SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

The board (the "**Board**") of directors (the "**Directors**") of Synertone Communication Corporation (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated results of the Group for the year ended 31 March 2022 together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	*4*	**114,165**	90,281
Cost of sales		**(91,226)**	(67,262)
Gross profit		**22,939**	23,019
Other income	*5*	**6,269**	10,661
Other gains/(losses), net	*5*	**218**	(6,694)
Selling and distribution expenses		**(4,589)**	(4,339)
Administrative and other operating expenses		**(38,655)**	(36,501)
Impairment of goodwill		**(27,908)**	–
Research and development expenditure		**(3,978)**	(4,197)
(Allowance for)/reversal of expected credit loss, net		**(62,939)**	4,560
Loss from operations		**(108,643)**	(13,491)
Finance costs	*6(a)*	**(4,157)**	(3,837)
Share of results of associates		**(928)**	(876)
Loss before tax	*6*	**(113,728)**	(18,204)
Income tax (expense)/credit	*7*	**(45)**	1,313
Loss for the year		**(113,773)**	(16,891)
Loss for the year attributable to:			
– Owners of the Company		**(109,678)**	(15,133)
– Non-controlling interests		**(4,095)**	(1,758)
		(113,773)	(16,891)
		HK cents	*HK cents*
Loss per share			
– Basic and diluted	*9*	**(9.15)**	(1.47)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022	2021
	HK$'000	*HK$'000*
Loss for the year	**(113,773)**	(16,891)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**2,468**	6,328
Other comprehensive income for the year, net of tax	**2,468**	6,328
Total comprehensive expense for the year	**(111,305)**	(10,563)
Total comprehensive expense attributable to:		
Owners of the Company	**(107,423)**	(9,350)
Non-controlling interests	**(3,882)**	(1,213)
	(111,305)	(10,563)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**43,432**	37,401
Right-of-use assets		**17,055**	14,275
Intangible assets		**–**	32
Goodwill		**25,228**	51,301
Interests in associates		**54,737**	55,500
Deposits and prepayments	*10*	**2,073**	1,087
		142,525	159,596
Current assets			
Inventories		**55,293**	50,217
Trade and other receivables	*10*	**56,894**	95,716
Amount due from an associate		**8,731**	–
Cash and cash equivalents		**8,009**	4,185
		128,927	150,118
Current liabilities			
Trade and other payables	*11*	**43,809**	41,729
Contract liabilities		**40,730**	29,625
Amount due to an associate		**–**	337
Bank borrowings		**72,337**	69,001
Lease liabilities		**6,172**	3,406
		163,048	144,098
Net current (liabilities)/assets		**(34,121)**	6,020
Total assets less current liabilities		**108,404**	165,616

	2022	2021
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**2,969**	2,974
Net assets	**105,435**	162,642
Equity		
Share capital	**313,091**	258,091
Reserves	**(210,198)**	(101,873)
Equity attributable to owners of the Company	**102,893**	156,218
Non-controlling interests	**2,542**	6,424
Total equity	**105,435**	162,642

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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, P.O. 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 Group is principally engaged in (i) design, development and sale of automation control systems, (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings, and (iii) the rental and maintenance services in relation to computer equipment and machines and other related services.

The principal operations of the Group are conducted in the People's Republic of China (the "**PRC**" or "**China**"). 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$**"), which is the functional currency of the Company. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on the Stock Exchange. These financial statements are presented in HK$, rounded to the nearest thousand except for per share data.

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

In preparing the consolidated financial statements of the Group, the directors have given consideration to the future liquidity of the Group in light of its net loss of approximately HK$113,773,000 incurred for the year ended 31 March 2022 and, as at that date, the Group had net current liabilities of approximately HK$34,121,000.

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group has taken measures to tighten cost control over expenses, manage and expedite receivables and negotiate a compromise with creditors with a view to achieving positive cash flow from operations; and

(ii) the Group has the ability to obtain new banking and other financing facilities and has the ability to renew or refinance the banking facilities upon maturity; and

(iii) the director of the Company, Mr. Han Weining, has stated that he is willing to provide financial support to the Group to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due; and

(iv) the Company will carry out the new shares of placing to facilitate the raising of cash from third party investors.

The directors of the Company have reviewed the Group's cash flow projections. The cash flow projections cover a period of not less than twelve months from 31 March 2022.

Hence, the directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 – *Covid-19 Related Rent Concessions beyond 30 June 2021.*

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. On adopting HKFRS 8, Operating Segments, and in a manner consistent with the way in which information is reported internally to the chief executive officer of the Company, who has been identified as the Group's chief operating decision maker ("**CODM**"), for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

During the year, the Group commenced the business, engaging in Data Centre (see below), and it is considered as a new operating and reportable segment by CODM.

Building Intelligence:	Provision of (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home automation systems for new and existing households.
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.
Data Centre:	Rental and maintenance services in relation to computer equipment and machines and other related services.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among 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 corporate assets which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables and contract liabilities attributable to the activities of the individual segments, bank borrowings and lease liabilities managed directly by the segments with the exception of 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 results is adjusted earnings or loss before interest and taxes ("**Adjusted EBIT**"). To arrive at the Adjusted EBIT, the Group's earnings or loss are further adjusted for interest income, impairment loss of intangible assets, goodwill and interests in associates, share of results of associates and items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses.

