field Group for the year ended 31 December 2016 is not less than HK$40 million (the "First-year Target").

In accordance with the Further Acquisition Agreement, in the event that the First-year Target cannot be met, the Group shall pay to the Vendors within 14 business days after the consolidated audited accounts of the Sense Field Group for the year ending 31 December 2017 become available an amount equal to:

(a) the Retention Funds, when the aggregate EBITDA for the two years ending 31 December 2017 exceeds HK$95 million (the "Two-year Target"); or

(b) the difference between the Retention Funds and the shortfall, calculated by the Two-year Target minus the aggregate EBITDA for the two years ending 31 December 2017 (the "Shortfall"), when the Two-year Target cannot be met. If the Retention Funds is not sufficient to cover the Shortfall, the Group shall not be required to pay any amount to the Vendors and the Vendors shall indemnify the Group an amount equivalent to the difference between the Retention Funds and the Shortfall.

No provision for the above profit guarantee arrangement is recognised in the consolidated financial statements upon completion of the Further Acquisition and as at 31 March 2017 as the Directors considered that: (a) the First-year Target has not been met based on the unaudited consolidated management accounts for the year ended 31 December 2016; and (b) taking into account the unaudited consolidated management accounts for the three months ended 31 March 2017 and the profit forecast for the nine months ending 31 December 2017 prepared by management of the Sense Field Group, the Two-year Target is unlikely to be met and the probability that the Retention Funds being sufficient to cover the Shortfall is remote.

Significant capital expenditure for the year

Save as disclosed above, the Group has no significant capital expenditure commitments as at 31 March 2017.

Risk of Foreign Exchange Fluctuations

Substantially 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. Despite the fluctuation of the exchange rates of RMB against United State dollars and Hong Kong dollars during the year, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 31 March 2017.

Employee and remuneration policy

As at 31 March 2017, the Group had 449 employees (31 March 2016: 465). For the year ended 31 March 2017, the staff costs (including Directors' remuneration) of the Group amounted to approximately HK$55.6 million which decreased by approximately HK$9.6 million or 14.7% as compared to HK$65.2 million for the corresponding period last year, mainly due to the decrease in staff cost attributable to the provision of communication systems business in line with the decrease in sales, which outweighed the effect of the increase in staff cost arising from the completion of the acquisitions of MOX and Sense Field during the preceding financial year.

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 also 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 2017, the Company had 58,968,180 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 SUBSCRIPTION AGREEMENT IN RELATION TO THE ISSUE OF CONVERTIBLE BONDS

On 23 May 2017, the Company and an independent third party (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Company has agreed to issue, and the Subscriber has agreed to subscribe for, convertible bonds in the principal amount of HK$48,000,000 in tranche(s) (the "Convertible Bonds") in accordance with the written demand(s) by the Company to be made within twelve months immediately after the completion of conditions precedent specified in the Subscription Agreement which took place on 6 June 2017.

The Convertible Bonds shall mature after 2 years from the date of issue, and bear interest at 5% per annum on the outstanding principal thereof payable in arrears annually.

The initial conversion price of the Convertible Bonds is HK$0.16 per conversion share (subject to adjustments), and a maximum of 300,000,000 conversion shares will be allotted and issued to the Subscriber, assuming there is no other change in the issued share capital of the Company between the date of the Subscription Agreement and the full conversion of the Convertible Bonds.

The Convertible Bonds will be issued under the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 30 September 2016 (the "2016 AGM"). The net proceeds arising from the issue of the Convertible Bonds, after deduction of expenses, will amount to approximately HK$47,970,000, which shall be applied towards the Group's general working capital.

As at the date of this report, the Company has issued Convertible Bonds in a principal amount of HK$14,000,000 upon receipt of subscription money from the Subscriber after written demand made by the Company. For further details of the issue of Convertible Bonds, please refer to the Company's announcements dated 23 May 2017, 6 June 2017 and 13 June 2017.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2017.

DIRECTORS

DIRECTOR

EXECUTIVE DIRECTORS

Wong Chit On (王浙安), (formerly known as Wang Gang Jun (王鋼軍)) aged 58, is the founder of the Group and was appointed as a Director in October 2006. He is currently an executive Director and the chairman of the Group. Mr. Wong is also a director of certain subsidiaries of the Company. Until June 2015, he also served as chief executive officer of the Company. He is primarily responsible for formulating the overall corporate strategy of the Group and the management of the Board. 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 Neolink Cyber Technology (Holding) Limited (優能數碼科技(控股)有限公司) (now known as China Fortune Investments (Holding) Limited (中國幸福投資(控股)有限公司)), the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 8116), from 1999 to 2001. Mr. Wong is the sole director of Excel Time Investments Limited, which is interested in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

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, he 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). He was nominated as the standing supervisor of the China Users Association for Communications Broadcasting & Television in December 2010.

Han Weining (韓衛寧), aged 55, was appointed as an executive Director and the chief executive officer of the Company in February 2011 and June 2015, respectively. From 1989 to 2006, he worked at Citect Corporation Limited, later acquired by Schneider Electric and his last position was the Director of Asia pacific. Mr. Han also served as an executive Director of MOX Group in Australia. Mr. Han graduated from Zhejiang University (浙江大學) majoring 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Lam Ying Hung Andy (林英鴻), aged 52, was appointed as an independent non-executive Director in February 2011. He is the chairman of the audit committee (the "Audit Committee") and a member of each of the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee") of the Company. Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry. He 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 Ecommerce for executives from the Hong Kong Polytechnic University in 1997, 1999 and 2004 respectively. He 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 both companies are listed on the Main Board of the Stock Exchange. He was 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, for the period from 22 August 2013 to 12 June 2014.

Wang Chen (王忱), aged 52, was appointed as an independent non-executive Director in June 2015. He is the chairman of the Nomination Committee and a member of each 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. Since 2006, Mr. Wang is the chairman of Guangzhou SKYI Information Technology Co., Ltd. (廣州市天奕信息科技有限公司(now known as 廣州市天奕信息技術股份有限公司), a company established in 2006 and its shares quoted on the National Equities Exchange and Quotations System (the New Third Board*) in China since 9 May 2017 (Stock Code: 871411) and is principally engages in development on software of quality assurance and general automated test system.

Li Mingqi (李明綺), aged 49, was appointed as an independent non-executive Director on 3 October 2016. She is the chairperson of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Ms. Li graduated from Fudan University in Shanghai with a Bachelor's degree in Economics. She has also obtained a Master's degree in Economics from the Southern Methodist University and a Master's degree in Management and Administrative Sciences from the University of Texas. Ms. Li is a Certified Public Accountant in the State of New York, the United States of America. She has extensive experience in financial management. Ms. Li was a senior associate of JP Morgan Chase, associate/portfolio manager of BHF Capital, vice president of Transamerica Business Capital, vice president of Morgan Stanley and hedge fund controller of Mercury Capital Management. She was also an independent non-executive director of Sino Gas International Holdings, Inc., whose shares were previously listed on the Over-The-Counter Bulletin Board in the US, from March 2011 to November 2014. Ms. Li served as a business consultant of Seekers Advisors H.K. Limited and is currently an independent non-executive director of Neo-Neon Holdings Limited (Stock Code: 1868), whose shares are listed on the main board of the Stock Exchange.

* *For identification purpose only*

REPORT OF THE DIRECTORS

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 2017.

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 main board of the Stock Exchange.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal operations of the Group are conducted in the PRC. The principal businesses of the Group include provision of (i) communication technology systems and solutions, (ii) Synertone 1 satellite communication resources; (iii) industrial control system; and (iv) building intelligence and smart home products. Particulars of principal activities of the principal subsidiaries of the Company are set out in note 18 to the 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 Chairman's Statement and 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's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

MARKET RISK

Market risk is the risk that deteriorates profitability or affects the Group's ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

OPERATIONAL RISK

Operational risk is the risk of negative impact on the Group's operation target or operating loss from inadequate or failed internal processes, people and systems or from external events. The key operational risks of the Group may be divided into three categories: financial reporting; manufactures and supply of products and development of products. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their reporting framework, standard operating procedures, management of contracts and limits of authority. The management will identify and assess key operational exposures regularly based on the risk management framework, which has been established by the management, so that appropriate risk response can be taken.

Please also refer to note 33 to the financial statements for the financial risks facing by the Group.

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 those 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 these suppliers are in line with the Group's quality requirement.

FINANCIAL KEY PERFORMANCE INDICATORS

The details of financial key performance indicators can be found in the sections headed "Financial Highlights" and "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize 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.

Further discussions on the environmental policies is set out in the Environmental, Social and Governance Report.

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 2017 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 2017 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 59 and 60 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 6 September 2017 ("2017 AGM"), the register of members of the Company will be closed from Thursday, 31 August 2017 to Wednesday, 6 September 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, all transfer of Shares accompanied by the relevant share certificate(s) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 30 August 2017.

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 148 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 financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2017, together with the reasons therefore, are set out in note 31 to the financial statements. Details of change in the capital structure of the Company are set out in the paragraph headed "Capital structure, liquidity and financial resources" in the section headed "Management Discussion and Analysis" of this annual report.

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.

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 2017.

RESERVES

The movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was nil (2016: approximately HK$214,421,000).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2017, aggregate purchases attributable to the Group's five largest suppliers and aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total purchases and total revenue, respectively.

At all time during the year ended 31 March 2017, 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 the five largest 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)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi (appointed on 3 October 2016)
Mr. Hu Yunlin (resigned on 3 October 2016)

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (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. Han Weining and Mr. Wang Chen 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

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 2017.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Save for the above, at no time during the year ended 31 March 2017 and up to the date of this report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

EMOLUMENT POLICY

The Group's employee remuneration policy is determined based on a number of factors such as their performance, experience and prevailing industry practices. Compensation policies and packages of employees are reviewed on a yearly basis. In addition to basic salary, performance related salary such as bonus may also be awarded to employees based on internal performance evaluation. The Group also adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the shares of the Company.

The Group has been committing resources to continuing education and training programs for management staff and other employees in order to upgrade their skills and knowledge. These training courses include internal courses run by the management of the Group and external courses provided by professional trainers, ranging from technical training for production staff to financial and administrative trainings for management staff.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDER'S 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 or a controlling shareholder (as defined in the Listing Rules) of the Company 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 2017.

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 2017, the interests and short positions of the Directors and chief executive of the Company in any of the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571, Laws of Hong Kong ("SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

(A) LONG POSITIONS IN SHARES

Name of Director	Capacity/Nature of interest	Number and class of Shares/ underlying Shares held	Approximate percentage of shareholding
Mr. Wong Chit On	Interest of a controlled corporation	1,194,710,296 *(Note)*	35.68%
Mr. Han Weining	Beneficial owner	20,000,000	0.60%

Note:

These interests in Shares are held by Excel Time Investments Limited ("Excel Time"), which is wholly and beneficially owned by Mr. Wong Chit On, the chairman and an executive Director of the Company. By virtue of the SFO, Mr. Wong Chit On is deemed to be interested in these 1,194,710,296 Shares. Mr. Wong Chit On is the sole director of Excel Time.

(B) LONG POSITIONS IN SHARE OPTIONS

Name of Directors	Date of grant	Exercise price (HK$)	Exercisable period	Outstanding as at 31.03.2017
Mr. Wong Chit On	24.12.2013	2.060	24.12.2015–23.12.2018	1,456,604
Mr. Han Weining	24.12.2013	2.060	24.12.2015–23.12.2018	1,456,604
Mr. Lam Ying Hung Andy	24.12.2013	2.060	24.12.2015–23.12.2018	1,456,604

Save as disclosed above, as at 31 March 2017, 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 2017, 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:

LONG POSITION IN SHARES

Name of Shareholder	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage (%) of issued Shares *(Note 1)*
Excel Time	Beneficial owner	1,194,710,296 *(Note 2)*	35.68%
CITIC Capital Management Limited	Beneficial owner	196,666,667 *(Note 3)*	5.87%

Notes:

1. Based on 3,348,800,000 Shares in issue as at 31 March 2017.

2. Excel Time is wholly owned by Mr. Wong Chit On, the Chairman and an executive Director of the Company whose interest in Shares or underlying Shares of the Company is set out in the above section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or its associated corporations".

3. On 22 September 2014, 660,000,000 warrants of the Company were granted to CITIC Capital Management Limited, entitling the holder thereof to subscribe for 660,000,000 shares of HK$0.01 each in the share capital of the Company (restated to 196,666,667 Shares following the share consolidation effective on 24 March 2016 and the completion of the Rights Issue on 28 April 2016).

Save as disclosed above, as at 31 March 2017, 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 preapproved 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.

Principal terms of the Share Option Scheme were set out in the note 30 to the financial statements.

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

Category of participants	Date of grant of share option	Exercise Period *(Note 1)*	Exercise price (HK$) *(Note 2)*	Outstanding as at 01.04.2016	Granted during the year under review	Cancelled during the year under review	Lapsed during the year under review	Adjustment due to completion of the Rights Issue *(Note 2)*	Outstanding as at 31.03.2017
Directors									
Mr. Wong Chit On	24.12.2013	24.12.2015–23.12.2018	2.060	1,200,000	–	–	–	256,604	1,456,604
Mr. Han Weining	24.12.2013	24.12.2015–23.12.2018	2.060	1,200,000	–	–	–	256,604	1,456,604
Mr. Lam Ying Hung Andy	24.12.2013	24.12.2015–23.12.2018	2.060	1,200,000	–	–	–	256,604	1,456,604
Mr. Hu Yunlin *(Note 3)*	24.12.2013	24.12.2015–23.12.2018	2.060	1,200,000	–	–	(1,456,604)	256,604	–
Sub-total				4,800,000	–	–	(1,456,604)	1,026,416	4,369,812
Employees									
In aggregate	24.12.2013	24.12.2015–23.12.2018	2.060	39,800,000	–	–	(22,818,738)	8,485,030	25,466,292
Other Participants									
In aggregate	24.12.2013	24.12.2015–23.12.2018	2.060	24,000,000	–	–	–	5,132,076	29,132,076
Total				68,600,000	–	–	(24,275,342)	14,643,522	58,968,180

Notes:

1. 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.

2. 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 completion of the Rights Issue which took place during the year under review.

3. Mr. Hu Yunlin resigned as an independent non-executive Director on 3 October 2016 and 1,456,604 options held by him lapsed after his resignation.

During the year, the Group recognized the net expenses of HK$2,711,000 (2016: HK$8,067,000) in relation to share options granted.

As at 31 March 2017, the total number of Shares available for issue under the Share Option Scheme was 120,000,000 Shares (including 58,968,180 Shares to be issued upon exercise of the outstanding share options granted under the Share Option Scheme), representing approximately 3.58% of the Shares in issue as at 31 March 2017 and 20 June 2017, being the date of this report.

CODE ON CORPORATE GOVERNANCE PRACTICES

A report on the principal corporate governance practice adopted by the Company is set out on pages 28 to 40 of this annual report.

CONNECTED TRANSACTION

On 29 June 2016, Vastsuccess Holdings Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Ms. Xiong Sylvia Wei, Ms. Hua Shu and Ms. Tse Suet Mei for the further acquisition of 36% equity interest in Sense Field for a consideration of HK$130 million to be satisfied by cash. The Directors are of the view that the Further Acquisition would enable the Group to consolidate and secure control over the Sense Field 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. The Further Acquisition has been approved by the Shareholders at an extraordinary general meeting held on 16 January 2017 and completed on 30 March 2017.

