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SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Synertone Communication Corporation (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the audited consolidated results of the Group for the year ended 31 March 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Continuing operations			
Revenue	4	90,281	73,243
Cost of sales		<u>(67,262)</u>	<u>(46,162)</u>
Gross profit		23,019	27,081
Other income	5	10,661	6,123
Other gains and losses	5	(6,694)	(587)
Selling and distribution expenses		(4,339)	(4,495)
Administrative and other operating expenses		(36,501)	(41,589)
Research and development expenditure		(4,197)	(17,850)
Reversal of expected credit loss, net		<u>4,560</u>	<u>2,384</u>
Loss from operations		(13,491)	(28,933)
Finance costs	6(a)	(3,837)	(6,362)
Share of results of associates		<u>(876)</u>	<u>(12)</u>
Loss before tax	6	(18,204)	(35,307)
Income tax credit	7	<u>1,313</u>	<u>2,113</u>
Loss for the year from continuing operations		<u>(16,891)</u>	<u>(33,194)</u>
Discontinued operations			
Loss for the year from discontinued operations	8	<u>–</u>	<u>(5,296)</u>
Loss for the year		<u>(16,891)</u>	<u>(38,490)</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company:			
– from continuing operations		(15,133)	(33,381)
– from discontinued operations		<u>–</u>	<u>(5,296)</u>
Loss for the year attributable to owners of the Company		<u>(15,133)</u>	<u>(38,677)</u>
(Loss)/profit for the year attributable to non-controlling interests:			
– from continuing operations		(1,758)	187
– from discontinued operations		<u>–</u>	<u>–</u>
(Loss)/profit for the year attributable to non-controlling interests		<u>(1,758)</u>	<u>187</u>
		<u>(16,891)</u>	<u>(38,490)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	<i>10</i>		
For continuing and discontinued operations			
– Basic		<u>(1.47)</u>	<u>(4.39)</u>
– Diluted		<u>(1.47)</u>	<u>(4.39)</u>
For continuing operations			
– Basic		<u>(1.47)</u>	<u>(3.79)</u>
– Diluted		<u>(1.47)</u>	<u>(3.79)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021	2020
	HK\$'000	HK\$'000
Loss for the year	(16,891)	(38,490)
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations	6,328	865
Reclassification of cumulative translation reserve upon disposal of subsidiaries	<u>—</u>	<u>(13,053)</u>
Other comprehensive income/(expense) for the year, net of tax	<u>6,328</u>	<u>(12,188)</u>
Total comprehensive expense for the year	<u>(10,563)</u>	<u>(50,678)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(9,350)	(50,399)
Non-controlling interests	<u>(1,213)</u>	<u>(279)</u>
	<u>(10,563)</u>	<u>(50,678)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		37,401	35,785
Right-of-use assets		14,275	10,081
Intangible assets		32	4,536
Goodwill		51,301	47,472
Interests in associates	11	55,500	–
Deposits and prepayments	12	1,087	139
		<u>159,596</u>	<u>98,013</u>
Current assets			
Inventories		50,217	45,811
Trade and other receivables	12	95,716	106,154
Cash and cash equivalents		4,185	46,310
		<u>150,118</u>	<u>198,275</u>
Current liabilities			
Trade and other payables	13	41,729	31,024
Contract liabilities		29,625	22,283
Amount due to an associate	11	337	–
Bank and other borrowings		69,001	66,139
Lease liabilities		3,406	1,724
		<u>144,098</u>	<u>121,170</u>
Net current assets		<u>6,020</u>	<u>77,105</u>
Total assets less current liabilities		<u>165,616</u>	<u>175,118</u>

	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	2,974	649
Deferred tax liabilities	–	1,264
	<u>2,974</u>	<u>1,913</u>
Net assets	<u>162,642</u>	<u>173,205</u>
Equity		
Share capital	258,091	258,091
Reserves	<u>(101,873)</u>	<u>(92,523)</u>
Equity attributable to owners of the Company	156,218	165,568
Non-controlling interests	<u>6,424</u>	<u>7,637</u>
Total equity	<u>162,642</u>	<u>173,205</u>

Notes:

1. GENERAL 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 and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

During the year ended 31 March 2020, the Group discontinued the business of design, research and development, manufacture and sales of specialised communication systems, equipment and systems technologies along with the disposal of subsidiaries.