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 intangible assets, depreciation of property, plant and equipment and right-of-use assets, reversal of or allowance for expected credit loss, net, written-off of intangible assets, research and development expenditure, loss on lapse of the acquisition, reversal of or provision for obsolete and slow-moving inventories, share of result of associates and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2022 and 2021 is as follows:

	2022				
	Building intelligence *HK$'000*	**Control system** *HK$'000*	**Data Centre** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**60,373**	**47,337**	**6,455**	**–**	**114,165**
Inter-segment revenue	**2,787**	**2,154**	**–**	**–**	**4,941**
Reportable segment revenue	**63,160**	**49,491**	**6,455**	**–**	**119,106**
Reportable segment loss (Adjusted EBIT)	**(23,536)**	**(34,390)**	**1,685**	**–**	**(56,241)**
Interest income	**45**	**51**	**–**	**540**	**636**
Finance costs	**(3,806)**	**(23)**	**(37)**	**(291)**	**(4,157)**
Amortisation of intangible assets	**(10)**	**–**	**–**	**–**	**(10)**
Depreciation of property, plant and equipment	**(3,027)**	**(277)**	**(1,800)**	**(327)**	**(5,431)**
Depreciation of right-of-use assets	**(566)**	**(451)**	**(477)**	**(3,325)**	**(4,819)**
Allowance for expected credit loss, net	**(12,880)**	**(9,947)**	**(175)**	**(39,937)**	**(62,939)**
Written-off of intangible assets	**(24)**	**–**	**–**	**–**	**(24)**
Impairment of goodwill	**–**	**(27,908)**	**–**	**–**	**(27,908)**
Research and development expenditure	**(157)**	**(3,821)**	**–**	**–**	**(3,978)**
Reversal of obsolete and slow-moving inventories	**277**	**–**	**–**	**–**	**277**
Share of results of associates	**–**	**–**	**–**	**(928)**	**(928)**
Reportable segment assets	**104,470**	**61,317**	**9,210**	**–**	**174,997**
Interests in associates	**–**	**–**	**–**	**54,737**	**54,737**
Addition to non-current segment assets					
– Property, plant and equipment	**5**	**15**	**9,841**	**841**	**10,702**
– Right-of-use assets	**525**	**1,526**	**1,144**	**4,049**	**7,244**
Reportable segment liabilities	**127,373**	**23,004**	**868**	**–**	**151,245**

	2021			
	Building intelligence *HK$'000*	Control system *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue from external customers	50,761	39,520	–	90,281
Inter-segment revenue	2,697	1,618	–	4,315
Reportable segment revenue	53,458	41,138	–	94,596
Reportable segment income/(loss) (Adjusted EBIT)	(9,585)	1,586	–	(7,999)
Interest income	3	49	330	382
Finance costs	(3,518)	(35)	(284)	(3,837)
Amortisation of intangible assets	(4,397)	(284)	–	(4,681)
Depreciation of property, plant and equipment	(3,168)	(163)	(154)	(3,485)
Depreciation of right-of-use assets	(566)	(397)	(2,251)	(3,214)
Reversal of expected credit loss, net	1,262	1,701	1,597	4,560
Research and development expenditure	(1,205)	(2,992)	–	(4,197)
Loss on lapse of the acquisition	–	–	(1,250)	(1,250)
Provision for obsolete and slow-moving inventories	(5,513)	–	–	(5,513)
Share of results of associates	–	–	(876)	(876)
Reportable segment assets	118,414	87,943	–	206,357
Interests in associates	–	–	55,500	55,500
Addition to non-current segment assets				
– Property, plant and equipment	–	863	1,527	2,390
– Right-of-use assets	–	–	7,447	7,447
Reportable segment liabilities	113,440	18,103	–	131,543

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

	2022	2021
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**119,106**	94,596
Elimination of inter-segment revenue	**(4,941)**	(4,315)
Consolidated revenue	**114,165**	90,281
Loss		
Reportable segment loss	**(56,241)**	(7,999)
(Allowance for)/reversal of expected credit loss, net	**(39,937)**	1,597
Interest income	**636**	382
Finance costs	**(4,157)**	(3,837)
Share of results of associates	**(928)**	(876)
Unallocated corporate expenses	**(13,101)**	(7,471)
Consolidated loss before tax	**(113,728)**	(18,204)
Assets		
Reportable segment assets	**174,997**	206,357
Unallocated corporate assets	**96,455**	103,357
Consolidated total assets	**271,452**	309,714
Liabilities		
Reportable segment liabilities	**151,245**	131,543
Unallocated corporate liabilities	**14,772**	15,529
Consolidated total liabilities	**166,017**	147,072

(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, right-of-use assets, intangible assets, goodwill, interests in associates and deposits and prepayments . The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of property, plant and equipment and right-of-use assets is based on the physical location of the asset under consideration. In the case of intangible assets, goodwill and deposits and prepayments, it is based on the location of the operation to which they are allocated. In the case of interests in associates, it is the location of operations of such associates.