Since the financial information of the Sense Field Group has already been consolidated into the Group's accounts, the Company has taken a stringent approach to treat the substantial shareholders of Sense Field as the Company's connected persons. As such, Ms. Hua Shu and Ms. Tse Suet Mei (who are respectively holding 35% and 10% equity interest in Sense Field prior to completion of the Further Acquisition) are treated as connected persons of the Company. The Further Acquisition therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the Further Acquisition are set out in the announcements of the Company dated 29 June 2016, 23 September 2016, 28 February 2017 and 30 March 2017 and the circular of the Company dated 28 December 2016.

There are no other connected transactions or continuing connected transaction carried out during the year ended 31 March 2017 that require the Company to be disclosed under chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2017, 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 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 financial statements.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Ying Hung Andy (as chairman), Mr. Wang Chen and Ms. Li Mingqi. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 March 2017 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

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 report, the Company has maintained sufficient public float as required under the Listing Rules during the year ended 31 March 2017 and up to the date of this report.

AUDITOR

Following the resignation of CCIF CPA Limited as auditor of the Company on 31 March 2017, HLB Hodgson Impey Cheng Limited was appointed as the auditor of the Company on 31 March 2017 to fill the casual vacancy and will hold office until the conclusion of the forthcoming annual general meeting of the Company. Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

The consolidated financial statements of the Group for the year ended 31 March 2017 were audited by HLB Hodgson Impey Cheng Limited. HLB Hodgson Impey Cheng Limited shall retire and a resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to reappoint HLB Hodgson Impey Cheng Limited as the auditor of the Company.

On Behalf of the Board

Wong Chit On
Chairman and Executive Director

Hong Kong, 20 June 2017

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board considers 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 2017 apart from code provision E.1.2 as disclosed below.

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 2017.

BOARD OF DIRECTORS

(A) THE COMPOSITION OF THE BOARD

As at the date of this annual report, the Board comprises two executive Directors and three independent non-executive Directors. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board. The Board members during the year and up to the date of this annual report, were:

Executive Directors
Mr. Wong Chit On *(Chairman)*
Mr. Han Weining *(Chief Executive Officer)*

Independent Non-Executive Directors
Mr. Lam Ying Hung Andy
Mr. Wang Chen
Ms. Li Mingqi (appointed on 3 October 2016)
Mr. Hu Yunlin (resigned on 3 October 2016)

Each Director possesses skills and experience appropriate to the business of the Group and the biographical details of the Directors, as at the date of this annual report, are set out on pages 15 to 16 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) BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") and delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors. The Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service, and the selection of candidates will also base on the above. The Nomination Committee will review and adopt the above measurements when it reviewed the composition of the Board and it will also review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. After assessing the suitability of the Directors' skills and experiences to the Company's business, the Nomination Committee considered that the existing Board was appropriately structured.

(C) RESPONSIBILITY OF DIRECTORS

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

Training and Continuous Development for Directors

Each newly appointed Director is provided with comprehensive induction to ensure that he/she has a proper understanding of the operations and businesses of the Group as well as his/her 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 or by attending briefing session on subjects relating to rules and regulations and discharge of directors' duties and responsibilities or attend) they received for the year ended 31 March 2017.

(D) 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 2017, 6 Board meetings and 2 general meetings, being the 2016 AGM and the EGM were held and the attendance record of Directors is set out below:

	Number of board meetings attended/held	Attendance ratio	2016 AGM	EGM
Executive Directors				
Mr. Wong Chit On *(Chairman)*	**6/6**	**100%**	**0/1**	**0/1**
Mr. Han Weining *(Chief Executive Officer)*	**6/6**	**100%**	**1/1**	**1/1**
Independent Non-executive Directors				
Mr. Lam Ying Hung Andy	**6/6**	**100%**	**1/1**	**0/1**
Mr. Wang Chen	**6/6**	**100%**	**0/1**	**0/1**
Ms. Li Mingqi *(Note 1)*	**3/3**	**100%**	**N/A**	**1/1**
Mr. Hu Yunlin *(Note 2)*	**2/3**	**67%**	**0/1**	**N/A**

Notes:

1. Ms. Li Mingqi was appointed on 3 October 2016. Her attendance above by reference to the Board meetings and general meeting held during her tenure.

2. Mr. Hu Yunlin resigned on 3 October 2016. His attendance above by reference to the Board meetings held during his tenure.

Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting and he should also invite the chairman of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Mr. Wong Chit On, the chairman of the Board, was not able to attend the 2016 AGM due to another important business meeting. Mr. Han Weining (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2016 AGM to answer and address questions raised by the Shareholders at the 2016 AGM.

Mr. Lam Ying Hung Andy, the chairman of the independent board committee of the Company, was not able to attend the EGM approving, among other, the Further Acquisition, 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.

(E) INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The current independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi. 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.

On 3 October 2016, Mr. Hu Yunlin tendered his resignation as an independent non-executive Director as he would like to devote more time to his own business and ceased to be the chairman of the Remuneration Committee, and member of each of the Audit Committee and the Nomination Committee. On the same date, Ms. Li Mingqi was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, and member of each of the Audit Committee and the Nomination 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.

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

Mr. Lam Ying Hung Andy has entered into a new letter of appointment with the Company on 22 March 2015 as independent non-executive Director 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.

Ms. Li Mingqi has entered into a service contract with the Company for an initial term of three years commencing from 3 October 2016, which is automatically renewable for successive terms of three years each and may be terminated by either party giving not less than three months' prior notice.

(G) 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 diversity (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, the Chairman, being Mr. Wong Chit On, is responsible for the management of the Board by providing leadership for the Board and has taken primary responsibility for ensuring that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the board as a whole, and the chief executive officer of the Company, being Mr. Han Weining, is responsible for the day-to-day management of business of the Group.

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.

Ms. Zhang Lin, 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 April 2017.

BOARD COMMITTEES

In accordance with the requirements of the Listing Rules, the Company has established board committees 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, risk management and internal control system. The members of the Audit Committee are Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi, 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 2017 have been reviewed and discussed by the Audit Committee.

For the year ended 31 March 2017, the Audit Committee has held 3 meetings mainly to review the financial performance of the Group for the year ended 31 March 2016 and six months ended 30 September 2016 respectively; and make recommendation on the appointment of HLB Hodgson Impey Cheng Limited as auditor of the Company. 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	**3/3**	**100%**
Mr. Wang Chen	**3/3**	**100%**
Ms. Li Mingqi (appointed on 3 October 2016)	**2/2**	**100%**
Mr. Hu Yunlin (resigned on 3 October 2016)	**1/1**	**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 Ms. Li Mingqi, Mr. Lam Ying Hung Andy and Mr. Wang Chen, all being independent non-executive Directors. Ms. Li Mingqi is the chairperson 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 is involved in determining his/her own remuneration. The Remuneration Committee has adopted the approach made under B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

For the year ended 31 March 2017, the Remuneration Committee has held 1 meeting. In addition, the Remuneration Committee also dealt with matters by way of circulation during the year. The work performed by the Remuneration Committee during the year included: reviewed the existing policy and structure of the remuneration for the Directors and senior management of the Company and recommended to the Board the remuneration package of new Director. The attendance record of each member of the Remuneration Committee is set out below:

	Number of Remuneration Committee meeting attended/held	Attendance ratio
Ms. Li Mingqi (appointed on 3 October 2016)	**N/A**	**N/A**
Mr. Lam Ying Hung Andy	**1/1**	**100%**
Mr. Wang Chen	**1/1**	**100%**
Mr. Hu Yunlin (resigned on 3 October 2016)	**1/1**	**100%**

The remuneration of the senior management (including Directors) of the Company for the year ended 31 March 2017, by band is set out below:

Remuneration	Number of individuals 2017
HK$1 to HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	0
Over HK$3,000,000	1
	9

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, Mr. Wang Chen, Mr. Lam Ying Hung Andy and Ms. Li Mingqi. 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 2017, the Nomination Committee has held 1 meeting. In addition, the Nomination Committee also dealt with matters by way of circulation during the year. The work performed by the Nomination Committee during the year included: reviewed the structure, size and composition of the Board, considered the independence of independent non-executive Directors, made recommendations to the Board on the re-election of retiring Directors at the 2016 AGM, and made recommendations to the Board the appointment of new Director. The attendance record of each member of the Nomination Committee is set out below:

	Number of Nomination Committee meetings attended/held	Attendance ratio
Mr. Wang Chen	**1/1**	**100%**
Mr. Lam Ying Hung Andy	**1/1**	**100%**
Ms. Li Mingqi (appointed on 3 October 2016)	**N/A**	**N/A**
Mr. Hu Yunlin (resigned on 3 October 2016)	**1/1**	**100%**

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 recognizes 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 2017, there were 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 2017 under the section headed "Management Discussion and Analysis" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2017, the total fees in respect of audit and non-audit services provided by HLB Hodgson Impey Cheng Limited, the current auditor of the Company appointed on 31 March 2017, are set out below:

	Fee paid/payable for services rendered HK$'000
Audit service	1,000
Reporting accountant service *(note)*	300
Total	1,300

Note: HLB Hodgson Impey Cheng Limited acted as the Company's reporting accountant in relation to the Rights Issue prior to being appointed as the auditor of the Company.

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 2017 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 51 to 58 of this annual report. There are no material uncertainties relating to events or circumstances which would otherwise cast significant doubt upon the Group's ability to operate as a going concern. As disclosed in note 3(b)(ii) to the financial statements, the Directors have prepared the financial statements on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

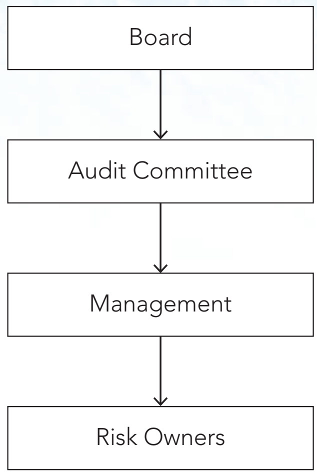
The Board's Responsibilities for the Risk Management and Internal Control Systems

The Board acknowledges that it is responsible for the risk management and internal control systems and oversees such systems on an ongoing basis, while ensuring a review of the effectiveness of these systems of the Group is conducted at least annually. The scope of such review covers all material controls, including financial, operational and compliance controls. The Group's risk management and internal control systems are designed to manage risks rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee. The management has provided a confirmation to the Audit Committee on the effectiveness of these systems for the year ended 31 March 2017 and the Audit Committee has recommended the Board for approval of the confirmation of the management.

Main Features of the Risk Management System

The Company recognises that good risk management is essential for the long-term and sustainable growth of a business. The Group has established a governance structure and the major responsibilities of each role of the structure are summarized below:



Role	Major Responsibilities
Board	— determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives;
	— oversees management in the design, implement and monitoring of the risk management and internal control systems;
	— oversees the Group's risk management and internal control systems on an ongoing basis and ensures the Company establishes and maintains appropriate and effective risk management and internal control systems;
Audit Committee	— reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance controls;
	— reviews the emerging risks of the Group annually, and the risk management and the internal controls in place to address those risks;
	— discusses the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have an effective systems;
	— considers major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Group's management's response to these findings;
	— implements any remedial plans recommended by the management should there be any internal control deficiencies;

Management	—	designs, implements and ongoing assesses the Group's risk management and internal control systems;
	—	gives prompt responses to, and follow up the findings on risk management and internal control matters as delegated by the Board, on Audit Committee's initiative or raised by the external risk management and internal control review advisor(s);
	—	provides confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems;
Risk Owners	—	ultimately accountable for ensuring the risk is managed appropriately;
	—	prepare their respective operating plans pursuant to corporate objectives for consideration;
	—	responsible for, or oversight of, activities to manage each identified risk.

In addition, the Company has engaged external consultant to conduct a review of the effectiveness of the risk management and internal control systems for the year ended 31 March 2017.

Main Features of the Internal Control System

The Company has in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

Control Environment	—	a set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
Risk Assessment	—	a dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
Control Activities	—	actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
Information and Communication	—	internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
Monitoring	—	ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Process used to Identify, Evaluate and Manage Significant Risks

Identification	—	identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
Evaluation	—	analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
Management	—	consider the risk responses, ensure effective communication with the Board and on-going monitor the residual risks.

In achieving sound and effective risk management and internal control systems, employees are obliged to respect all applicable legislation, rules and regulations, and to follow certain policies and procedures.

For the year ended 31 March 2017, the Board considered the risk management and internal control systems of the Company are effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of such review covers the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting functions and their attitude against internal control of the Group. The Board will continue to work with the management to discuss and follow-up on the status of remediation of the internal control weaknesses and to monitor the risks of the Group in the coming years.

Whistleblowing Policy

The Group relies on each of its employees, at all levels, to monitor the quality of the Group's daily operation and compliance with relevant laws and regulations. The Group considers recommendations from employees for improving the Group's practices and controls and communicates policy changes and other matters of the Group in a timely basis.

In addition, the Company has adopted a whistleblowing policy, under which employees and those who deal with the Company are provided with ways to raise their concerns about possible improprieties in any matter relating to the Company without fear of reprisal or victimization, and in a responsible and effective manner. Written complaints can be lodged directly to the chairman of the Audit Committee and copied to the Company Secretary of the Company. The chairman of the Audit Committee shall convene a meeting to decide whether and/or how to carry out any necessary investigation and, depending upon the circumstances, consider to nominate investigating officer or to set up a special committee to investigate the matter independently.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with the requirements of the SFO and the Listing Rules for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in the announcements or circulars of the Company are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

The Group has adopted and implemented written policy and procedures on handling and dissemination of inside information. Certain measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirements, which include the following:

— The Group has established the inside information team (the "Inside Information Team") to identify, assess and escalate potentially inside information to the attention of the Board.

— A reporting channel has been set up for employees to use upon they become aware of actual or potentially inside information ("Information"). They must report to their respective divisional disclosure officers, or the Inside Information Team of the Information at the possible earliest time. Divisional disclosure officers shall then conduct preliminary assessment of the Information received. Upon notification of Information, the Inside Information Team reviews and decides whether the Information must be disclosed, as well as when and how the Information shall be released and gives recommendation to the Board. The Board reviews the recommendation from the Inside Information Team and decides whether the Information should be disclosed; and/or any other appropriate actions.

— The Group has designated officers with appropriate skills and training to speak on behalf of the Group when communicating with media, analysts or investors.

— The Group has strict prohibition on unauthorized use or disclosure of confidential information. Such prohibition is included in the employment agreements for all employees.

— Officers/relevant employees are given access to a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information. Trainings are provided to them on a regular basis to ensure that they are familiar with the procedures as well as their relevant disclosure duties and obligations.

Internal Audit Function

To enhance the effectiveness of the Company's internal audit function, the Company has assigned specialized staff with qualified experience and skill to monitor risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness from time to time, and then report reviewing results to the management of the Company regularly. The Company has also engaged external professional parties to support the Audit Committee for reviewing the effectiveness and advising good practices of the risk management and internal control system annually.