The principal operations of the Group are conducted in the People's Republic of China (the "**PRC**" or "**China**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of the Company, as the Directors consider that presenting consolidated financial statements in HK\$ is preferable when controlling and monitoring the performance and financial position of the Group.

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**").

2. APPLICATION OF AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate Benchmark Reform

Early adoption of amendments to HKFRSs

The following amendments to HKFRSs, which is applicable to the Group but are not yet effective for the current year, have been early adopted in current year:

HKFRS 16 (Amendments)	COVID-19 Related Rent Concession
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The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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 ¹
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10	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) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	Covid-19 – Related Rent Concession beyond 30 June 2021 ⁶

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

⁶ Effective for annual periods beginning on or after 1 April 2021.

The Directors anticipate that the application of all other 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, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

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.

During the year ended 31 March 2020, the Group discontinued the operation of its Communication Technology business. The segment information does not include any amounts for this discontinued operation.

(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 attributable to the activities of the individual segments, bank and other 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 or allowance of expected credit loss, net, research and development expenditure, 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 2021 and 2020 is as follows:

Continuing operations

	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	<u>53,458</u>	<u>41,138</u>	<u>–</u>	<u>94,596</u>
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)
Write off of inventories	(5,513)	–	–	(5,513)
Share of results of associates	–	–	(876)	(876)
Reportable segment assets	<u>118,414</u>	<u>87,943</u>	<u>–</u>	<u>206,357</u>
Interests in associates	<u>–</u>	<u>–</u>	<u>55,500</u>	<u>55,500</u>
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	<u>113,440</u>	<u>18,103</u>	<u>–</u>	<u>131,543</u>

	2020			
	Building intelligence <i>HK\$'000</i>	Control system <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	42,426	30,817	–	73,243
Inter-segment revenue	<u>8,123</u>	<u>4,509</u>	<u>–</u>	<u>12,632</u>
Reportable segment revenue	<u><u>50,549</u></u>	<u><u>35,326</u></u>	<u><u>–</u></u>	<u><u>85,875</u></u>
Reportable segment loss (Adjusted EBIT)	(970)	(5,364)	–	(6,334)
Interest income	5	4	2,338	2,347
Finance costs	(6,195)	(58)	(109)	(6,362)
Amortisation of intangible assets	(6,544)	(1,129)	–	(7,673)
Depreciation of property, plant and equipment	(3,583)	(31)	(6)	(3,620)
Depreciation of right-of-use assets	(618)	(444)	(1,291)	(2,353)
Reversal/(allowance) of expected credit loss, net	3,941	703	(2,260)	2,384
Research and development expenditure	<u>(3,281)</u>	<u>(2,009)</u>	<u>(12,560)</u>	<u>(17,850)</u>
Reportable segment assets	<u><u>121,659</u></u>	<u><u>76,107</u></u>	<u><u>–</u></u>	<u><u>197,766</u></u>
Addition to non-current segment assets	<u><u>162</u></u>	<u><u>110</u></u>	<u><u>–</u></u>	<u><u>272</u></u>
Reportable segment liabilities	<u><u>101,550</u></u>	<u><u>16,083</u></u>	<u><u>–</u></u>	<u><u>117,633</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Continuing operations</i>		
Revenue		
Reportable segment revenue	94,596	85,875
Elimination of inter-segment revenue	<u>(4,315)</u>	<u>(12,632)</u>
Consolidated revenue	<u>90,281</u>	<u>73,243</u>
Loss		
Reportable segment loss	(7,999)	(6,334)
Reversal/(allowance) of expected credit loss, net	1,597	(2,260)
Interest income	382	2,347
Finance costs	(3,837)	(6,362)
Share of results of associates	(876)	(12)
Unallocated corporate expenses	<u>(7,471)</u>	<u>(22,686)</u>
Consolidated loss before tax	<u>(18,204)</u>	<u>(35,307)</u>
Assets		
Reportable segment assets	206,357	197,766
Unallocated corporate assets	<u>103,357</u>	<u>98,522</u>
Consolidated total assets	<u>309,714</u>	<u>296,288</u>
Liabilities		
Reportable segment liabilities	131,543	117,633
Deferred tax liabilities	–	1,264
Unallocated corporate liabilities	<u>15,529</u>	<u>4,186</u>
Consolidated total liabilities	<u>147,072</u>	<u>123,083</u>