	Revenue from external customers		**Non-current assets**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**6,455**	–	**17,982**	7,846
The PRC	**107,217**	89,409	**124,543**	151,750
Overseas	**493**	872	**–**	–
	114,165	90,281	**142,525**	159,596

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

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

(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:

	2022	2021
	HK$'000	*HK$'000*
Building intelligence		
– Customer A	**34,109**	28,412

4. REVENUE

Disaggregation of the Group's revenue from contracts with customers by major products and services:

	2022	2021
	HK$'000	*HK$'000*
Building intelligence	**60,373**	50,761
Control system	**47,337**	39,520
Data Centre	**4,420**	–
Total revenue from contract with customers	**112,130**	90,281
Add:		
Rental income under HKFRS 16	**2,035**	–
Total revenue	**114,165**	90,281

Revenue from building intelligence and central system recognised at a point in time when the customer obtains control of the goods.

Revenue from data centre recognised on over time when the service provided.

Disaggregation of the Group's revenue from contracts with customers by geographic markets is disclosed in note 3.

5. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2022	2021
	HK$'000	*HK$'000*
Other income		
Interest income on bank deposits	**96**	52
Interest income on loan receivables	**540**	330
Government grants *(note a)*	**562**	1,171
Value-added taxes refund *(note b)*	**1,641**	1,405
Sundry income	**3,430**	7,703
	6,269	10,661
Other gains/(losses)		
Net exchange (loss)/gain	**(35)**	69
Loss on lapse of the acquisition	**–**	(1,250)
Written-off intangible assets	**(24)**	–
Reversal of/(provision for) obsolete and slow-moving inventories	**277**	(5,513)
	218	(6,694)
	6,487	3,967

Notes:

(a) 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".

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

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following:

(a) Finance costs

	2022	2021
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**3,794**	3,520
Finance charges on lease liabilities	**363**	317
	4,157	3,837

(b) Staff costs (including Directors' emoluments)

	2022	2021
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**19,119**	12,904
Contributions to defined contribution retirement plans	**3,390**	761
	22,509	13,665

(c) Other items

	2022	2021
	HK$'000	*HK$'000*
Auditor's remuneration	**700**	700
Cost of inventories recognised as expenses	**90,333**	66,257
Amortisation of intangible assets	**10**	4,681
Depreciation of property, plant and equipment	**5,431**	3,485
Depreciation of right-of-use assets	**4,819**	3,214
Allowance for/(reversal of) expected credit loss, net of:		
– Trade receivables	**23,141**	(2,802)
– Loan and other receivables	**39,702**	(1,758)
– Amount due from an associate	**96**	–
Impairment of goodwill	**27,908**	–
Expenses relating to short term lease	**147**	75
Research and development expenditure *(note (i))*	**3,978**	4,197

Note:

(i) Research and development expenditure for the year ended 31 March 2022 included HK$3,002,000 (2021: HK$2,659,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 6(b).

7. INCOME TAX (EXPENSE)/CREDIT

	2022	2021
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**") *(note (d))*	**(11)**	(7)
(Under)/over-provision in respect of prior year		
PRC EIT	**(34)**	7
Deferred tax		
Reversal of temporary differences	**–**	1,313
Income tax (expense)/credit	**(45)**	1,313

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax.

(b) Pursuant to the rules and regulations of the British Virgin Islands ("**BVI**"), the BVI subsidiaries of the Group are not subject to any income tax in the BVI.

(c) Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

(d) The PRC subsidiaries of the Group are subject to PRC EIT at a rate of 25% for both years under the Law of the PRC on EIT and Implementation Regulation of the EIT Law.

(e) 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 in the PRC but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding 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 taxation arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

(f) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during each of the years ended 31 March 2022 and 2021, nor has any dividend been proposed since the end of the each reporting period.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$109,678,000 (2021: approximately HK$15,133,000) and the weighted average number of ordinary shares of the Company in issue during the year:

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,199,081**	1,032,363

The denominators used are the same as those detailed above for both basic and diluted loss per share.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2022 have been adjusted for the effect of share placing on 14 April 2021 and 25 January 2022.

No diluted loss per share is presented as there was no potential dilutive ordinary shares in issue during both years.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK$'000	*HK$'000*
Trade receivables *(notes (a), (b))*	**47,086**	53,027
Less: Loss allowance	**(27,746)**	(14,224)
	19,340	38,803
Bill receivables	**493**	1,941
Loan receivables	**37,717**	21,040
Other receivables	**28,184**	25,997
Prepaid value-added and other taxes	**287**	28
Deposits and prepayments	**13,694**	10,027
Less: Loss allowance	**(40,748)**	(1,033)
	39,627	58,000
	58,967	96,803
Reconciliation to the consolidated statement of financial position:		
Non-current	**2,073**	1,087
Current	**56,894**	95,716
	58,967	96,803

Notes:

(a) For the year ended 31 March 2022, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2021: 30 to 180 days). A longer credit period of 181 to 365 days (2021: 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.