On behalf of the Board
Wong Chit On
Chairman and Executive Director

20 June 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE AND STANDARD OF THE REPORT

This Environmental, Social and Governance report was prepared in accordance with "comply or explain"provisions set out in Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Listing Rules and the principles of materiality, quantitative, balance and consistency. This report intends to summarise the vision of the Company and its subsidiaries (collectively, the "Group") on environment, social and governance aspects during the year ended 31 March 2017 and relevant overall performance of each major business operated by the Group in the PRC. For the philosophy and performance of corporate governance of the Group, please refer to the "Corporate Governance Report" in this annual report.

This report was prepared based on the information obtained from or implied in official documents or statistic report of the Group, covering issues concerned by substantial stakeholders of the Group. To further understand their needs, the Group actively communicates with its substantial stakeholders, including its staff and investors. Matters related to environment, social and governance which pose significant influence on the substantial stakeholders were evaluated and identified through the combination of group discussions and phone interview.

ENVIRONMENT

The Group is committed to ensuring continuous growth of its business and at the same time maintaining sustainable development of the environment. The Group conducts internal trainings and internal review with reference to relevant requirements of ISO14000 Environmental Management System. The Group strives to make environmental protection a self-motivation to every employee, making the spirit of environmental protection a part of corporate culture. The Group has launched a number of measures for environmental protection, with an aim to optimising emission management and enhancing efficient use of resources.

EMISSION MANAGEMENT

The Group strictly complies to relevant national and local laws and regulations on environmental protection and pollutant emissions, including "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)"and "Regulations on Construction Projects Environmental Protection (建設項目環境保護管理條例)". The Group's production process does not involve wastewater discharge. Domestic sewage discharged in daily operation and exhaust gases emitted in production process comply with relevant local standards. For example, as verified by Shenzhen Luohu District Environmental Protection and Water Affair Bureau (深圳市羅湖區環境保護和水務局), the sewage discharge of the Group's subsidiary in Shenzhen, 協同衛星通信(深圳)有限公司, has met Level 3 standard of second time zone (第二時段三級標準) of "Emission Limits of Water Pollutants (水污染物排放限值)" (DB44/26-2001) in Guangdong province and the exhaust gas emission has met the standard of second time zone (第二時段標準) of "Emission Limits of Air Pollutants (大氣污染物排放限值)" (DB44/27-2001) in Guangdong province.

All domestic sewage is discharged through sewage pipelines, with the sewage discharge pipelines and sewage treatment equipment being maintained and repaired regularly. Meanwhile, circulating water is used in cooling, greening and cleaning to minimise discharge of wastewater.

After centralizing and collecting soldering tin exhaust gases during the production process, high-efficiency particulate air filter (HEPA) is used in filtering process. The gas is then led to direct emission through windows after the processing performance reaches 99.9%. In addition, the Group arranges use of vehicles reasonably and promotes green travelling to reduce the emission of greenhouse gas.

Large amount of packaging materials are used in the Group's products. To reduce waste generation, the Group strives to reuse all paper boxes and filling materials in packages. Unqualified printed circuit boards and electronic components in production process are returned to suppliers for processing; tin scrap and waste packages are collected and delivered to qualified waste recycling units for processing. The Group is devoted to promoting clean techniques and formula and using less polluting raw materials in product design. New techniques, new technology and new equipment are adopted to maximise utilisation of raw materials and resources with an aim to avoid formation of scraps in production process; active measures for recycling and integrated usage are also adopted to avoid secondary pollution.

The Group promotes "Paperless" office and upholds the principles of 3R ("Reduce", "Reuse", "Recycle") in paper usage. The Group encourages staff to read documents through electronic equipment, print relevant documents after checking, select double-side printing in priority, and use both sides of paper so as to reduce waste of paper.

USE OF RESOURCES

The Group encourages staff to implement the concept of environmental protection, participate in environmental protection work and enhance the efficient use of resources. The Group keeps raising staff's consciousness of environmental protection through different communication channels. The Group has launched resource-saving measures in its production activities and daily office operation, including:

— Using zone switch for lighting and air-conditioning systems so as to conserve energy consumption;

— Maintaining the temperature of air-conditioners at 25 degree Celsius in summer;

— Switching off air-conditioning and lighting systems in workplace when they are idle;

— Reducing idle time for devices;

— Optimising purchase process and improving purchase system to reduce inventory storage.

The Group has adopted water-saving measures and established internal guidance. Plans for water-saving targets are developed annually. Water-saving measures are implemented to enhance daily maintenance and management of equipment consuming water, with the aims of avoiding "running", "spraying", "dripping" and "leakage" of water and the occurrence of prolonged water flow and ensuring employees comply with principles of conservation and efficient use of water when using water resources. Once any malfunction is found in water-consuming equipment, professionals will be notified immediately for repairing. The Group promotes the use of circulating water to minimise the use of tap water. The Group also examines the situation of water usage regularly for the investigation of the reasons for over-consumption and the statistics and announcement on the status of water consumption and conservation.

ENVIRONMENTAL AND NATURAL RESOURCES

During the year under review, the Group strived to reduce the impacts to the environment and natural resources from aspects including operation and management. There was no non-compliance issue violating relevant laws and regulations.

EMPLOYMENT AND LABOUR PRACTICES

Employees are the most valuable capitals for achieving the target of the Group. The Group is committed to providing a fair and safe working environment for employees. The Group is always attentive and supportive to employees. The Group continuously provides diversified skill trainings and career development opportunities for employees so as to achieve harmony and mutual win between employees and the Group.

EMPLOYMENT

The Group strictly complies with laws and regulation related to employment in mainland China and Hong Kong, such as "Labour Law of the People's Republic of China (中華人民共和國勞動法)" and "Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法)" as well as Employment Ordinance and Mandatory Provident Fund Schemes Ordinance in Hong Kong, to ensure the provision of fair employment and promotion opportunities. The Group upholds the performance-based employment concept that "capable person replaces incapable one". Employment and dismissal policy will not be affected by race, gender, age, religious belief, disabilities or family status of applicants. As at 31 March 2017, the Group had 449 employees in total, located in places like Hong Kong, Shenzhen, Shanghai and Hangzhou. The ratio of male to female staff was approximately 7:3. The Group has a qualified team comprising talents with doctoral degree, master degree, bachelor degree and college graduates. Distribution of positions of staff was as follows: senior management accounted for 8%, sales personnel accounted for 6%, special skill personnel accounted for 12%, research and development staff accounted for 32%, supply chain staff accounted for 20%, production management staff accounted for 12% and back office supporting staff accounted for 10%.

The Group treasures and respects talented personnel, and endeavors to offer comprehensive and competitive remuneration package and benefits to attract, retain and motivate outstanding employees. The Group benchmarks employees' compensation according to its internal situation and the external labour market of related fields, sectors and professions, to ensure their compensation are consistent with market level. Remuneration adjustments are based on the Group's operating results, the level of the staff's position, personal competency and performance and social development level. Discretionary performance bonus is offered to staff according to annual appraisal as recognition of their contribution and as motivation for achieving self improvement. The Remuneration Committee is responsible for reviewing the management's proposal of the Group's remuneration adjustment and discretionary performance bonus and share options as incentives to senior management with outstanding performance.

The Group emphaseses caring for employees and has carried out caring work for employees from various aspects, including:

— Providing welfare canteen and welfare supermarket for employees, in which food materials are sourced from large supermarket so that employees could have healthy and safe meals;

— Providing commute transport and dormitory for non-local employees;

— Organising birthday event each month for employees to celebrate birthday in the month and to share cakes, play games and receive birthday gifts;

— Providing support to team-building activities of departments, organising travel events for departments each year to foster team spirit;

— Establishing a great variety of different sports clubs, modern fitness club, film club, reading club and chess club, to enhance communication and friendship between employees of different levels.

Activities at Dragon Boat Festival

Mooncake DIY event

Team building activities

Dongxi Yong（東西涌）Walkthrough activity

OCCUPATIONAL HEALTH AND SAFETY

The Group pays high attention to occupational health of staff and targets zero accident in operation. The Group strictly complies with applicable laws and regulations such as "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法)"and Occupational Safety and Health Ordinance of Hong Kong. The Group is committed to providing a healthy and safe working environment to prevent them from suffering occupational hazards. To prevent occurrence of disasters and accidents, the Group enhances the promotion and trainings on labour protection and precautions and prevention and control of occupational diseases. First-aid and fire drill exercises are conducted regularly to persistently raise the occupational safety awareness of employees. The Group also reinforces checkings on important positions to promote the proper use of labour protection supplies and protect employees' health and safety.

To ensure employees' safety in production, the following mechanism has been established: Management system for safe production is established to specify the leaders of the Group as the first person in charge of safe production. A safety committee is established for the investigation and recording of safety risks on both regular and irregular basis. Machines and equipment are maintained regularly and assigned to person-in-charge; Trainings on safe operation standards of positions are enhanced to realise standardised operation.

The Group has also implemented various measures to create healthy indoor working environment for employees. For example, professional cleaners are required to clean the office an hour before working hour begins every day and to clean common facilities such as lavatories and conference rooms regularly as required. Air-conditioning system and air filters are cleaned regularly to maintain good indoor air quality. Professional cleaning companies are engaged to clean carpets and maintain the floor in the workplace. Professional drinking water system is installed with water quality checked and announced each quarter.

In addition to general social insurance like medical and pension insurance, the Group has also purchased critical illness insurance for employees of certain subsidiaries and traffic accident damage insurance for frequent travelling employees. Annual physical examination is arranged for all employees and occupational health check is arranged for employees at certain special positions. The Group monitors work-related injury rate continuously and considers relevant data as key indicators for the evaluation of safety performance. During the year under review, the Group had no fatal incident due to work. Besides, loss of working days caused by work injuries in the subsidiaries in Hong Kong and Shenzhen was less than 1 day.

The Group actively promotes establishment of safe production and occupational health and safety system. For example, Synertone Communication Technology Limited (協同通信技術有限公司) and 悉雅特萬科思自動化(杭州)有限公司, being the Group's subsidiaries, have obtained Work Safety Standardization Certificate (Level 3) (安全生產標準化證書(三級)) and OHSAS18001 Occupational Health and Safety Management System Certification and Work Safety Standardization Certificate (Level 2)(安全生產標準化證書(二級)) respectively.

EMPLOYEE DEVELOPMENT AND TRAINING

The Group believes that nurturing talents lays the foundation for corporate development. As such, the Group actively promotes talent strategy of "Respect science, respect knowledge, continuous learning, striving performance, collective effort, respect personalities" and regards talents as strategic and value-adding resources of first priority to conduct in-depth development and operation. The Group focuses on nurturing talents and management staff and assigns them work with flexibility. On-the-job training and career opportunities are emphasised. Through serialised talent training programs including occupation development traning camp, inducement class, manager research camp and senior management motivation camp, supplemented with the knowledge sharing platform of Synertone Online College, training system covering four major aspects, namely online training, daily training, focused training and external training, are established. The system provides rich resources to support work development and personal values of employees, and integrates the core values of "Seeking consensus, upholding morals, vanishing boundaries, effectiveness, efficiency, impact" with the Group's daily work.

During the year under review, average training time for management staff and general staff in Hong Kong and Shenzhen subsidiaries was 21.4 hours and 20.8 hours respectively; Directors, management and staff responsible for finance, accounting, laws and regulatory affairs have participated in relevant professional training courses organised by various professional organisation.

Staff Training

LABOUR STANDARDS

The Group strictly complies with "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)", Employment of Children Regulations of Hong Kong and other laws and regulations related to labour standards. During the year under review, there were no cases of violation of labour laws to recruit child labour and forced labour. The Group implements five-day work week encouraging employees to strike balance among health, work, social and family. To support self-development of employees, the Group provides flexible working hour arrangement for employees at certain positions. In addition to ordinary annual leaves and paid sick leaves, the Group also provides other leave arrangement like marriage leave, maternity leave, paternity leave and bereavement leave to employees for their relaxation and refreshment.

OPERATING PRACTICES

The Group insists on treating every detail in daily operation seriously in a responsible manner. From the areas of supply chain, product responsibility and anti-corruption, the Group keeps perfecting its operations management, persistently creating value for customers and benefits for the society.

SUPPLY CHAIN MANAGEMENT

"Creativity", "Safety", "Environmental Protection", "Sustainable Development" are the main factors considered by the Group when choosing suppliers, monitoring their performance and communicating with them. Prior to the procurement of materials from the suppliers and in the course of tendering and quotation, the Group complied with laws and regulations such as the "Bidding Law of the People's Republic of China (中華人民共和國招標投標法) "as well as the procurement guidance to carry out strict examination procedures on the qualification of the suppliers. Suppliers' competencies and performance in respect of costing, quality, use of technologies, environmental protection awareness, moral conduct and social responsibility are examined through business meetings, factory visit and review of labour and employment status, random checking and cost calculation, ensuring the best products were offered by the most suitable supplier. The Group's purchasing committee takes part in the election processes of key suppliers, material procurement tendering projects and procurement projects with strategic risk, and the final decisions of procurement contracts for key projects. The Group maintains close relationship and collaborates with suppliers and contractors to ensure that their operations fully comply with local laws and regulations environmentally and socially. The Group also shares the sustainable development guideline with each other in order to guarantee their business activities are in line with the principles of sustainable development.

The Group requires its cooperating suppliers to obtain international certificates such as ISO9001 Quality Management System Certificate and ISO14001 Environmental Management System Certificate. Suppliers are required to provide environmental-friendly and non-hazardous materials, so that chemical materials contained in the Group's products would fall below the limits stipulated by the relevant laws and regulations or the Group's customers. The Group encourages its suppliers to implement a systematic environmental protection and life-cycle management for their products, achieving green design, green production and control the usage of different restricted materials from their origins, hence building up a green supply chain.

To prohibit suppliers from providing gifts, certificates, loans, hospitality, services or assistance, the Group requires its suppliers to enter into a code of conduct for ethical standard and commercial behavior prepared by the Group and to comply with it. Suppliers are also required to comply with the local laws and regulations in relation to bribery. Moreover, in respect of terms and conditions for procurement, suppliers are required to comply with the laws and regulations relating to the prohibition of using child-labour, forced labour and occupational discrimination as set out in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights. The Group also monitors regularly the compliance of suppliers with those laws and regulations and guiding principles through self-declaration and on-site examination. Furthermore, the Group continuously measures and assesses suppliers' commitments to fulfill the above requirements through a supplier performance grading system.

PRODUCTS RESPONSIBILITY

The Group puts great emphasis on the protection of intellectual property. All of the Group's staff shall follow the internal policy guidance and their awareness of respecting third parties' intellectual property rights is emphasised. The Group possesses or is in the process of applying various patents (including invention patents, practical new design patents and exterior design patents) in relation to its self-developed communication systems and technologies and building intelligence and smart home products design. The Group protects intellectual property rights according to laws and regulations such as the "Patent Law of the People's Republic of China (中華人民共和國專利法)" and "Copyright Law of the People's Republic of China (中華人民共和國著作權法)". During the year under review, there was no non-compliance matter in relation to the intellectual property rights by the Group or disputes with third parties on the intellectual property rights.