(c) **Geographical information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<i>Continuing operations</i>				
Hong Kong (place of domicile)	–	–	7,846	1,059
PRC	89,409	72,757	151,750	96,954
Overseas	872	486	–	–
	<u>90,281</u>	<u>73,243</u>	<u>159,596</u>	<u>98,013</u>

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

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

(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:

	2021 HK\$'000	2020 HK\$'000
Building intelligence		
Customer A (Note)	–	9,299
Customer B (Note)	28,412	–
	<u>28,412</u>	<u>–</u>

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

4. REVENUE

Disaggregation of the Group's revenue from contracts with customers by major products is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Continuing operations</i>		
Building intelligence	50,761	42,426
Control system	<u>39,520</u>	<u>30,817</u>
	<u>90,281</u>	<u>73,243</u>

Revenue from sales of products is from contracts with customers and recognised at a point in time when the customer obtains control of the goods.

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

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Continuing operations</i>		
Other income		
Interest income on bank deposits	52	10
Interest income on loan receivables	330	2,337
Government grants (<i>note a</i>)	1,171	319
Value-added taxes refund (<i>note b</i>)	1,405	1,924
Sundry income (<i>note c</i>)	<u>7,703</u>	<u>1,533</u>
	<u>10,661</u>	<u>6,123</u>
Other gains and losses		
Net exchange gain/(loss)	69	(561)
Net loss on disposal of property, plant and equipment	-	(26)
Loss on lapse of the acquisition	(1,250)	-
Write off of inventories	<u>(5,513)</u>	<u>-</u>
	<u>(6,694)</u>	<u>(587)</u>
	<u>3,967</u>	<u>5,536</u>

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.
- (c) Sundry income mainly represents one-off respirator masks trading income of approximately HK\$5,118,000 which is related to trading revenue of HK\$19,618,000 deducted related expense of HK\$14,500,000.

6. LOSS BEFORE TAX

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

(a) **Finance costs**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Continuing operations</i>		
Interest expense on bank and other borrowings	3,520	6,167
Finance charges on lease liabilities	<u>317</u>	<u>195</u>
	<u><u>3,837</u></u>	<u><u>6,362</u></u>

(b) **Staff costs (including Directors' emoluments)**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Continuing operations</i>		
Salaries, wages and other benefits	12,904	19,181
Contributions to defined contribution retirement plans	<u>761</u>	<u>2,725</u>
	<u><u>13,665</u></u>	<u><u>21,906</u></u>

(c) **Other items**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Continuing operations</i>		
Auditor's remuneration	700	800
Cost of inventories recognised as expenses	66,257	44,585
Amortisation of intangible assets	4,681	7,673
Depreciation of property, plant and equipment	3,485	3,620
Depreciation of right-of-use assets	3,214	2,353
Reversal of expected credit loss, net	(4,560)	(2,384)
Expenses relating to short term lease	75	300
Research and development expenditure (<i>note i</i>)	<u>4,197</u>	<u>17,850</u>

Note:

- (i) Research and development expenditure for the year ended 31 March 2021 included HK\$2,659,000 (2020: HK\$2,596,000) 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 CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Continuing operations</i>		
Current tax		
PRC Enterprise Income Tax ("EIT") (<i>note d</i>)	7	19
Over-provision in respect of prior year		
PRC EIT	(7)	–
Deferred tax		
Reversal of temporary differences	<u>(1,313)</u>	<u>(2,132)</u>
	<u>(1,313)</u>	<u>(2,113)</u>

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) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for taxation in Hong Kong has been made as the Group has no assessed profit on 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. DISCONTINUED OPERATIONS

For the year ended 31 March 2020

On 23 August 2019, the Group disposed of its entire equity interests in Synertone Communication Technology Limited (“**SCT**”) and Thrive United Holdings Limited (“**Thrive United**”) to an independent third party for cash consideration of HK\$7,700,000 and US\$1 (equivalent to approximately HK\$8) respectively, and thereafter the Group ceased the operation of its communication technology business.