(b) The following is an aged analysis of trade receivables, presented based on past due date:

	2022 *HK$'000*	2021 *HK$'000*
Not yet past due	**11,996**	4,249
1–60 days	**2,284**	5,362
61–90 days	**1,586**	2,225
91–180 days	**992**	1,385
181–365 days	**5,038**	937
Over 365 days	**25,190**	38,869
	47,086	53,027
Less: Loss allowance	**(27,746)**	(14,224)
	19,340	38,803

11. TRADE AND OTHER PAYABLES

	2022 *HK$'000*	2021 *HK$'000*
Trade payables	**8,306**	8,176
Accrued salaries	**1,545**	1,087
Accrued expenses and other payables	**33,653**	32,116
Financial liabilities measured at amortised cost	**43,504**	41,379
Other tax payables	**305**	350
	43,809	41,729

The following aged analysis of trade payables presented based on invoice date:

	2022 *HK$'000*	2021 *HK$'000*
0–60 days	**2,466**	2,434
61–90 days	**530**	142
91–180 days	**390**	604
181–365 days	**330**	540
Over 365 days	**4,590**	4,456
	8,306	8,176

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current years presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading provider of building and community intelligence solution products and integrated communication and automation control systems. The Group's products are widely used in high-rise buildings, high-end residential complexes and smart communities by providing fully digital intelligent control systems for human's modern life. As the world's leading provider of automation control systems, the Group possesses leading standard of technical know-how and commercial competitiveness with which the products are extensively applied in diversified industries including electrical power, petrochemical, public utilities, mining, natural gas and food and beverage industries. The Group has its operation base in Jiaxing City, Zhejiang province of China and has established offices and sales network across major cities in China, including Beijing, Shanghai, Changsha and Hangzhou. Besides, the Group commenced its new data centre business in Hong Kong during the financial year ended 31 March 2022 ("**FY2022**" or the "**Current Year**"), which involves the rental and maintenance services for computer equipment and machines located in Hong Kong.

In FY2022, the Group's principal operations include (i) design, development and sale of automation control systems, (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings, and (iii) the rental and maintenance services in relation to computer equipment and machines, information technology infrastructure and platform and robots and other related services.

Control system operations

The Group's control system operations provide customers with automation control systems, which are widely used in various industries to monitor pressure, temperature, fluid levels and traffic condition, including airport control and public utilities control. The Group has established a solid customer base ranging from sizeable listed corporations to governmental entities, municipal utilities (fresh water, sewage, gas and city lights) as well as power generation plants.

Attributable to the rapid recovery from the adverse impact under coronavirus disease ("**COVID-19**") pandemic in China, the Group's production of and customer orders for control systems have fully resumed in FY2022. In particular, the Group entered into a number of significant control system software projects through tender during the Current Year, which contributed higher profit margin to the segment's overall results as compared to the ordinary control system projects. As a result, the external revenue recorded by the Group's control system segment increased significantly to HK$47.3 million for FY2022 (2021: HK$39.5 million). However, due to an impairment loss of goodwill of HK$27.9 million (2021: Nil) and a provision of expected credit loss of HK$9.9 million (2021: a reversal of expected credit loss of HK$1.7 million) was recorded by the control system segment for the Current Year which offset the positive impact from the sales improvement and higher profit margin contributed by the software tender projects newly entered during the Current Year, the segment recorded a loss for FY2022 of HK$34.4 million as compared to the segment profit of HK$1.6 million recorded for the year ended 31 March 2021 ("**FY2021**" or the "**Prior Year**").

Building intelligence operations

The Group's building intelligence business mainly provides customers, which comprise major property developers or building systems integrators, with (i) video intercom system and security alarm solutions products for residential complexes; and (ii) smart home devices and systems for households. The production base is located at Jiaxing Science City in Zhejiang province of China, which has developed an efficient and unified manufacturing control process with ISO9001 certification and has been accredited high technology enterprise status with continuing new products and software developments.

During FY2022, the sales operation of the Group's "MOX" brand video intercom and surveillance system products has improved due to the overall market demand in China's building intelligence industry was recovered from the negative impact of the COVID-19 pandemic. Moreover, the Group has carried out direct trading sales of building intelligence products during the Current Year. As a result, the external revenue of the Group's building intelligence segment increased to HK$60.4 million for FY2022 (2021: HK$50.8 million). Owing to a provision of expected credit loss of HK$12.9 million (2021: a reversal of expected credit loss of HK$1.3 million) was recognised for its receivables, and the cost increment caused by the overall surge in the worldwide pricing for its product components like integrated circuit chips, monitors and touch screens, the segment loss for the Group's building intelligence segment increased significantly from HK$9.6 million for FY2021 to HK$23.5 million for FY2022.

Data centre operations

During the Current Year, the Group developed and commenced its new data centre business in the provision of rental and maintenance services to customers in relation to computer equipment and machines, information technology infrastructure and platform and robots and other related services. The launch of new business by the Group was for the purpose of better utilization of the Group's financial resources and improving the Group's financial position and performance by positive contribution to the Group's profitability under the current unfavourable business environment.

The initial capital expenditure by the Group for the data centre operations was approximately HK$9.8 million comprising the acquisition of high-quality computer equipment and leasehold improvements for equipment warehouse. During the Current Year, the Group rented out high-quality computer equipment and provided related custody and value-added maintenance services to various corporate and individual customers located in Hong Kong, which have contributed the revenue and profit of approximately HK$6.5 million and HK$1.7 million respectively to the Group's data centre operations for FY2022.