Ensuring data safety of the Group's customers is another important mission. In the Group's daily operation, the protection of clients' information resources remains top priority. Users' information resources are protected from unauthorized access, usage and leakage through different safety technologies and procedures. Electronic information containing clients' details is kept in the Group's server. All the paper-based documents are kept in a file room. The Group also adopts customers' management measures and designates personnel responsible for the maintenance of clients' data. Clients' information will only be used legally for the relevant purpose based on provisions on personal data privacy. The Group assures that the personal and commercial data of the Group's customers are properly kept and used only for authorized commercial purpose, and can only be accessed by staff that are considered necessary. Moreover, the Group's cooperating suppliers shall comply with the same requirements.

The Group insists on delivering quality products to customers. Stringent review is carried out in the product development process. Procedures such as material inspection, semi-finished product inspection, finished product inspection, shipping inspection and process inspection etc. are strictly executed, ensuring the products are in good quality and fulfilled the safety and health requirement. Subsidiaries of the Group engaging in manufacturing have obtained ISO9001 Quality Management System Certificate. During the year under review, the Group did not commit any non-compliance or illegal events in relation to product safety.

For advertising and promotion, the Group strictly complies with the "Advertising Law of the People's Republic of China (中華人民共和國廣告法)" and the "Trademark Law of the People's Republic of China on Trademark (中華人民共和國商標法)". The Group is devoted to providing customers with true and accurate information as well as fast and convenient user experience. The Group promotes its products and marketing activities and collects feedback through the use of various platforms such as official website, mobile APP, 3D products module, and social media e.g. wechat. When receiving complaint on its products or services, the Group will initiate investigation and studies on the complaint and opinion lodged by customers. Details will be passed to the relevant management personnel within 24 hours and the Group guarantees to give reply within a week. Meanwhile, the relevant sales team is responsible for collecting and consolidating customers' comments on the quality of services and goods etc. so as to prevent the problem from occurring again and solve the problem in a timely and satisfactory manner. During the year under review, all the complaints the Group received on the products and services and other matters were settled promptly. The Group were also widely praised by its clients for professional skills and localized service with fast reaction. The honors the Group obtained during the year under review were as follows:

— "National Renowned Brand (Guangdong Province)–Enterprise with the fastest growth" presented by Guangdong Industrial Co-operative Association;

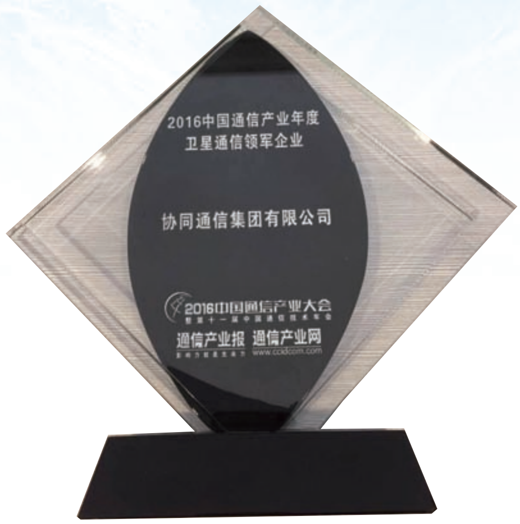
— "Top 50 Chinese Communications Equipment Technology Suppliers－Ability and Innovation of Internet+", named the List of Chinese Communications Products;

— "Excellent Service Enterprise of China Satellite Application Industry", jointly presented by China Council for the Promotion of International Trade and China Users Association for Satellite Communication, Broadcasting and Television;

— "Outstanding Equipment Supplier Award" presented by the Second Railway Wireless Network Congress;

— "Leading Enterprise of Satellite Communications in the Chinese Communication Industry of the Year" presented on the Eleventh Annual Conference of Chinese Communications Technologies and Annual Conference of Chinese Communications Industry.

"Outstanding Equipment Supplier Award"



"Leading Enterprise of Satellite Communications in the Chinese Communication Industry for the Year"

ANTI-CORRUPTION

The Group requires all its staff to duly comply with the national and local laws and regulations in relation to the prevention of corruption and bribery and adhere to a high standard of business ethics to protect the interest and business operation of the Group. The Group has formulated a code and guidance for business ethics, expressly stating the approach and requirements the Group adopted towards business ethics. The code for business ethics is included in the Staff Handbook. Any form of corruption, bribery, fraud and money laundering will not be tolerated. The relevant requirements will be explained to all new employees in their induction training. Relevant information is also available on the internal network of the Group for existing employees. During the year under review, no corruption event was identified by the Group.

The Group has a whistle-blowing policy and system in place. Employees and stakeholders can report any inappropriate acts or dishonest behaviors (e.g. suspicion of corruption, fraud and other forms of criminal offence) directly to the chairman of the Audit Committee of the Board (an independent non-executive director of the Company), to ensure undergoing of individual investigation. During the year under review, the Group did not receive any report of the above cases.

COMMUNITY

As a corporate citizen, the Group spares no effort to fulfill its social responsibility and is devoted to supporting community development. During the year under review, the Group pushed forward the improvement of the society in different areas, such as enhancing environmental-protection awareness, supporting children's development, caring for people in need and promoting the exchange and cooperation of industries, etc. The Group promotes the spirit of love and care through visits to welfare organizations and elderly homes to let the young volunteers feel the joy of helping others, to encourage people to care for those kids that were once abandoned, and to give care and respect the elderly. The Group gave full support to various environmental protection activities, organized activities for volunteers, helped the employees to build up a stronger awareness towards environmental protection, and let the general public understand the importance of environmental protection. These activities include:

— "Embrace the Nature" — organized green riding activity for staffs;

— "Set Sail" — supported the regatta in Shenzhen and provided communications support services;

— "Care for the elderly, we are in action" elderly homes visit activity — cared for the elderly living in the elderly home, sending love and warmth to them;

— "Building an ecological civilization, Share Green Future!" public welfare cleaning activity — the labour unions organized a voluntary garbage collection activity in Sanshui Bay Park;

— "Care for orphans and disabled children" social welfare homes visit activity — celebrated the birthday of the children living in children welfare homes;

— Participated in the Da Wutong Emerging Industry Promotion Conference — launched the "Hong Kong-Shenzhen International Satellite Industry Incubator" with foreign scientific research institutes, to provide entrepreneurs with start-up services and promote cooperation and exchange in the satellite industry.

Broadcast for the China Cup International Regatta in Shenzhen

Participated in the promotion conference of the industrial belt in the area under its governance

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Hong Kong

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

OPINION

We have audited the consolidated financial statements of Synertone Communication Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 147, which comprise the consolidated statement of financial position as at 31 March 2017, and 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$201,416,000 during the year ended 31 March 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$44,948,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS *(Continued)*

IMPAIRMENT ASSESSMENT OF BUILDING INTELLIGENCE AND SMART HOME BUSINESS

Key audit matter	How our audit addressed the key audit matter
Refer to Note 16 and 17 to the consolidated financial statements.	
The Group has goodwill and intangible assets of approximately HK$5,503,000 and HK$27,727,000 respectively relating to the building intelligence and smart home business as at 31 March 2017. Management performed impairment assessment of building intelligence and smart home business and concluded that an impairment loss on goodwill of approximately HK$12,360,000 was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cashflows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found that the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

IMPAIRMENT ASSESSMENT OF INDUSTRIAL CONTROL SYSTEM BUSINESS

Key audit matter	How our audit addressed the key audit matter
Refer to Note 16 and 17 to the consolidated financial statements.	
The Group has goodwill and intangible assets of approximately HK$177,930,000 and HK$3,663,000 respectively relating to the industrial control system business as at 31 March 2017. Management performed impairment assessment of industrial control system business and concluded that an impairment loss on goodwill of approximately HK$3,333,000 was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cashflows, in particular future revenue growth and capital expenditure. Independent external valuation were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found that the assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

IMPAIRMENT ASSESSMENT OF TRADE RECEIVABLES

Key audit matter	How our audit addressed the key audit matter
Refer to Note 23 to the consolidated financial statements. The Group has trade receivables of approximately HK$130,046,000 as at 31 March 2017. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made and conclude that an impairment loss on trade receivables of approximately HK$16,733,000 was recognised. The judgement mainly includes estimating and evaluating expected future receipts from customers based on past payment trend, age of the debtors, knowledge of the customers' businesses and financial condition.	Our procedures in relation to management's impairment assessment on trade receivables included: • Discussing the Group's procedures on credit limits and credit periods given to customers with the management; • Evaluating the management's impairment assessment of trade receivables; • Assessing, validating and discussing with the management and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade receivables ageing analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the business, with focus on long outstanding debts and debts which are past due but not impaired; and • Checking, on a sampling basis, the accuracy and relevance of information included in the impairment assessment of trade receivables. We consider the management conclusion to be consistent with the available information.

KEY AUDIT MATTERS *(Continued)*

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS

Key audit matter	How our audit addressed the key audit matter
Refer to Note 21 to the consolidated financial statements. Management has estimated the fair value of the Group's derivation financial instruments, with fair value loss for the year ended 31 March 2017 recorded in the consolidated statement of profit or loss and other compressive income of approximately HK$95,235,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that required significant management judgement, including risk-free rates and dilution effect.	Our procedures in relation to management's valuation of derivative financial instruments included: • Evaluating of the independent valuer's competence, capabilities and objectivity; • Assessing, the methodologies used and the appropriateness of the key assumption based on our knowledge of the derivative financial instruments and using our valuation experts; and • Checking, on a sampling basis, the accuracy and relevance of input data used. We found that the assumptions were supported by the available evidence.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2016 were audited by another auditor who expressed an unmodified opinion on the statements on 15 August 2016.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practicing Certificate Number: P05029

Hong Kong, 20 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	144,677	106,376
Cost of sales		(116,594)	(117,504)
Gross profit/(loss)		28,083	(11,128)
Other income	6	58,168	14,864
Other gains and losses	6	1,463	(1,588)
Fair value change on derivative financial instruments		(95,235)	9,082
Selling and distribution expenses		(16,966)	(8,060)
Administrative and other operating expenses		(94,534)	(84,107)
Research and development expenditure	7(c)	(32,761)	(33,477)
Impairment loss of trade receivables	7(c)	(16,733)	(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)	(15,693)	(31,063)
Loss from operations		(184,208)	(456,160)
Finance costs	7(a)	(25,005)	(14,298)
Share of results of an associate		(137)	(97)
Loss before taxation	7	(209,350)	(470,555)
Income tax	8	7,934	1,646
Loss for the year		(201,416)	(468,909)
Attributable to:			
Owners of the Company		(196,693)	(469,702)
Non-controlling interests		(4,723)	793
Loss for the year		(201,416)	(468,909)
Loss per share			
— Basic	12(a)	HK$(0.06)	HK$(0.28)
— Diluted	12(b)	HK$(0.06)	HK$(0.28)

The notes on pages 65 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(201,416)**	(468,909)
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	**(34,308)**	(22,486)
Other comprehensive loss for the year (net of tax)	**(34,308)**	(22,486)
Total comprehensive loss for the year (net of tax)	**(235,724)**	(491,395)
Attributable to:		
Owners of the Company	**(225,865)**	(493,605)
Non-controlling interests	**(9,859)**	2,210
	(235,724)	(491,395)

The notes on pages 65 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	98,703	80,484
Prepaid lease payments	15	8,405	9,163
Intangible assets	16	314,359	375,584
Goodwill	17	185,340	214,960
Interests in an associate	19	2,538	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	8,062	8,901
		621,307	791,071
Current assets			
Inventories	22	35,867	37,746
Trade and other receivables	23	282,359	277,994
Prepaid lease payments	15	194	207
Tax recoverable	29(a)	90	–
Cash and cash equivalents	24	17,991	12,421
		336,501	328,368
Current liabilities			
Trade and other payables	25	75,122	84,229
Bank and other borrowings	26	165,240	137,333
Finance leases payables	27	131,884	71,146
Amount due to a director	28	1	1
Current taxation	29(a)	9,202	10,435
		381,449	303,144
Net current (liabilities) assets		(44,948)	25,224
Total assets less current liabilities		576,359	816,295
Non-current liabilities			
Bank and other borrowings	26	–	3,600
Finance leases payables	27	274,190	355,523
Deferred tax liabilities	29(b)	21,293	32,874
		295,483	391,997
Net assets		280,876	424,298
EQUITY			
Share capital	31(b)	167,440	83,720
Reserves		98,876	281,216
Equity attributable to owners of the Company		266,316	364,936
Non-controlling interests		14,560	59,362
Total equity		280,876	424,298

Approved and authorised for issue by the board of directors on 20 June 2017 and signed on its behalf by:

Wong Chit On
Director

Han Weining
Director

The notes on pages 65 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Note	Attributable to owners of the Company											
		Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Warrants reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Other 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 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	31(c)(vi)	–	–	–	(1,200)	–	–	–	–	1,200	–	–	–
Shares issued upon acquisition of subsidiaries	34(a)	19,270	309,933	–	–	–	–	–	–	–	329,203	–	329,203
Non-controlling interest arising upon acquisition of subsidiaries	34(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
At 1 April 2016		83,720	622,636	18,503	6,600	(90)	35,169	–	856	(402,458)	364,936	59,362	424,298
Comprehensive income													
Loss for the year		–	–	–	–	–	–	–	–	(196,693)	(196,693)	(4,723)	(201,416)
Other comprehensive loss													
Exchange differences arising on translation of financial statements of overseas and PRC subsidiaries		–	–	–	–	–	–	–	(29,172)	–	(29,172)	(5,136)	(34,308)
Total comprehensive loss for the year		–	–	–	–	–	–	–	(29,172)	(196,693)	(225,865)	(9,859)	(235,724)
Transactions with owners													
Equity-settled share-based payments		–	–	2,711	–	–	–	–	–	–	2,711	–	2,711
Lapse of share option		–	–	(8,474)	–	–	–	–	–	8,474	–	–	–
Transfer to statutory reserves		–	–	–	–	–	5,568	–	–	(5,568)	–	–	–
Issue of shares upon rights issue	31(b)	83,720	125,580	–	–	–	–	–	–	–	209,300	–	209,300
Share issuance costs		–	(2,709)	–	–	–	–	–	–	–	(2,709)	–	(2,709)
Acquisition of equity interest of subsidiaries from non-controlling interest	36	–	–	–	–	–	–	(82,057)	–	–	(82,057)	(34,943)	(117,000)
Total transactions with owners		83,720	122,871	(5,763)	–	–	5,568	(82,057)	–	(2,906)	127,245	(34,943)	92,302
At 31 March 2017		167,440	745,507	12,740	6,600	(90)	40,737	(82,057)	(28,316)	(596,245)	266,316	14,560	280,876