SCT and Thrive United carried out the Group’s communication technology business, which was discontinued by the Group’s along with the disposal.

The results of the communication technology business for the period from 1 April 2019 to 23 August 2019 have been presented as a discontinued operation in the Group's consolidated statement of profit or loss for the year ended 31 March 2020.

	Period from 1 April 2019 to 23 August 2019 HK\$'000
Revenue	–
Cost of sales	<u>–</u>
Gross profit	–
Other income	1,094
Other gains and losses	(5)
Administrative and other operating expenses	(1,823)
Research and development expenditure	<u>(1,996)</u>
Loss from operations	(2,730)
Finance costs	<u>(82)</u>
Loss before taxation	(2,812)
Income tax expense	<u>–</u>
Loss for the period	<u>(2,812)</u>
Loss on disposal of subsidiaries	<u>(2,484)</u>
Loss for the period from discontinued operation	<u><u>(5,296)</u></u>

Loss for the period from discontinued operation is arrived at after charging/(crediting):

	Period from 1 April 2019 to 23 August 2019 HK\$'000
Government grants (<i>Note</i>)	(1,094)
Depreciation of property, plant and equipment	1,489
Depreciation of right-of-use assets	587
Net exchange loss	<u><u>5</u></u>

Note: 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”.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during each of the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the each reporting period.

10. LOSS PER SHARE

For continuing and discontinued operations

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of HK\$15,133,000 (2020: HK\$38,677,000) and the weighted average number of 1,032,363,200 (2020: 880,101,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Loss attributable to owners of the Company for the purpose of diluted loss per share	<u>(15,133)</u>	<u>(38,677)</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,032,363</u>	<u>880,101</u>

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 March 2020 has been adjusted for the consolidation of shares on 24 March 2020.

For continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Loss for the year attributable to owners of the Company	(15,133)	(38,677)
Add: Loss for the year from discontinued operation	<u>–</u>	<u>5,296</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u>(15,133)</u>	<u>(33,381)</u>

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

For discontinued operation

For the year ended 31 March 2020, the basic and diluted loss per share for the discontinued operation is HK0.6 cent per share, based on the loss for the year from discontinued operation of HK\$5,296,000 and the denominators detailed above for both basic and diluted loss per share.

11. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

On 5 June 2020, the Company, as purchaser, entered into a sale and purchase agreement with Wylie Wei Ji Chak, as vendor, pursuant to which the Company agreed to acquire from Wylie Wei Ji Chak 20% equity interests in Iogo Workshop Investment Limited (“**Iogo Workshop**”) at a total consideration of HK\$56 million. Iogo Workshop, together with its subsidiaries as the “Iogo Workshop Group”, is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. The acquisition of 20% equity interests in Iogo Workshop was completed on 19 June 2020 and thereafter, Iogo Workshop, together with its subsidiaries, became associates of the Company.

The interests in associates are accounted for using equity method in the consolidated financial statements as follows:

	2021 <i>HK\$'000</i>
Cost of investment in associates	56,000
Share of post-acquisition loss, net of dividends received	(876)
Exchange adjustments	<u>376</u>
	<u>55,500</u>