Investment in associate engaging in the charging station leasing operations

In the Prior Year, the Company acquired 20% equity interests in an associate namely Iogo Workshop at a consideration of HK$56 million on 19 June 2020 which, through its wholly-owned subsidiary 深圳市海豚共享科技有限公司 (literally translated as Shenzhen Dolphin Technology Company Limited), is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. As at 31 March 2022, the carrying value of Iogo Workshop Group in the Group's consolidated financial statements was approximately HK$54.7 million, representing approximately 20.2% of the Group's total assets value.

Owing to the COVID-19 pandemic, a number of provinces in China have experienced on-and-off lockdown during FY2022 which led to closure and suspension of operation of retail and catering business in China. As the operation points for leasing of the Iogo Workshop Group's mobile charging stations are principally located at retail outlets and restaurants in China, Iogo Workshop Group's leasing business was negatively affected. As such, the revenue of the Iogo Workshop Group dropped significantly to HK$0.8 million (2021: HK$3.8 million) and an operating loss of HK$4.6 million (2021: HK$4.4 million) was recorded for FY2022. Accordingly, the loss recognised by the Group as sharing of results of its associates for the Current Year was HK$0.9 million (2021: HK$0.9 million).

It is still unclear on the future development of COVID-19 pandemic in China, however, once the pandemic situation improved and the strict restrictions be removed, the Group believed that the leasing and advertising activities of the Iogo Workshop Group will resume to normal and the financial performance will gradually improve.

Business prospects on the Group's principal operations

Due to the recent lockdown in China, the production and principal operation of both our control system and building intelligence businesses, particularly for those operations located in Shanghai and Jiaxing regions, were seriously affected and suspended in the second quarter of 2022. As a result, the Board expects that it will lead to a drop in revenue and will have a negative impact on the financial results and performance of both segments in the short-term future, especially for the six months ending 30 September 2022 and for the year ending 31 March 2023. However, as these principal operations are mainly on corporate project basis in relation to building intelligence solutions, control system and infrastructure and the business nature is not closely related to the pandemic, the Board believes that once the COVID-19 pandemic situation in China getting stable and the lockdown being lifted by the China government, the operations and financial performance for both businesses will resume and improve quickly and will follow a stable organic growth trend in the mid-term future.

Under the rapidly growing markets in the 5G technology, internet-of-things and the internet home technology in China currently, the Board believes that it would secure a sustainable and stable demand for our building intelligence products in the China market and therefore the sales performance of our building intelligence operations will remain competitive with stable growth. However, in view of the significant finance costs, depreciation and amortisation charge incurred which led to the persistent segment loss recorded by the building intelligence business, the Board is continuously considering and assessing any possible restructuring plan on the building intelligence business, including but not limited to asset disposal and business restructuring or disposal, with the aim to optimise its business return. Such business restructuring was still at the preliminary stage and no final plan has been concluded and the Company will make further announcement(s) in respect thereof as required by the Listing Rules.

Regarding our data centre business newly launched during the Current Year, it proved to be a profitable business in FY2022 with stable income and cash inflow contributed to the Group. As the Group has successfully entered into rental contracts and maintenance service contracts with various corporate and individual customers in relation to our high-quality computer equipment and, moreover, the Group has launched its initial project on the commercial service robots rental business since April 2022, the Board believed that the income and profitability of the data centre business would be reasonably secured and expected that it would continue to contribute positively to the Group's financial performance in the near future.

Future fund raising and investment opportunities

The Company will continue to explore opportunities for new business and investments or mergers and acquisitions which can expand or diversify the Group's business and will bring long-term benefit to the Group. This intention is evidenced by the Group's recent investment and engagement in the new data centre business during the Current Year and the acquisition of 20% equity interest in Iogo Workshop, which is principally engaged in the leasing of charging stations for mobile devices, in the Prior Year. For the purpose of financing the Group's current businesses or any potential investment or acquisitions in the future, the Company is also continuously seeking and assessing any potential fund-raising opportunities, which may include the issue of new shares or convertible securities of the Company. The Company will make announcement(s) in respect thereof as required by the Listing Rules should they materialize.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately HK$114.2 million for the Current Year, representing an increase of approximately HK$23.9 million or 26.5% as compared to the revenue of approximately HK$90.3 million for the Prior Year.

During the Current Year, the Group derived its revenue from the control system business, the building intelligence business and the data centre business. In the Prior Year, the Group's revenue was derived from the control system and the building intelligence businesses only. The following table sets forth a breakdown of revenue by business segments for the years presented:

	2022		2021	
	HK$'000	*%*	*HK$'000*	*%*
Building intelligence	**60,373**	**52.9**	50,761	56.2
Control system	**47,337**	**41.5**	39,520	43.8
Data centre	**6,455**	**5.6**	N/A	N/A
	114,165	**100.0**	90,281	100.0

The increase in the Group's revenue for the Current Year was mainly attributable to the recovery of the market demand for the Group's products, the resumption of the Group's operations and production in China after their suspension due to the outbreak of COVID-19 pandemic in 2020, and the additional revenue contribution by the data centre business newly launched by the Group during FY2022. In particular, a number of material control system software tender projects were successfully bid by the Group in FY2022 resulting in the significant increase in the revenue for the Group's control system business during the Current Year.

Cost of sales

Cost of sales of the Group consists of costs of raw materials, labour costs and manufacturing overheads. It increased by approximately HK$23.9 million or 35.5% from approximately HK$67.3 million for FY2021 to approximately HK$91.2 million for FY2022, which is in line with the increase in sales for the Current Year.