The notes on pages 65 to 147 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before taxation		(209,350)	(470,555)
Adjustments for:			
Interest income	6	(881)	(78)
Finance costs	7(a)	25,005	14,298
Amortisation of prepaid lease payments	7(c)	200	71
Amortisation of intangible assets	7(c)	55,926	78,046
Depreciation of property, plant and equipment	7(c)	11,365	13,716
Write down of inventories	22	–	2,045
Reversal of write down of inventories	22	(2,707)	(2,945)
Net (gain)/loss on disposal of property, plant and equipment		(11)	281
Net fair value loss/(gain) on derivative financial instruments		95,235	(9,082)
Reversal of consideration payable		(27,000)	–
Share-based payment expenses	7(b)	2,711	8,067
Share of results of an associate		137	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)	15,693	31,063
Impairment loss of trade receivables	7(c)	16,733	61,207
		(16,944)	(24,293)
Changes in working capital			
Decrease in inventories		1,283	13,635
(Increase)/decrease in trade and other receivables		(18,440)	107,356
Increase/(decrease) in trade and other payables		21,684	(96,029)
Cash (used in)/generated from operations		(12,417)	669
Income tax paid			
The People's Republic of China ("PRC")	29(a)	(2,075)	(16,852)
Income tax refund			
PRC	29(a)	–	238
		(2,075)	(16,614)
Net cash used in operating activities		(14,492)	(15,945)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Investing activities			
Payment for the purchase of property, plant and equipment		(34,209)	(15,199)
Payment for the purchase of intangible assets		(64)	(15)
Proceeds from disposal of property, plant and equipment		151	2,526
Loan to an independent third party		(20,000)	–
Net cash inflows from acquisition of subsidiaries	34	–	17,684
Interest received		881	78
Net cash (used in)/generated from investing activities		(53,241)	5,074
Financing activities			
Repayment of finance lease payables		(40,656)	(21,237)
Proceeds from bank and other borrowings		164,392	80,277
Repayment of bank and other borrowings		(133,335)	(78,608)
Acquisition of equity interest in a subsidiary from non-controlling interest	36	(117,000)	–
Proceeds from issue of new shares		209,300	–
Share issuance cost		(2,709)	–
Interest paid		(5,852)	(4,621)
Net cash generated from/(used in) financing activities		74,140	(24,189)
Net increase/(decrease) in cash and cash equivalents		6,407	(35,060)
Cash and cash equivalents at beginning of the year		12,421	54,064
Effect of foreign exchange rates changes		(837)	(6,583)
Cash and cash equivalents at end of the year	24	17,991	12,421
Analysis of the balances of cash and cash equivalents			
Cash at bank and on hand	24	17,991	12,421

The notes on pages 65 to 147 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 in Hong Kong are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1012, 10th Floor, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong 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 Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies, (ii) provision of Synertone 1 satellite bandwidth capacity and communication service application, (iii) design, development and sales of automation control systems for industrial uses and (iv) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

The principal operations of the Group are conducted in the People's Republic of China (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. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

AMENDMENTS TO HKFRSS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following amendments to 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 (the "HKICPA") for the first time in the current year:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

NEW AND AMENDMENTS TO HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[2]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]

1 *Effective for annual periods beginning on or after 1 January 2017.*
2 *Effective for annual periods beginning on or after 1 January 2018.*
3 *Effective for annual periods beginning on or after 1 January 2019.*
4 *Effective for annual periods beginning on or after a date to be determined.*
5 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

The directors of the Company have reviewed the Group's financial assets as at 31 March 2017 and anticipate that the application of HKFRS 9 in the future may result in provision of expected credit losses on financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standards ("HKAS") 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the financial statements based on the existing business model of the Group as at 31 March 2017.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 16 LEASES

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

As set out in note 35(b), total operating lease commitment of the Group in respect of leased premises as at 31 March 2017 amounted to HK$21,111,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated 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 2 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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) BASIC OF PREPARATION OF THE FINANCIAL STATEMENTS

(i) The consolidated financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries and the Group's interests in an associate.

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

The preparation of consolidated 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) The Group incurred a loss attributable to owners of the Company of approximately HK$196,693,000 during the year ended 31 March 2017, and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$44,948,000. In preparing the consolidated financial statements, the directors of the Company have given careful 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.

On 23 May 2017, the Company entered into a subscription agreement with an independent third party for the proposed issue of convertible bonds in tranches with an aggregate principal amount of HK$48,000,000 (the "Convertible Bonds"). The Company has issued Convertible Bonds in a principal amount of HK$14,000,000 to the subscriber before the consolidated financial statements are authorised for issue.

Taking into account the anticipated cash flows from the issue of the Convertible Bonds (note 39), and adequate cash flows from its operations, the directors of the Company consider that the Group will be sufficient working capital to enable the Group to meet its financial obligations as and when they fall due for 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.

3. 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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, thereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interest, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(k)(ii)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 3(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.

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;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

— 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

When a business combination is achieved in stages, the Groups 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.

(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 3(u)(iii) and (iv) respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) OTHER INVESTMENTS IN EQUITY SECURITIES *(Continued)*

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 3(k)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 3(u) (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.

(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 3(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 assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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.

(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 3(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(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 amortization (where the estimated useful life is finite) and impairment losses (see note 3(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:

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) INTANGIBLE ASSETS (OTHER THAN GOODWILL) *(Continued)*

— 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 3(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.

(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 amortization 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 3(h) and 3(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) LEASED ASSETS *(Continued)*

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) IMPAIRMENT OF ASSETS *(Continued)*

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

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 3(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3(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 3(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.

— 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 recognized 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) IMPAIRMENT OF ASSETS *(Continued)*

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

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;

— 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.

3. 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 3(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.

3. 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 realizable 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 3(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 3(k)(i)).

(n) 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.

(o) 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.

(p) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

(r) 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) INCOME TAX

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) INCOME TAX *(Continued)*

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.

(t) 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 3(t)(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 3(t)(ii).

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) 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 the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them.

Government grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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.

(w) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) RELATED PARTIES

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(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.

(y) 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.

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 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period. Note 30 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 of property, plant and equipment, prepaid lease payments, intangible assets and prepayment for acquisition of property, plant and equipment requires an estimation of recoverable amounts of the individual asset or the respective cash generating unit to which the assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the 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.

(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 2017, the carrying amount of goodwill is HK$185,340,000 (net of accumulated impairment loss of HK$44,848,000) (2016: carrying amount of HK$214,960,000, net of impairment loss of HK$31,063,000). Details of 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 3(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.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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

(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 3(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 2017, the carrying amount of trade and other receivables is HK$282,359,000 (net of allowance for doubtful debts of HK$71,178,000) (2016: carrying amount of HK$277,994,000, net of allowance for doubtful debts of HK$61,207,000).

(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 2017, 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) Income tax

The Group is subject to income tax in Hong Kong and 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.

(ii) PRC withholding tax

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

(iii) 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 head of the Group's finance department reports their 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

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:

	2017 HK$'000	2016 HK$'000
Specialised communication systems technologies	11,483	41,161
Synertone 1 satellite system	16,378	15,308
Building intelligence and smart home	89,132	32,896
Industrial control system	27,684	17,011
	144,677	106,376

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Other income		
Bank interest income from bank deposits *(note a)*	34	78
Loan interest income *(note a)*	847	–
Government grants *(note b)*	12,214	1,597
Recovery of bad debts written off	9,297	–
Recovery of impaired trade receivables	1,103	–
Reversal of consideration payable *(note c)*	27,000	–
Value-added taxes refund *(note d)*	6,988	12,052
Sundry income	685	1,137
	58,168	14,864
Other gains and losses		
Net exchange gain/(loss)	1,452	(1,307)
Net gain/(loss) on disposal of property, plant and equipment	11	(281)
	1,463	(1,588)
	59,631	13,276

6. OTHER INCOME AND OTHER GAINS AND LOSSES *(Continued)*

Notes:

(a) Interest income from bank deposits and loan receivable 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) During the year ended 31 March 2017, the Group entered into a supplemental agreement with the contracting parties to the conditional sale and purchase agreement dated 26 September 2014 (the "Thrive United S&P Agreement") regarding the sale and purchase of the entire issued share capital of Thrive United Holdings Limited ("Thrive United"), pursuant to which the Group's outstanding consideration payable amounting to HK$27,000,000 for the acquisition of the entire equity interest of Thrive United had been waived as its former shareholder could not complete certain patent registration of safe communication technologies developed by the subsidiaries of Thrive United after a prolonged period of time, where the completion of such patent registration is required in accordance with the Thrive United S&P Agreement before the Group is liable to pay the outstanding consideration amount.

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

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

(a) FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on bank and other borrowings	5,852	4,621
Finance charges on finance lease payables	19,153	9,677
	25,005	14,298

7. LOSS BEFORE TAXATION *(Continued)*

(b) STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS IN NOTE 9)

	2017 HK$'000	2016 HK$'000
Salaries, wages and other benefits	**47,530**	53,523
Contributions to defined contribution retirement plans	**5,320**	3,643
Equity-settled share-based payment expenses	**2,711**	8,067
	55,561	65,233

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of Group are required to contribute to 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. Contributions to the plan vest immediately.

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

(c) OTHER ITEMS

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	**1,000**	1,180
Cost of inventories	**62,869**	38,400
Amortisation of prepaid lease payments *(note 15)*	**200**	71
Amortisation of intangible assets *(note 16)*	**55,926**	78,046
Depreciation of property, plant and equipment *(note 14)*	**11,365**	13,716
Impairment loss of trade receivables *(note 23)*	**16,733**	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)*	**15,693**	31,063
Operating lease charges in respect of leased property	**6,215**	7,240
Research and development expenditure*	**32,761**	33,477

* Research and development expenditure for the year ended 31 March 2017 included approximately HK$8,883,000 (2016: HK$16,521,000) 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

	2017 HK$'000	2016 HK$'000
Current tax		
PRC Enterprise Income Tax ("EIT") *(note (iv))*	1,345	328
Over-provision in respect of prior year		
PRC EIT	–	(13)
Deferred tax		
Origination and reversal of temporary differences	(9,279)	(1,961)
	(7,934)	(1,646)

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.

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 (Wankesi Automation Information (China) Co. Limited), 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% (2016: 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.

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

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

	2017 HK$'000	2016 HK$'000
Loss before taxation	**(209,350)**	(470,555)
Notional tax on loss before taxation, calculated at the rates applicable in the countries concerned	**(31,527)**	(109,261)
Tax effect of non-deductible expenses	**30,478**	102,023
Tax effect of non-taxable income	**(10,156)**	(2,405)
Tax effect of deductible temporary differences not recognised	**3,888**	2,331
Tax effect of unused tax losses not recognised	**5,852**	7,494
Tax effect of utilisation of tax losses not recognized in prior years	**(715)**	(741)
Effect of tax exemption	**(554)**	–
Effect of tax incentive on eligible expenditure *(note)*	**(2,559)**	(1,465)
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	**(2,700)**	(1,961)
Over-provision in prior years	**–**	(13)
Other	**59**	2,352
Actual tax credit	**(7,934)**	(1,646)

Note:

Certain PRC subsidiaries of the Group enjoyed an additional 50% tax deduction on research and development costs charged to profit or loss in the calculation of PRC EIT charge.

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 is as follows:

	Year ended 31 March 2017						
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments (note a) HK$'000	Total HK$'000
Executive directors							
Wong Chit On *(Chairman)*	100	3,865	–	18	3,983	58	4,041
Han Weining *(Chief Executive Officer)*	270	1,380	–	18	1,668	58	1,726
Independent non-executive directors							
Lam Ying Hung Andy	100	–	–	–	100	58	158
Hu Yunlin *(note b)*	50	–	–	–	50	40	90
Wang Chen	100	–	–	–	100	–	100
Li Mingqi *(note c)*	50	–	–	2	52	–	52
	670	5,245	–	38	5,953	214	6,167

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

	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$'000	Share-based payments (note a) HK$'000	Total HK$'000
Executive directors							
Wong Chit On *(Chairman) (note d)*	100	3,865	–	18	3,983	215	4,198
Han Weining *(Chief Executive Officer) (note e)*	23	976	1,000	17	2,016	215	2,231
Wang Shaodong *(note f)*	17	40	–	3	60	–	60
Xia Liangbing *(note g)*	–	60	–	–	60	–	60
Non-executive director							
Zhang Xuebin *(note h)*	17	–	–	–	17	–	17
Independent non-executive directors							
Lam Ying Hung Andy	100	–	–	–	100	215	315
Hu Yunlin	100	–	–	–	100	215	315
Wang Chen *(note i)*	77	–	–	–	77	–	77
Cai Youliang *(note j)*	24	–	–	–	24	–	24
	458	4,941	1,000	38	6,437	860	7,297

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 3(r).

(b) Resigned on 3 October 2016.

(c) Appointed on 3 October 2016.

(d) Mr. Wong Chit On was the chief executive officer of the Group before 25 June 2015 and the emoluments disclosed above include those for services rendered by him as chief executive officer for the year ended 31 March 2016.

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

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

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

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

(i) Appointed on 25 June 2015.

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

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

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 2017 and 2016.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: two) are directors of the Company whose emoluments are disclosed in note 9. The aggregate of emoluments of the remaining three (2016: three) individuals were as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	4,046	3,690
Share-based payments expenses	292	2,146
Contributions to retirement benefit schemes	38	39
	4,376	5,875

The emoluments of the three (2016: three) individuals with the highest emoluments are within the following bands:

	2017	2016
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

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 2017 and 2016.

11. DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the years ended 31 March 2017 and 2016.

12. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$196,693,000 (2016: HK$469,702,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2017 HK$'000	2016 HK$'000
Loss attributable to owners of the Company	**(196,693)**	(469,702)

Weighted average number of ordinary shares (basic)

	2017 '000	2016 '000
Weighted average number of ordinary shares in issue during the year for the purpose of basic loss per share	**3,246,307**	1,702,822

Note:

(i) For the year ended 31 March 2016, the weighted average number of shares used in the calculation of basic loss per share has been adjusted for the shares issued under rights issue completed on 28 April 2016 (note 31(b)).

(b) DILUTED LOSS PER SHARE

	2017 HK$'000	2016 HK$'000
Loss attributable to owners of the Company (diluted)	**(196,693)**	(469,702)

Weighted average number of ordinary shares (diluted)

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,246,307**	1,702,822
Effect of deemed issue of shares from exercise of warrants	**–**	–
Effect of deemed issue of shares under share option scheme	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**3,246,307**	1,702,822

For the years ended 31 March 2017 and 2016, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options and warrants as the exercise prices of such share options and warrants are higher than the average market price per share.

13. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines.

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:

Communication Technology:	Provision of specialized communication systems, equipment and system technologies, including digital trunking system, Very Small Aperture Terminal ("VSAT") satellite system and operation integrated system.
Synertone 1 Satellite Communication:	Provision of satellite bandwidth capacity and communication services application.
Building Intelligence and Smart Home:	Provision of (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:	Provision of (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.

Due to the increasing contribution of sales and results from the building intelligence and smart home business and industrial control system business subsequent to the acquisition of respective businesses, the Group aggregated certain operating segments including digital trunking system and VSAT satellite system in the prior year to form a single operating and reportable segment in order to provide better assessment of segment performance. The corresponding reportable segment information for the year ended 31 March 2016 have been restated accordingly.

(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 available-for-sale investments, derivative financial instruments and 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 interest income, impairment loss of property, plant and equipment, intangible assets and goodwill, change in fair value of derivative financial instruments, share of results of an associate and items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses.