Gross profit and gross profit margin

The Group's gross profit for FY2022 was approximately HK$22.9 million, representing a slight decrease of approximately HK$0.1 million or 0.4% from approximately HK$23.0 million for FY2021. The gross profit margin for FY2022 also decreased to 20.1% as compared to 25.5% for FY2021. The decrease in both the gross profit and the gross profit margin was mainly due to the cost increment caused by the overall surge in the worldwide pricing for its product components like integrated circuit chips, monitors and touch screens during the Current Year.

Other income

The Group's other income represents, among others, interest income, government grants, rental income and value-added taxes refund. For FY2021, it also included a net gain of approximately HK$5.1 million arising from a Group's one-off trading transaction of respirator masks which was not recurring in FY2022. Therefore, the other income for FY2022 decreased significantly to HK$6.3 million (2021: HK$10.7 million).

Other gains/(losses), net

The Group recorded net other gains of HK$0.2 million for FY2022 mainly representing the reversal of the prior year's stock provision, as compared to net other losses of HK$6.7 million for FY2021 which were mainly attributable to the recognition of one-off provision for obsolete and slow-moving inventories of HK$5.5 million and one-off loss on lapse of a proposed acquisition of HK$1.3 million in the Prior Year.

Selling and distribution expenses

The Group's selling and distribution expenses increased slightly by approximately HK$0.3 million or 7.0% from approximately HK$4.3 million for the Prior Year to approximately HK$4.6 million for the Current Year, which is in line with the increase in sales for the Current Year.

Administrative and other operating expenses

The administrative and other operating expenses of the Group, which mainly represent the staff costs, depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets and legal and professional fees, amounted to approximately HK$38.7 million for FY2022, which was at a similar level as approximately HK$36.5 million for FY2021.

Impairment of goodwill

During FY2022, the impairment loss of the Group's goodwill was attributable to the Group's control system cash generating unit. The recoverable amount of the cash generating unit 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.

Due to the uncertainty of the COVID-19 pandemic on the future performance and cash flow of the control system business, the Company considered to adopt a more prudent and cautious approach towards the long-term growth rate applied on the five-year cash flow projections. As a result, based on management's assessment and by reference to the assessment performed by an independent appraisal firm, the Group recognised an impairment loss of approximately HK$27.9 million (2021: Nil) for the goodwill attributable to the control system cash generating unit for FY2022, as the carrying amounts of those assets related to such cash generating unit exceeded their respective recoverable amounts as at 31 March 2022.

(Allowance for)/reversal of expected credit loss, net

In FY2022, the Group recorded a net allowance for expected credit loss of HK$62.9 million in relation to its trade receivables and loan and other receivables, as compared to a net reversal of HK$4.6 million for FY2021. In particular, such amount includes the specific provision of HK$23.1 million (2021: HK$4.4 million), which was fully provided for receivables under the Group's individual assessment on its customers and debtors with long outstanding history. The Board considers that due to the uncertainty of the COVID-19 pandemic on the overall economic situation in China, the Group should adopt a more prudent and cautious approach towards the recoverability of its long outstanding receivables, particularly for those overdue for over one year without repayment that specific provision was made for those receivables during the Current Year.

As at 31 March 2022, the Group's trade receivables amounted to HK$47.1 million (2021: HK$53.0 million) and the loan and other receivables amounted to HK$65.9 million (2021: HK$47.0 million), out of which amounts of HK$27.7 million (2021: HK$14.2 million) and HK$40.7 million (2021: HK$1.0 million) were considered impaired for each of the trade receivables and the loan and other receivables respectively. Apart from the specific full provision made according to the Group's individual assessment on long outstanding receivables as disclosed in the previous paragraph, the remaining receivables were assessed based on an expected credit loss model. For the purpose of assessment of expected credit loss, expected loss rates were estimated based on historical observed default rates over the expected life of the debtors and were adjusted for forward looking information that was available without undue costs or effort.

Finance costs

The finance costs of the Group was approximately HK$4.2 million for FY2022, mainly represent interest expense on bank borrowings. The increase in finance costs of approximately HK$0.4 million or 10.5% from approximately HK$3.8 million for FY2021 was due to the increase in average balance of bank borrowings of the Group during FY2022.

Loss for the year

The loss attributable to owners of the Company increased significantly by approximately HK$94.6 million or 6.3 times from approximately HK$15.1 million for the Prior Year to approximately HK$109.7 million for the Current Year, which was mainly due to an allowance for expected credit loss for the Group's receivables of approximately HK$62.9 million was provided for the Current Year as compared to a reversal of expected credit loss of HK$4.6 million for the Prior Year and the recognition of an impairment loss of the Group's goodwill of HK$27.9 million (2021: Nil) in the Current Year.

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. As at 31 March 2022, the issued share capital of the Company was approximately HK$313.1 million (2021: HK$258.1 million), comprising 1,252,363,200 shares (the "**Shares**") of the Company of nominal value of HK$0.25 each (2021: 1,032,363,200 Shares).

On 19 March 2021, the Company entered into a placing agreement (the "**2021 Placing Agreement**") with Silverbricks Securities Company Limited (the "**Placing Agent**"), pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best effort basis, up to 202,000,000 placing shares (the "**Placing Shares**") of the Company of nominal value of HK$0.25 each at the price (the "**2021 Placing Price**") of HK$0.25 per Placing Share to not less than six independent placees (the "**2021 Placing**"). The 2021 Placing Price represented a discount of approximately 1.96% to the closing price of HK$0.255 per Share as quoted on the Stock Exchange on 19 March 2021, being the date of the 2021 Placing Agreement. The Board considered that the 2021 Placing would strengthen the Group's financial position, broaden the Company's shareholder base and would provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the unfavourable COVID-19 pandemic situation. Accordingly, the Directors were of the view that the 2021 Placing was in the interests of the Company and the Shareholders as a whole.

The completion of the 2021 Placing took place on 14 April 2021 and an aggregate of 162,000,000 Placing Shares were issued and allotted by the Company to not less than six independent placees who were individual investors for cash at the 2021 Placing Price of HK$0.25 per Placing Share, representing approximately 13.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the 2021 Placing. The aggregate nominal value of the Placing Shares issued and allotted pursuant to the 2021 Placing was HK$40.5 million. The net proceeds from the 2021 Placing, after deduction of expenses related to the 2021 Placing, amounted to approximately HK$39.9 million, representing a net price of approximately HK$0.246 per Placing Share, which were intended to be used as the Group's general working capital and/or for future investments of the Group as and when the opportunities arise. As at 31 March 2022, the net proceeds from the 2021 Placing of approximately HK$39.9 million were fully utilized during the Current Year as intended use previously disclosed by the Company for the Group's general working capital and for investment opportunities of the Group with details as follows:

Description of use of proceeds	**Amount** *(in HK$ million)*
Payment for computer equipment and leasehold improvements	10.2
Payment for proposed acquisition of shares	3.0
Legal and professional fees	2.0
Net increase in receivables	13.1
Rental expenses, deposits and management fee	2.4
Staff salaries	2.7
Advance to an associate	5.4
Other administrative and operating uses	1.1
Total	39.9

On 13 January 2022, the Company entered into another placing agreement (the "**2022 Placing Agreement**") with the Placing Agent, pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best effort basis, up to 58,000,000 Placing Shares at the price (the "**2022 Placing Price**") of HK$0.25 per Placing Share to not less than six independent placees (the "**2022 Placing**"). The 2022 Placing Price represented a premium of approximately 32.98% to the closing price of HK$0.188 per Share as quoted on the Stock Exchange on 13 January 2022, being the date of the 2022 Placing Agreement. The Board considered that the 2022 Placing would strengthen the Group's financial position, broaden the Company's shareholder base and would provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the unfavourable COVID-19 pandemic situation. Accordingly, the Directors were of the view that the 2022 Placing was in the interests of the Company and the Shareholders as a whole.

The completion of the 2022 Placing took place on 25 January 2022 and an aggregate of 58,000,000 Placing Shares were issued and allotted by the Company to not less than six independent placees who were corporate or individual investors for cash at the 2022 Placing Price of HK$0.25 per Placing Share, representing approximately 4.63% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the 2022 Placing. The aggregate nominal value of the Placing Shares issued and allotted pursuant to the 2022 Placing was HK$14.5 million. The net proceeds from the 2022 Placing, after deduction of expenses related to the 2022 Placing, amounted to approximately HK$14.2 million, representing a net price of approximately HK$0.245 per Placing Share, which were intended to be used as the Group's general working capital and/or for future investments of the Group as and when the opportunities arise. As at 31 March 2022, the net proceeds from the 2022 Placing of approximately HK$10.1 million were utilized during the Current Year as intended use previously disclosed by the Company for the Group's general working capital with details as follows:

Description of use of proceeds	**Amount** *(in HK$ million)*
Audit, legal and professional fees	1.1
Net increase in loan and other receivables	4.3
Rental expenses and management fee	0.9
Staff salaries and pension contribution	1.3
Advance to an associate	1.7
Other administrative and operating uses	0.8
Total	10.1

The Group intended to fully utilize the unused net proceeds from the 2022 Placing as at 31 March 2022 of approximately HK$4.1 million as its general working capital as previously disclosed by the Company on or before 31 May 2022 in the following proposed manner:

Description of intended use of unused proceeds	**Amount** *(in HK$ million)*
Rental expenses and management fee	0.7
Staff salaries and pension contribution	0.7
Advance to an associate	0.6
Net increase in other receivables	1.3
Other administrative and operating uses	0.8
Total	4.1

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2022 was approximately 0.8 (2021: approximately 1.0). Gearing ratio calculated by total borrowings (comprising bank borrowings and lease liabilities) net of cash and cash equivalents, over total equity as at 31 March 2022 was 70% (2021: 44%).

Bank borrowings

As at 31 March 2022, the Group had outstanding bank borrowings of approximately HK$72.3 million (2021: approximately HK$69.0 million).

Pledge of assets

As at 31 March 2022, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK$40.6 million (2021: approximately HK$41.4 million) pledged against bank borrowings raised by the Group.

Contingent liabilities

As at 31 March 2022, the Group had no material contingent liabilities.