13. SEGMENT REPORTING *(Continued)*

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

In addition to receiving segment information concerning Adjusted EBIT, the Group's chief executive officer is provided with segment information concerning revenue (including inter-segment sales), interest income, 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, recovery of impaired trade receivables, impairment loss of property, plant and equipment, intangible assets, goodwill and trade receivables, research and development expenditure and additions to non-current segment assets used by the segments in their operations.

	2017					
	Communication technology HK$'000	Synertone 1 satellite communication HK$'000	Building intelligence and smart home HK$'000	Industrial control system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	11,483	16,378	89,132	27,684	–	144,677
Inter-segment revenue	359	–	7,951	–	–	8,310
Reportable segment revenue	11,842	16,378	97,083	27,684	–	152,987
Reportable segment profit/(loss) (adjusted EBIT)	(4,380)	(45,928)	4,340	204	–	(45,764)
Interest income	25	1	5	2	848	881
Finance costs	(1,130)	(18,955)	(4,624)	(13)	(283)	(25,005)
Amortisation of prepaid lease payments	–	–	(200)	–	–	(200)
Amortisation of intangible assets	(8,301)	(38,584)	(7,874)	(1,167)	–	(55,926)
Depreciation of property, plant and equipment	(2,616)	(1,622)	(5,594)	(74)	(1,459)	(11,365)
Reversal of write down of inventories	2,707	–	–	–	–	2,707
Recovery of impaired trade receivables	–	–	348	755	–	1,103
Impairment loss of:						
— Goodwill	–	–	(12,360)	(3,333)	–	(15,693)
— Trade receivables	(8,159)	–	(8,574)	–	–	(16,733)
Research and development expenditure	(17,014)	(2,486)	(13,261)	–	–	(32,761)
Reportable segment assets	270,498	268,517	184,768	200,642	33,383	957,808
Addition to non-current segment assets						
— Property, plant and equipment	33,443	–	1,450	38	135	35,066
— Intangible assets	–	–	64	–	–	64
	33,443	–	1,514	38	135	35,130
Reportable segment liabilities	19,983	414,285	123,761	9,771	109,132	676,932

13. SEGMENT REPORTING *(Continued)*

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

	2016					
	Communication technology HK$'000	Synertone 1 satellite communication HK$'000	Building intelligence and smart home HK$'000	Industrial control system HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	41,161	15,308	32,896	17,011	–	106,376
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	41,161	15,308	32,896	17,011	–	106,376
Reportable segment profit/(loss) (adjusted EBIT)	(177,154)	(260,971)	(1,185)	(5,258)	–	(444,568)
Interest income	75	2	–	1	–	78
Finance costs	(3,021)	(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	(12,125)	–	(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)
Reportable segment assets	240,004	339,899	212,249	217,758	109,529	1,119,439
Addition to non-current segment assets						
— Prepaid lease payments	–	–	9,432	–	–	9,432
— Property, plant and equipment	15,199	–	57,845	516	–	73,560
— Goodwill	–	–	19,019	203,835	–	222,854
— Intangible assets	–	–	40,302	6,332	–	46,634
	15,199	–	126,598	210,683	–	352,480
Reportable segment liabilities	47,386	428,395	129,061	12,956	77,343	695,141

13. SEGMENT REPORTING *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Revenue		
Reportable segment revenue	152,987	106,376
Elimination of inter-segment revenue	(8,310)	–
Consolidated revenue	144,677	106,376
Loss		
Reportable segment loss	(45,764)	(444,568)
Elimination of inter-segment profits	–	–
Reportable segment loss derived from Group's external customers	(45,764)	(444,568)
Loss on fair value change of derivative financial instruments	(95,235)	–
Impairment loss of goodwill	(15,693)	–
Interest income	881	78
Finance costs	(25,005)	(14,298)
Share of results of an associate	(137)	–
Unallocated corporate expenses	(28,397)	(11,767)
Consolidated loss before taxation	(209,350)	(470,555)
Assets		
Reportable segment assets	924,425	1,009,910
Elimination of inter-segment receivables	–	–
	924,425	1,009,910
Available-for-sale investments	3,900	3,900
Derivative financial instruments	–	95,235
Unallocated corporate assets	29,483	10,394
Consolidated total assets	957,808	1,119,439

13. SEGMENT REPORTING *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Liabilities		
Reportable segment liabilities	567,800	617,798
Elimination of inter-segment payables	–	–
	567,800	617,798
Amount due to a director	1	1
Deferred tax liabilities	21,293	32,874
Unallocated corporate liabilities	87,838	44,468
Consolidated total liabilities	676,932	695,141

(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.

	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Hong Kong (place of domicile)	–	–	4,696	6,026
PRC	143,410	106,180	612,711	685,910
Overseas	1,267	196	–	–
	144,677	106,376	617,407	691,936

(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.

(e) INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2017 HK$'000	2016 HK$'000
Communication technology		
Customer A	N/A *(note)*	24,424
Customer B	N/A *(note)*	12,530
Synertone 1 satellite communication		
Customer C	N/A *(note)*	12,036

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

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 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 34(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
At 1 April 2016	46,173	35,950	42,352	2,126	12,427	24,123	163,151
Additions	603	666	4,468	211	–	29,118	35,066
Transfer	–	22,407	–	–	–	(22,407)	–
Disposals	–	–	(826)	(6)	(528)	–	(1,360)
Effect of foreign currency exchange differences	(2,859)	(2,438)	(4,081)	(223)	(320)	(1,687)	(11,608)
At 31 March 2017	**43,917**	**56,585**	**41,913**	**2,108**	**11,579**	**29,147**	**185,249**
Accumulated depreciation and impairment							
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
At 1 April 2016	787	27,028	29,417	497	5,973	18,965	82,667
Charge for the year	2,276	3,476	3,595	551	1,467	–	11,365
Transfer	–	18,364	–	–	–	(18,364)	–
Eliminated on disposals of assets	–	–	(826)	(1)	(394)	–	(1,221)
Effect of foreign currency exchange differences	(121)	(1,862)	(3,260)	(151)	(270)	(601)	(6,265)
At 31 March 2017	**2,942**	**47,006**	**28,926**	**896**	**6,776**	**–**	**86,546**
Carrying amounts							
At 31 March 2017	**40,975**	**9,579**	**12,987**	**1,212**	**4,803**	**29,147**	**98,703**
At 31 March 2016	45,386	8,922	12,935	1,629	6,454	5,158	80,484

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

Notes:

(a) At 31 March 2017, buildings with net book value of approximately HK$40,975,000 (2016: HK$45,386,000) was pledged to a bank as collateral against the bank borrowings of HK$30,413,000 (2016: HK$37,204,000) (note 26).

(b) At 31 March 2017, the carrying amount of motor vehicles held under finance leases was HK$4,142,000 (2016: HK$5,271,000).

(c) Impairment losses on property, plant and equipment in respect of the Group's communication technology and Synertone 1 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. During the year ended 31 March 2016, sales of digital trunking system and VSAT satellite system decreased by approximately 71% and 94.2% as compared to preceding financial year, respectively. Digital trunking system products was sold to government departments and government authorities through the Group's customers. In 2016, demand for the digital trunking system products had a significant drop mainly due to (i) economic fluctuations in the PRC and (ii) change in the demand resulted from recent government authorities reform in 2016. On the other hand, demand for VSAT satellite system was also affected by system upgrade of Synertone 1 satellite system. As a result, it was expected the Group will experience a significant drop in demand in future years, which triggered impairment of the Group's property, plant and equipment in respect of the communication technology business and Synertone 1 satellite communication business. 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

	2017 HK$'000	2016 HK$'000
Cost		
At beginning of the year	9,441	–
Acquisition of subsidiaries *(note 34(a)(ii))*	–	9,432
Effect of foreign currency exchange differences	(583)	9
At end of the year	8,858	9,441
Accumulated amortisation and impairment losses		
At beginning of the year	71	–
Charge for the year	200	71
Effect of foreign currency exchange differences	(12)	–
At end of the year	259	71
Carrying amount	8,599	9,370
Analysed for reporting purposes as:		
Current assets	194	207
Non-current assets	8,405	9,163
	8,599	9,370

At 31 March 2017, the carrying amount of prepaid lease payments of approximately HK$8,599,000 (2016: HK$9,370,000) was pledged as security for the Group's bank borrowings amounting to approximately HK$30,413,000 (2016: HK$33,603,000).

16. INTANGIBLE ASSETS

	Technical know-how for digital trunking system HK$'000 *(note a)*	Technical know-how for VAST satellite system HK$'000 *(note a)*	Administrative system costs HK$'000 *(note a)*	Right to use Synertone1 satellite bandwidth HK$'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 2015	52,871	9,500	5,011	636,696	34,654	39,117	–	–	777,849
Additions	–	–	15	–	–	–	–	–	15
Acquisition through business combination *(note 34(b))*	–	–	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
At 1 April 2016	52,279	9,500	5,223	636,678	32,942	64,619	4,043	14,640	819,924
Additions	–	–	64	–	–	–	–	–	64
Effect of foreign currency exchange differences	(699)	–	(15)	669	(2,024)	(4,072)	(249)	(798)	(7,188)
At 31 March 2017	51,580	9,500	5,272	637,347	30,918	60,547	3,794	13,842	812,800
Accumulated amortisation and Impairment									
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
At 1 April 2016	50,413	9,500	5,049	365,284	4,942	7,662	269	1,221	444,340
Charge for the year	1,511	–	109	38,584	3,190	8,893	783	2,856	55,926
Effect of foreign currency exchange differences	(579)	–	(4)	109	(403)	(760)	(41)	(147)	(1,825)
At 31 March 2017	51,345	9,500	5,154	403,977	7,729	15,795	1,011	3,930	498,441
Carrying amounts									
At 31 March 2017	235	–	118	233,370	23,189	44,752	2,783	9,912	314,359
At 31 March 2016	1,866	–	174	271,394	28,000	56,957	3,774	13,419	375,584

16. INTANGIBLE ASSETS *(Continued)*

Notes:

(a) Administrative system costs represent costs of the 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 specialized communication systems.

(b) It represents the right to use Synertone 1 satellite bandwidth acquired by the Group and has a finite useful life 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 represent those related to safe communication technologies, building intelligence and smart home products and industrial control systems acquired by the Group through business combinations in prior years.

(e) It represents customer relationship under building intelligence and smart home business and industrial control system business acquired by the Group through business combinations during the year ended 31 March 2016.

(f) At the end of the reporting period, the carrying amount of intangible assets held under finance lease of the Group was HK$233,370,000 (2016: HK$271,394,000).

(g) The amortisation charge for the year is included in cost of sales of approximately HK$45,375,000 (2016: HK$76,104,000), research and development expenditure of approximately HK$1,511,000 (2016: HK$1,600,000) and administrative expenses of approximately HK$9,040,000 (2016: HK$342,000) 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 communication reportable segment had been recognised during the year ended 31 March 2016, which primarily arose from the change in Group's operating strategy and upgrade of Synertone 1 satellite system. In September 2015, the Group planned to upgrade the Synertone 1 satellite system in order to accommodate market changes and requirements and to meet the changing needs of customers. Upon comprehensive consideration on the details of upgrade to be implemented, the upgrade was commenced in November 2015. Since then, demand for Synertone 1 satellite system was affected by the upgrade. As a result, revenue had experienced a significant decline during the year. An impairment loss of HK$204,024,000 was recognised 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 covering the remaining useful life of the intangible asset of 7 years and a pre-tax discount rate of 20.4% had been applied. The discount rate used reflects specific risks relating to the relevant assets.

During the year ended 31 March 2017, in view of the upgrade of the Synertone 1 satellite system was still in progress such that revenue generated from the Synertone 1 satellite system remained significantly below that could be generated under normal capacity, the Group carried out a review of the recoverable amount of the intangible asset. No impairment loss has been recognised as the recoverable amount determined based on value in use calculations is higher than its carrying amount. These calculations used cash flow projections based on financial forecasts prepared by management covering the remaining useful life of the intangible asset of 6 years and a pre-tax discount rate of 27.0% has been applied.

17. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost:		
At beginning of the year	246,023	34,814
Acquisition of subsidiaries *(note 34(a))*	–	222,854
Effect of foreign currency exchange differences	(15,835)	(11,645)
At end of the year	230,188	246,023
Accumulated impairment losses:		
At beginning of the year	31,063	–
Impairment loss recognised	15,693	31,063
Effect of foreign currency exchange differences	(1,908)	–
At end of the year	44,848	31,063
Carrying amount	185,340	214,960

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

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

	2017 HK$'000	2016 HK$'000
Provision of safe communication technologies	1,907	2,799
Building intelligence and smart home	5,503	19,033
Industrial control system	177,930	193,128
	185,340	214,960

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	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
— Gross margin	85%	88%	43%	65%	48%	42%
— Long-term growth rate	3%	3%	3%	3%	3%	3%
— Pre-tax discount rate	19.39%	20.08%	24.14%	25.17%	22.12%	25.18%

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.

17. GOODWILL *(Continued)*

At 31 March 2017, the recoverable amount of the relevant cash generating units were as follows:

	2017 HK$'000	2016 HK$'000
Recoverable amount		
— Provision of safe communication technologies	**51,962**	62,406
— Building intelligence and smart home	**109,161**	416,000
— Industrial control system	**142,091**	205,221

Based on management's assessment and by reference to the calculations performed by an independent appraisal firm, ROMA Appraisals Limited, the Group recognised impairment loss of nil (2016: HK$31,063,000), HK$12,360,000 (2016: nil) and HK$3,333,000 (2016: nil) under provision of safe communication technologies cash generating unit, building intelligence and smart home cash generating unit and industrial control system cash generating unit respectively as the carrying amounts of those assets related to the cash generating units exceeded their respective recoverable amount at the end of each reporting period. As the building intelligence and smart home and industrial control system cash generating units have been reduced to their recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

PROVISION OF SAFE COMMUNICATION TECHNOLOGIES

Goodwill from provision of safe communication technologies cash generating unit 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.

In 2016, revenue from safe communication technologies used in digital trunking system had a substantial decline. The demand for digital trunking system products had a significant drop mainly due to (i) economic fluctuations in the PRC and (ii) change in the demand resulted from recent government authorities reform in 2016. As a result, the expected future sales will drop in line with the actual situation for the year ended 31 March 2016.

The future cash flow projections are based on actual operating results of the Group in the past few years, taking into account the sales orders subsequent to the year end date and the estimated future operating expenses and capital expenditure. Fluctuations in the economic environment and industry changes and slowdown of economic growth in the PRC has also been taken into consideration.

BUILDING INTELLIGENCE AND SMART HOME

The directors of the Company considered that the goodwill attributable to building intelligence and smart home cash generating unit was impaired as the temporary suspension of Synertone 1 satellite system reduced the anticipated cash flows from the future operating synergies from exploiting the customer base of the Sense Field Group for the Group's existing communication business.

INDUSTRIAL CONTROL SYSTEM

The directors of the Company considered that the goodwill attributable to industrial control system cash generating unit was impaired as the temporary suspension of Synertone 1 satellite system reduced the anticipated cash flows from the future operating synergies through the combination of the automation control systems provided by the MOX Group with the support of Synertone 1 satellite system.

18. SUBSIDIARIES

The following is a list of subsidiaries at 31 March 2017:

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	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities/ place of operation
LakeWest 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

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
朗晴通科技(深圳)有限公司 *(note (a))*	PRC	Registered capital of RMB158,160	100%	–	100%	Design, development and sale of security system/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/PRC
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/PRC
Sense Field Group Limited ("Sense Field") *(note (c))*	BVI	100 ordinary shares of US$1 each	85% (2016:49%)	–	85% (2016:49%)	Investment holding/Hong Kong
MOX Group Limited	BVI	50,000 ordinary shares	85% (2016: 49%)	–	85% (2016: 49%)	Investment holding/Hong Kong
悉雅特樓宇自控(杭州)有限公司 *(note (a))*	PRC	Registered capital of US$300,000	85% (2016: 49%)	–	85% (2016: 49%)	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings/PRC
萬科思自控信息(中國)有限公司 *(note (a))*	PRC	Registered capital of US$10,000,000	85% (2016: 49%)	–	85% (2016: 49%)	Research and development, manufacturing and sales of intelligent building systems including video intercom and surveillance systems for buildings /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) According to the shareholders' agreement signed between the Group and the Vendors (as defined in note 34(a)(ii)) during the year ended 31 March 2016, the Group would have a right to subscribe further equity interest in Sense Field. The currently exercisable purchased call option, if exercised, would give, in aggregate, the Group over 51% voting power over 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 which in turn provided the Group with the ability to control Sense Field and its subsidiaries (together the "Sense Field Group").

On 29 June 2016, the Group entered into the sale and purchase agreement (the "Further Acquisition Agreement") with the then shareholders of Sense Field for the further acquisition of 36% equity interest in Sense Field for a cash consideration of HK$130,000,000 ("Further Acquisition"). During the year ended 31 March 2017, the Group has paid HK$117,000,000 pursuant to the conditions of the Further Acquisition Agreement. The Further Acquisition was completed on 30 March 2017 with the exercise of the call option, and thereafter the Group's shareholding in Sense Field increased from 49% to 85%. The Group recognised a decrease in non-controlling interest and other reserve of HK$34,943,000 and HK$82,057,000, respectively.

In preparing the Group's consolidated financial statements during the years ended 31 March 2017 and 2016 before the completion of the Further Acquisition upon which the call option was exercised, the Sense Field Group was consolidated as subsidiaries in accordance with HKFRS 10 Consolidated Financial Statements, in which 51% of the post-acquisition results and net assets of the Sense Field Group were allocated to the non-controlling interest.

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	
	2017 HK$'000	2016 HK$'000
NCI percentage	**15%**	51%
Current assets	**141,007**	181,164
Non-current assets	**87,510**	64,295
Current liabilities	**(123,759)**	(125,463)
Non-current liabilities	**(7,694)**	(3,600)
Net assets	**97,064**	116,396
Carrying amount of NCI	**14,560**	59,362
Revenue	**97,083**	32,896
(Loss)/profit for the year	**(9,261)**	1,554
Other comprehensive (loss)/income	**(10,071)**	2,778
Total comprehensive (loss)/income	**(19,332)**	4,332
Total comprehensive (loss)/income allocated to NCI	**(9,859)**	2,210
Dividend paid to NCI	**–**	–
Cash flows from/(used in) operating activities	**15,517**	(5,103)
Cash flows used in investing activities	**(1,508)**	(8,816)
Cash flows (used in)/from financing activities	**(12,759)**	69

19. INTERESTS IN AN ASSOCIATE

The following is a list of the particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Place of incorporation and business	Class of Share held	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by subsidiaries	Principal activity
杭州奧邁智能科技有限公司 ("Hangzhou Aomai")	PRC	Registered	Registered capital RMB2,450,000	41.65% (2016: 24.01%)	–	49% (2016: 49%)	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.

Summarised financial information of associate is presented below:

	2017 HK$'000	2016 HK$'000
Current assets	21,038	24,813
Non-current assets	964	1,358
Current liabilities	(20,034)	(23,785)
Non-current liabilities	–	–
Revenue	3,583	2,178
Loss for the year	(280)	(197)
Other comprehensive income for the year	(138)	(6)
Total comprehensive loss for the year	(418)	(203)

19. INTERESTS IN AN ASSOCIATE *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of interest in Hangzhou Aomai recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of the associate	1,968	2,386
Proportion of the Group's ownership interest in the associate	49%	49%
	964	1,169
Goodwill	1,574	1,675
Carrying amount of the Group's interest in the associate	2,538	2,844

20. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'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. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Call options	–	95,235

Derivative financial instruments represented the currently exercisable purchased call option over 51% voting power over Sense Field (note 34(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 the Sense Field Group, based on discounted cash flow forecast provided by management of the Group.

During the year ended 31 March 2017, the Group exercised the call option to acquire additional 36% equity interest in Sense Field. The call option was carried at fair value until the date of completion, with the loss on fair value change of HK$95,235,000 recognised in profit or loss.

22. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	9,941	6,962
Work in progress	12,611	28,013
Finished goods	13,315	2,771
	35,867	37,746

During the year ended 31 March 2017, there was a reversal of write down of inventories of HK$2,707,000 (2016: HK$2,945,000) recognized and included in profit or loss 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

	2017 HK$'000	2016 HK$'000
Trade receivables *(notes (b) and (c))*	201,224	198,234
Less: Allowance for doubtful debts *(note (d))*	(71,178)	(61,207)
	130,046	137,027
Bills receivable	3,216	349
Loan receivable *(note (e))*	20,000	–
Other receivables	57,859	94,016
Advance to suppliers	48,750	25,812
Prepaid value-added and other taxes	8,100	2,929
Deposits and prepayments	22,450	26,762
	290,421	286,895
Reconciliation to the consolidated statement of financial position:		
Non-current	8,062	8,901
Current	282,359	277,994
	290,421	286,895

(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 2017 are retention money of HK$252,000 (2016: HK$294,000) which are expected to be recovered after the warranty period.

(b) For the year ended 31 March 2017, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2016: 30 to 180 days). A longer credit period of 181 to 365 days (2016: 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 aging analysis of trade receivables, presented based on invoice date:

	2017 HK$'000	2016 HK$'000
0–60 days	**17,801**	19,368
61–90 days	**8,996**	6,040
91–180 days	**31,292**	36,258
181–365 days	**6,646**	58,555
Over 365 days	**136,489**	78,013
	201,224	198,234
Less: allowance for doubtful debts	**(71,178)**	(61,207)
	130,046	137,027

(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 3(k)).

The movement in the allowance for doubtful debts during the year is as follows:

	2017 HK$'000	2016 HK$'000
At beginning of the year	**61,207**	–
Impairment loss recognised	**16,733**	61,207
Amount recovered during the year	**(1,103)**	–
Effect of foreign currency exchange differences	**(5,659)**	–
At end of the year	**71,178**	61,207

As at 31 March 2017, specific allowances for doubtful debts of HK$71,178,000 (2016: HK$61,207,000) were recognised in respect of trade receivables which 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.

(e) LOAN RECEIVABLE

Loan receivable represents the amount advanced to an independent third party and is unsecured, interest bearing at 5% per annum and repayable within one year.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(f) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	21,590	61,666
Past due but not impaired		
Less than 1 month past due	7,372	7,173
1 to 3 months past due	18,160	1,157
More than 3 months but less than 12 months past due	33,722	50,108
More than 12 months past due	49,202	16,923
	108,456	75,361
	130,046	137,027

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

The interest rates on the cash at bank and deposits with banks ranged from 0.001% to 0.35% (2016: 0.001% to 0.35%) per annum.

25. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	34,017	26,036
Bill payables	6,616	4,026
Accrued salaries	4,959	4,784
Accrued expenses and other payables	19,899	40,611
Financial liabilities measured at amortised cost	65,491	75,457
Deferred government grant	2,253	–
Deposits received from customers	3,010	4,681
Other tax payables	4,368	4,091
	75,122	84,229

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

	2017 HK$'000	2016 HK$'000
0–60 days	6,304	2,472
61–90 days	4,011	1,145
91–180 days	3,606	1,898
181–365 days	4,246	5,962
Over 365 days	15,850	14,559
	34,017	26,036

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

At 31 March 2017, bank and other borrowings were as follows:

	2017 HK$'000	2016 HK$'000
Bank borrowings:		
— secured *(note (c))*	40,550	97,090
— unsecured *(note (d))*	42,690	32,643
Unsecured other borrowings *(note (e))*	82,000	11,200
	165,240	140,933

26. BANK AND OTHER BORROWINGS *(Continued)*

At 31 March 2017, bank and other borrowings were repayable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	165,240	137,333
After 1 year but within 2 years	–	3,600
	165,240	140,933

The Group's 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. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(b). As at 31 March 2017, none of the covenants relating to drawn down facilities had been breached (2016: HK$Nil).

All of the Group's bank and other borrowings are carried at amortised cost.

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:

	2017	2016
Effective interest rates:		
Fixed-rate borrowings	4.79%–7.20%	4.30%–6.50%

(c) At 31 March 2017 and 2016, the secured bank borrowings are secured by prepaid lease payments and property, plant and equipment of the Group (see notes 14 and 15) and collaterals from a director of the Company.

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

(e) Unsecured other borrowings represented loans from independent third parties bearing interest fixed at 6% (2016: 4.85%) per annum and are repayable within 1 year.

27. FINANCE LEASES PAYABLES

The Group's finance leases arise from the acquisition of the rights to use Synertone 1 satellite bandwidth and hire purchase of motor vehicles with a fixed lease term of 9.5 years and 4.5 years, respectively. Interest rates underlying all obligations under finance leases are fixed at respective contract rates ranging from 2% to 4.5% (2016: 2% to 4.5%) per annum.

At 31 March 2017, the Group had obligations under finance leases repayable as follows:

	2017		2016	
	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	131,884	133,308	71,146	98,123
After 1 year but within 2 years	66,717	71,137	55,504	70,983
After 2 years but within 5 years	181,716	211,320	181,016	212,054
After 5 years	25,757	46,628	119,003	125,862
	274,190	329,085	355,523	408,899
	406,074	462,393	426,669	507,022
Less: total future interest expenses		(56,319)		(80,353)
Present value of lease obligations		406,074		426,669

The Group's obligations under finance leases in respect of motor vehicles are secured by the lessor's title to the leased assets.

The Group's finance leases payables are denominated in United States Dollars and Hong Kong dollars, being the functional currency of the relevant group entity.

28. AMOUNT DUE TO A DIRECTOR

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

29. 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:

	2017 HK$'000	2016 HK$'000
At beginning of the year	10,435	26,789
Provision for the year *(note 8(a))*		
— PRC EIT	1,345	328
Over-provision in respect of prior years *(note 8(a))*		
— PRC EIT	–	(13)
Tax payment for the year		
— PRC EIT	(2,075)	(16,852)
Tax refund for the year		
— PRC EIT	–	238
Effect of foreign currency exchange differences	(593)	(55)
At end of the year	9,112	10,435
Reconciliation to the consolidated statement of financial position		
Tax recoverable	90	–
Current taxation	(9,202)	(10,435)
	(9,112)	(10,435)

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

	Accelerated tax depreciation HK$'000	Fair value adjustment on property, plant and equipment HK$'000	Fair value adjustment on intangible assets HK$'000	Undistributed profit of subsidiaries HK$'000	Total HK$'000
At 1 April 2015	–	–	17,500	4,659	22,159
Acquired under business combination *(note 34(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
At 1 April 2016	–	1,148	29,026	2,700	32,874
Charged/(credited) to profit or loss	357	(297)	(6,639)	(2,700)	(9,279)
Effect of foreign currency exchange differences	–	(60)	(2,242)	–	(2,302)
At 31 March 2017	357	791	20,145	–	21,293

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

(c) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in note 3(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$119,422,000 (2016: HK$95,493,000) as at 31 March 2017 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 RMB28,378,000 (2016: RMB28,180,000) in the PRC which is available for carry forward to offset future taxable profit for a period of five years.

30. 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.

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").

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

(a) The terms and conditions of the grants that existed as at 31 March 2017 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	**4,800,000**	**HK$2.5**	**5 years**
Options granted to employees:			
— on 24 December 2013	**39,800,000**	**HK$2.5**	**5 years**
Options granted to other participants:			
— on 24 December 2013	**24,000,000**	**HK$2.5**	**5 years**
Adjusted during the year upon completion of rights issue *(note 31(b)(iv))*	**(9,631,820)**		
	58,968,180	**HK$2.06**	

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 31(b)(ii))*	(274,400,000)		
	68,600,000	HK$2.5	

Note:

(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.

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

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

	2017		2016	
	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 beginning of the year	HK$2.50	68,600,000	HK$0.50	527,350,000
Forfeited during the year *(note ii)*	HK$2.06	(24,275,342)	HK$0.50	(184,350,000)
Adjusted during the year upon completion of share consolidation *(note 31(b)(ii))*		–		(274,400,000)
Adjusted during the year upon completion of rights issue *(note31 (b)(iv))*		14,643,522		–
Outstanding at end of the year	HK$2.06	58,968,180	HK$2.50	68,600,000
Exercisable at end of the year	HK$2.06	19,656,060	HK$2.50	22,867,000

Notes:

(i) The exercise price and number of shares issuable under options granted have been adjusted for the effects of the issue of bonus shares on 21 February 2014, the share consolidation on 24 March 2016 and the rights issue on 28 April 2016.

(ii) During the year ended 31 March 2017, 24,275,342 (2016: 36,870,000) 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 2017 had a weighted average remaining contractual life of 1.7 years (2016: 2.7 years).

As at 31 March 2017, the number of shares in respect of options under the Share Option Scheme that had been granted and remained outstanding was 58,968,180, representing approximately 1.8% 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 2017 and 2016.

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

(c) FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS

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

	Lot 1	Lot 2	Lot 3
Fair value of share options and assumptions	HK$0.2605	HK$0.2778	HK$0.3058
Share price *(note)*	HK$2.06	HK$2.06	HK$2.06
Exercise price *(note)*	HK$2.06	HK$2.06	HK$2.06
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 effects of the issue of bonus shares on 21 February 2014, the share consolidation on 24 March 2016 and the rights issue on 28 April 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.

31. CAPITAL AND 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:

(a) MOVEMENTS IN COMPONENTS OF EQUITY

		Attributable to owners of the Company						
	Note	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Merger reserve *(note 31(c)(iv))* HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
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	*31(c)(vi)*	–	–	–	–	(1,200)	1,200	–
Shares issued upon acquisition of subsidiaries	*31(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
At 1 April 2016		83,720	622,636	18,503	71,349	6,600	(408,215)	394,593
Comprehensive income								
Loss for the year		–	–	–	–	–	(354,294)	(354,294)
Total comprehensive loss for the year		–	–	–	–	–	(354,294)	(354,294)
Transactions with owners								
Equity-settled share-based payments		–	–	2,711	–	–	–	2,711
Lapse of share option		–	–	(8,474)	–	–	8,474	–
Issue of shares upon right issue	*31(b)(iv)*	83,720	125,580	–	–	–	–	209,300
Share issuance costs		–	(2,709)	–	–	–	–	(2,709)
At 31 March 2017		167,440	745,507	12,740	71,349	6,600	(754,035)	249,601

31. CAPITAL AND RESERVES *(Continued)*

(b) SHARE CAPITAL

	2017 No. of shares '000	2017 Amount HK$'000	2016 No. of shares '000	2016 Amount HK$'000
Authorised:				
At beginning 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	–	–
Increase during the year *(note 31(b)(i))*	–	–	4,000,000	200,000
Share consolidation *(note 31(b)(ii))*	–	–	(16,000,000)	–
At end of the year				
Ordinary shares of HK$0.05 each	8,000,000	400,000	8,000,000	400,000
Issued and fully paid:				
At beginning 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	–	–
Issue of shares upon acquisition of subsidiaries *(note 31(b)(iii))*	–	–	1,927,000	19,270
Issue of shares upon rights issue *(note 31(b)(iv))*	1,674,400	83,720	–	–
Share consolidation *(note 31(b)(ii))*	–	–	(6,697,600)	–
At end of the year				
Ordinary shares of HK$0.05 each	3,348,800	167,440	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 shares of HK$0.05 each) 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 34(a)).