Major acquisition and disposal

On 19 April 2021, the Company entered into a share subscription agreement (the "**Share Subscription Agreement**") with New Paramount Limited, which is principally engaged in the open smart blockchain platform and disk storage banking technology business in relation to blockchain and decentralized cloud computing systems. Pursuant to the Share Subscription Agreement, the Company or its nominee shall subscribe for new shares of New Paramount Limited representing approximately 3.33% of its enlarged issued share capital at a total consideration of HK$10,000,000, which has not yet completed as at the date of this announcement.

Save as disclosed above and elsewhere in this announcement, the Group had no other major acquisition or disposal transactions during the year ended 31 March 2022.

Significant capital expenditure for the year

Save as disclosed above, the Group had no significant capital expenditure commitments as at 31 March 2022.

Risk of foreign exchange fluctuations

Substantially all transactions of the Group are denominated in RMB, United States dollars ("**US$**") and HK$ and most of the bank deposits are denominated in RMB and HK$ to minimise foreign exchange exposure. Despite the fluctuation of the exchange rates of RMB against US$ and HK$ 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 2022.

Employee and remuneration policy

As at 31 March 2022, the Group had 123 employees (2021: 133). For the year ended 31 March 2022, the staff costs of the Group amounted to approximately HK$22.5 million, representing an increase of approximately HK$8.8 million or 64.2% as compared to approximately HK$13.7 million for the corresponding period last year, mainly due to the increase in employee's average salary and increase in pension contribution by the Group for its employees in China during the Current 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 an annual basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The emoluments of the Directors are reviewed at least annually and recommended by the remuneration committee of the Company (the "**Remuneration Committee**"), and decided by the Board, as authorised by the Shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics. The Group has also adopted a share option scheme since 2012 and eligible participants of which may be granted the share options to subscribe for the shares of the Company. As the share option scheme lapsed upon its expiry on 22 March 2022, no share options were outstanding and no Share was available for issue under the share option scheme as at 31 March 2022. However, in order to enable the Company to grant options to its employees, executives or officers who are contributing to the Group as their incentives and rewards, the Board intends to propose a resolution to adopt a new share option scheme of the Company for the approval by Shareholders at the Company's general meeting. As at the date of this announcement, such proposal was still at the preliminary stage and the Company will make further announcement in respect thereof as required by the Listing Rules in due course.

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.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There were no significant events that have occurred subsequent to the end of the reporting period and up to the date of this announcement.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2022.

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 Tuesday, 30 August 2022 ("**2022 AGM**"), the register of members of the Company will be closed from Thursday, 25 August 2022 to Tuesday, 30 August 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2022 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (and with effect from 15 August 2022 onwards, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong) for registration not later than 4:30 p.m. on Wednesday, 24 August 2022.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 March 2022.

CORPORATE GOVERNANCE PRACTICES

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 2022 apart from code provisions A.2 and E.1.2 as disclosed below.

Code provisions under A.2 of the CG Code

Under code provision A.2 of the CG Code, there should be two key aspects on the management of the Company, being the management of the Board and the day-to-day management of the Group's business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Under the current structure and functions of the Board, the role of chairman should be responsible for the management and leadership of the Board while the role of chief executive officer should be responsible for the day-to-day management of the Group's business. However, the position of the chairman of the Board has been vacant since 3 January 2020, and hence the Company did not comply with code provisions under A.2 of the CG Code during the year ended 31 March 2022.

Currently, the roles and functions of the chairman, including the coordination and communication of the Board, are performed collectively by the Board members themselves. The Company is identifying the suitable candidates who possess suitable leadership, knowledge, skills and experience to fill the vacancy of chairman of the Board from time to time.

Code provision E.1.2 of the CG Code

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. As the position of chairman of the Board was vacant as at the date of the annual general meeting held on 27 August 2021 (the "**2021 AGM**"), Mr. Han Weining, the executive Director and chief executive officer of the Company, was appointed as the chairman of the 2021 AGM to answer and address questions raised by the Shareholders at the 2021 AGM.

The Directors believed that Mr. Han Weining, as the chief executive officer of the Company and the executive Director, possessed sufficient knowledge on the Group's businesses and had the required leadership in maintaining an effective dialogue with Shareholders and addressing any issues or questions raised in the general meeting. Therefore, Mr. Han was considered suitable and appropriate to act as the chairman of the 2021 AGM in the absence of the chairman of the Board.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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 2022.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference and revised from time to time to comply with the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lam Ying Hung Andy (as committee chairman), Mr. Wang Chen and Ms. Li Mingqi. The principal duties of the Audit Committee are to review and monitor the Group's financial reporting system, and risk management and internal control systems.

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 March 2022 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 March 2022. The report includes paragraphs of material uncertainty related to going concern, without modification:

Material Uncertainty Related To Going Concern

"We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$113,773,000 during the year ended 31 March 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$34,121,000. 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."

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.synertone.net). The annual report of the Company for the year ended 31 March 2022 will be despatched to the Shareholders and published on the aforesaid websites in due course.

By order of the Board
Synertone Communication Corporation
Han Weining
Executive Director and Chief Executive Officer

Hong Kong, 28 June 2022

As at the date of this announcement, the executive Directors are Mr. Han Weining and Ms. Wang Jie; and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Mr. Wang Chen and Ms. Li Mingqi.