(iv) During the year ended 31 March 2017, the Company issued 1,674,400,000 new shares upon completion of the rights issue on the basis of one rights share for every one ordinary share in issue at the subscription price of HK$0.125 per rights share. The net proceeds arising from the rights issue were HK$206,591,000, out of which HK$117,000,000 was paid as the consideration for the further acquisition of 36% equity interest in Sense Field, HK$13,000,000 was reserved as the retention fund in relation to profit guarantee arrangement arising from the further acquisition of Sense Field (note 36), and the remaining was used as the Group's general working capital.

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.

31. 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) 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 3(r).

(iii) 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 acquired through a reorganisation in the preparation for the listing of the Company's shares on the Stock Exchange in December 2006.

(iv) 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 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.

(v) 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.

(vi) 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 3(v).

31. CAPITAL AND RESERVES *(Continued)*

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

(vii) 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 2014, 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 for one warrant share at the subscription price of HK$1.98 (subject to adjustment) 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 2014 and an aggregate of 660,000,000 warrants have been issued (restated to 196,666,667 warrants following share consolidation on 24 March 2016 and the rights issue completed on 28 April 2016).

(viii) Other reserve

The other reserve represents the difference between the consideration paid for the further acquisition of 36% equity interest in Sense Field and the carrying value of non-controlling interest derecognised.

(d) DISTRIBUTABILITY OF RESERVES

As at 31 March 2017, the aggregate amount of reserves available for distribution to owners of the Company, which included accumulated losses and share premium, was nil (2016: HK$214,421,000).

31. CAPITAL AND RESERVES *(Continued)*

(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 and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions through payment of dividends to shareholders, issue of new shares, return of capital to shareholders, and issue or redemption of debt.

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 defined as total debt (which includes bank and other borrowings and finance lease payables) less cash and cash equivalents.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the ratio at a reasonable level. The adjusted gearing ratios at 31 March 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Bank and other borrowings *(note 26)*	**165,240**	140,933
Finance lease payables *(note 27)*	**406,074**	426,669
	571,314	567,602
Less: Cash and cash equivalents *(note 24)*	**(17,991)**	(12,421)
Net debt	**553,323**	555,181
Total equity	**280,876**	424,298
Adjusted gearing ratio	**197%**	131%

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

32. FINANCIAL INSTRUMENTS BY CATEGORIES

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**277,862**	272,554
Available-for-sale investments	**3,900**	3,900
Derivative financial instruments	**–**	95,235
Financial liabilities		
Financial liabilities at amortised costs	**636,806**	643,060

33. 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.

(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 2017, the Group has a certain concentration of credit risk as 64% (2016: 70%) of the trade receivables were due from the Group's five largest customers.

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.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(b) LIQUIDITY RISK

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

The following 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 2017						
Non-derivative financial liabilities						
Trade payables	34,017	–	–	–	34,017	34,017
Accrued salaries	4,959	–	–	–	4,959	4,959
Accrued expenses and other payables	19,899	–	–	–	19,899	19,899
Bills payable	6,616	–	–	–	6,616	6,616
Amount due to a director	1	–	–	–	1	1
Bank and other borrowings	172,397	–	–	–	172,397	165,240
Finance lease payables	133,308	71,137	211,320	46,628	462,393	406,074
	371,197	71,137	211,320	46,628	700,282	636,806

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

(b) LIQUIDITY RISK *(Continued)*

	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

(c) INTEREST RATE RISK

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

The Group is exposed to cash flow interest rate risk in relation to the Group's bank deposits which is mainly concentrated on the fluctuation of market interest rate. The Group is also exposed to fair value interest rate risk in respect of its fixed-rate bank and other borrowings.

The Group aims at keeping borrowings at fixed rates.

(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:

	2017		2016	
	Range of interest rates	HK$'000	Range of interest rates	HK$'000
Fixed rate borrowings:				
Bank and other borrowings	4.79%–7.20%	165,240	4.30%–6.5%	140,933
Finance lease payables	1.98%–4.486%	406,074	1.98%–4.486%	426,669
		571,314		567,602
Variable rate bank deposits:				
Cash at bank	0.001%–0.35%	17,991	0.001%–0.35%	12,215

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

(c) INTEREST RATE RISK *(Continued)*

(ii) Sensitivity analysis

Borrowings 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.

No sensitivity analysis for interest rate risk exposure to variable rate bank deposits is presented as the management considered that the amount involved is insignificant.

(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 that 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)					
	2017			2016		
	United States Dollars	Renminbi	Euro	United States Dollars	Renminbi	Euro
Trade and other receivables	2,816	–	–	1,851	13,135	–
Cash and cash equivalents	33	3,956	4	401	26	4
Trade and other payables	–	–	–	(2,776)	–	–
Net exposure arising from recognised assets and liabilities	2,849	3,956	4	(524)	13,161	4

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(d) CURRENCY RISK *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation and accumulated losses 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.

	Exposure to foreign currencies (expressed in HK$'000)					
	2017			2016		
	Increase/ (decrease) In foreign exchange rates	Effect on loss after taxation	Effect on accumulated losses	Increase (decrease) in foreign exchange rates	Effect on loss after taxation	Effect on accumulated losses
Renminbi	5%	(198)	(198)	5%	(658)	(658)
	(5%)	198	198	(5%)	658	658
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 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 remeasure 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 2016.

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.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(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

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

During the year ended 31 March 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

33. 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 the Sense Field Group, 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:

	2017 HK$'000	2016 HK$'000
At beginning of the year	95,235	–
Acquisition through business combination *(note 34(a)(ii))*	–	86,153
Total (losses)/gains recognised in profit or loss	(95,235)	9,082
At end of the year	–	95,235

(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 2017 and 2016.

34. 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 ended 31 March 2016 was profit of approximately HK$234,000 attributable to the additional business generated by MOX Group. Revenue for the year included HK$17,011,000 in respect of MOX Group.

Had the business combination been effected at 1 April 2015, revenue and loss of the Group for the year ended 31 March 2016 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.

34. BUSINESS COMBINATION *(Continued)*

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

(i) (Continued)

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 29(b))*	(1,580)
Total identifiable net liabilities at fair value	(34,715)
Goodwill arising on acquisition *(note 17)*	203,835
	169,120

	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 had been excluded from the consideration transferred and had been recognised as an expense for the year ended 31 March 2016, 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 the 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.

34. BUSINESS COMBINATION *(Continued)*

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

(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, 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 an 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.

The 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.

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 ended 31 March 2016 was profit of approximately HK$1,554,000 attributable to the additional business generated by Sense Field Group. Revenue for the year included HK$32,896,000 in respect of Sense Field Group.

Had the business combination been effected at 1 April 2015, revenue and loss of the Group for the year ended 31 March 2016 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.

34. BUSINESS COMBINATION *(Continued)*

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

(ii) (continued)

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 29(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 33(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

34. BUSINESS COMBINATION *(Continued)*

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

(ii) (continued)

Acquisition-related costs amounting to approximately HK$636,000 had been excluded from the consideration transferred and had been recognised as an expense for the year ended 31 March 2016, 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 the 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 combination been effected at 1 April 2015, revenue and loss of the Group for the year ended 31 March 2016 would have been approximately HK$193,723,000 and HK$465,723,000, 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.

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.

35. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2017 not provided for in the consolidated financial statements were as follows:

	2017 HK$'000	2016 HK$'000
Contracted but not provided for the acquisition of property, plant and equipment		
Plant and machinery	57,995	89,008
Renovation of office	1,620	1,726
	59,615	90,734

(b) As at 31 March 2017, the total future minimum lease payment under non-cancellable operating lease are payable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	6,282	3,743
In the second to fifth year inclusive	14,829	9,239
	21,111	12,982

Operating lease payments represent rental payable by the Group for certain of its office and factory premises. Leases are negotiated for an average of 1 to 10 years during which rentals are fixed. None of the leases includes contingent rentals.

36. PROFIT GUARANTEE ARISING FROM FURTHER ACQUISITION OF SENSE FIELD

During the year ended 31 March 2017, Vastsuccess further acquired 36% equity interest in Sense Field for a cash consideration of HK$130,000,000 and has paid HK$117,000,000 to the then shareholders of Sense Field being the vendors in the manner specified in the Further Acquisition Agreement. The remaining HK$13,000,000 (the "Retention Funds") shall be paid by Vastsuccess to the vendors within 14 business days after the consolidated audited accounts of the Sense Field Group for the year ended 31 December 2016 become available, provided that the earnings before interest, tax, depreciation and amortisation ("EBITDA") of the Sense Field Group for the year ended 31 December 2016 is not less than HK$40,000,000 (the "First-year Target").

36. PROFIT GUARANTEE ARISING FROM FURTHER ACQUISITION OF SENSE FIELD *(Continued)*

In accordance with the Further Acquisition Agreement, in the event that the First-year Target cannot be met, Vastsuccess shall pay to the vendors within 14 business days after the consolidated audited accounts of the Sense Field Group for the year ending 31 December 2017 become available an amount equal to:

(a) the Retention Funds, when the aggregate EBITDA for the two years ending 31 December 2017 exceeds HK$95,000,000 (the "Two-year Target"); or

(b) the difference between the Retention Funds and the shortfall, calculated by the Two-year Target minus the aggregate EBITDA for the two years ending 31 December 2017 (the "Shortfall"), when the Two-year Target cannot be met. If the Retention Funds is not sufficient to cover the Shortfall, Vastsuccess shall not be required to pay any amount to the vendors and the vendors shall indemnify Vastsuccess an amount equivalent to the difference between the Retention Funds and the Shortfall.

No provision for the above profit guarantee arrangement is recognised in the consolidated financial statements upon completion of the Further Acquisition and as at 31 March 2017 as the directors of the Company considered that: (a) the First-year Target has not been met based on the unaudited consolidated management accounts for the year ended 31 December 2016; and (b) taking into account the unaudited consolidated management accounts for the three months ended 31 March 2017 and the profit forecast for the nine months ending 31 December 2017 prepared by management of the Sense Field Group, the Two-year Target is unlikely to be met and the probability that the Retention Funds being sufficient to cover the Shortfall is remote.

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

(i) Amount due to a director

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

	2017 HK$'000	2016 HK$'000
Wong Chit On	1	1

(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:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	9,654	12,986
Equity-settled share-based payments	506	3,245
Post-employment benefit	96	158
	10,256	16,389

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, Chairman and executive director of the Company, for the purchase of motor vehicles under finance leases through financial institutions with the carrying value of finance lease payables as follows:

	2017 HK$'000	2016 HK$'000
Finance lease payable guaranteed by a director	**3,062**	4,600

38. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Investments in subsidiaries		**–**	–
Current assets			
Amounts due from subsidiaries		**255,723**	400,307
Cash and cash equivalents		**133**	109
		255,856	400,416
Current liabilities			
Other payables		**1,625**	1,193
Amount due to a director		**1**	1
Amounts due to subsidiaries		**4,629**	4,629
		6,255	5,823
Net current assets		**249,601**	394,593
Net assets		**249,601**	394,593
EQUITY	*31*		
Share capital		**167,440**	83,720
Reserves		**82,161**	310,873
Total equity		**249,601**	394,593

Approved and authorised for issue by the board of directors on 20 June 2017

Wong Chit On
Director

Han Weining
Director

39. EVENTS AFTER THE REPORTING PERIOD

On 23 May 2017, the Company entered into a subscription agreement (the "Subscription Agreement") with an independent third party (the "Subscriber") in relation to the issue of Convertible Bonds in the principal amount of HK$48,000,000. Pursuant to the Subscription Agreement, the Company will issue the Convertible Bonds in tranches in accordance with written demands by the Company to be made within twelve months immediately after the completion of all conditions precedent stated under the Subscription Agreement which took place on 6 June 2017.

The Convertible Bonds shall mature after 2 years from the date of issue, and bear interest at 5% per annum on the outstanding principal thereof payable in arrears annually.

The initial conversion price of the Convertible Bonds is HK$0.16 per conversion share (subject to adjustments). The Subscriber has the right to convert the whole or any part(s) (in an integral multiple of HK$1,000,000) of the principal amount into shares of the Company after expiry of the first twelve months' period from the issue date of the Convertible Bonds.

The net proceeds arising from the issue of the Convertible Bonds, after deduction of expenses, will amount to approximately HK$47,970,000, which shall be applied towards the Group's general working capital.

The Company has issued Convertible Bonds in the principal amount of HK$14,000,000 after written demand made to the Subscriber up to the date of the consolidated financial statements are authorised for issue.

40. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTIES

As at 31 March 2017, 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. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation of the consolidated financial statements.

FIVE YEARS SUMMARY

	For the year ended 31 March				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**144,677**	106,376	329,667	174,421	115,690
Cost of sales	**(116,594)**	(117,504)	(163,732)	(82,215)	(41,574)
Gross profit/(loss)	**28,083**	(11,128)	165,935	92,206	74,116
(Loss)/profit before taxation	**(209,350)**	(470,555)	63,748	38,837	47,890
Income tax	**7,934**	1,646	(30,009)	(8,810)	(11,883)
(Loss)/profit for the year	**(201,416)**	(468,909)	33,739	30,027	36,007
Attributable to:					
Owners of the Company	**(196,693)**	(469,702)	33,739	30,027	36,007
Non-controlling interests	**(4,723)**	793	–	–	–
(Loss)/profit for the year	**(201,416)**	(468,909)	33,739	30,027	36,007

	As at 31 March				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Current assets	**336,501**	328,368	403,491	285,664	264,058
Non-current assets	**621,307**	791,071	725,228	693,034	68,677
Total assets	**957,808**	1,119,439	1,128,719	978,698	332,735
Current liabilities	**381,449**	303,144	196,870	118,088	44,678
Non-current liabilities	**295,483**	391,997	410,578	427,388	9,871
Total liabilities	**676,932**	695,141	607,448	545,476	54,549
Net assets	**280,876**	424,298	521,271	433,222	278,186
Share capital	**167,440**	83,720	64,450	63,200	12,000
Reserves	**98,876**	281,216	456,821	370,022	266,186
Equity attributable to owners of the Company	**266,316**	364,936	521,271	433,222	278,186
Non-controlling interests	**14,560**	59,362	–	–	–
Total equity	**280,876**	424,298	521,271	433,222	278,186