The amount due to an associate of HK\$337,000 was unsecured, non-interest bearing and repayable within one year.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (<i>notes a, b</i>)	53,027	52,127
Less: Loss allowance	<u>(14,224)</u>	<u>(16,027)</u>
	<u>38,803</u>	<u>36,100</u>
Bill receivables	1,941	1,404
Loan receivables	21,040	55,575
Other receivables	6,414	8,537
Receivable of trading from respirator masks (<i>note 5c</i>)	19,583	–
Prepaid value-added and other taxes	28	120
Deposits and prepayments	10,027	7,338
Less: Loss allowance	<u>(1,033)</u>	<u>(2,781)</u>
	<u>58,000</u>	<u>70,193</u>
	<u>96,803</u>	<u>106,293</u>
Reconciliation to the consolidated statement of financial position:		
Non-current	1,087	139
Current	<u>95,716</u>	<u>106,154</u>
	<u>96,803</u>	<u>106,293</u>

Notes:

- (a) For the year ended 31 March 2021, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2020: 30 to 180 days). A longer credit period of 181 to 365 days (2020: 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 invoice date:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-60 days	2,030	9,451
61-90 days	2,220	3,195
91-180 days	7,586	4,546
181-365 days	2,322	3,198
Over 365 days	<u>38,869</u>	<u>31,737</u>
	53,027	52,127
Less: Loss allowance	<u>(14,224)</u>	<u>(16,027)</u>
	<u><u>38,803</u></u>	<u><u>36,100</u></u>

13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	8,176	12,469
Bill payables	–	4,487
Accrued salaries	1,087	1,185
Payable of trading from respirator masks (<i>note 5c</i>)	6,525	–
Accrued expenses and other payables	<u>25,591</u>	<u>12,802</u>
Financial liabilities measured at amortised cost	41,379	30,943
Other tax payables	<u>350</u>	<u>81</u>
	<u><u>41,729</u></u>	<u><u>31,024</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-60 days	2,434	4,095
61-90 days	142	246
91-180 days	604	3,437
181-365 days	540	872
Over 365 days	<u>4,456</u>	<u>3,819</u>
	<u><u>8,176</u></u>	<u><u>12,469</u></u>

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.

During the financial year ended 31 March 2021 (“FY2021”), the Group's continuing operations include (i) design, development and sale of automation control systems and (ii) design, research and development, manufacture and sales of intelligent building system including video intercom and surveillance system for buildings.

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 China's immediate recovery from the adverse impact under coronavirus disease (“COVID-19”) pandemic since early 2020, the Group's production of and customer orders for control systems have resumed rapidly to its normal level starting from FY2021. As a result, the external revenue recorded by the Group's control system segment increased significantly to HK\$39.5 million for FY2021 (2020: HK\$30.8 million). Due to improvement in sales performance, the segment profit of HK\$1.6 million was recorded by the control system segment as compared to a segment loss of HK\$5.4 million for the year ended 31 March 2020 (“FY2020”).

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.

Since the first quarter of 2020, the sales operation of the Group's "MOX" brand video intercom and surveillance system products has improved due to the overall market demand was recovered from the negative impact of the COVID-19 pandemic. As a result, the external revenue of the Group's building intelligence segment significantly increased to HK\$50.8 million for FY2021 (2020: HK\$42.4 million). However, an increased segment loss of HK\$9.6 million (2020: HK\$1.0 million) was recorded in FY2021 by the Group's building intelligence segment mainly due to one-off provision on obsolete stocks of HK\$5.5 million (2020: HK\$Nil) was recognized in FY2021. The Group considered that such provision was made on prudent and one-off basis and therefore non-recurring in nature.

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

Investment in associate engaging in the charging station leasing operations

On 19 June 2020, the Company acquired 20% equity interests in an associate namely Iogo Workshop 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.

For FY2021, the revenue and the operating loss of the Iogo Workshop Group were HK\$3.8 million and HK\$4.4 million respectively. An operating loss was recorded mainly due to the COVID-19 pandemic leading to the decrease in advertising income earned during FY2021. Accordingly, the loss recognized by the Group as sharing of results of its associates for the current financial year was HK\$0.9 million. Along with the gradual recovery from the COVID-19 pandemic, the Group believed that the advertising activities of the Iogo Workshop Group will resume with its financial performance will gradually improve in the coming future.

Business prospects

The Board remains optimistic on the performance of the Group's businesses in both control system and building intelligence. Following the stabilized situation of the COVID-19 pandemic in China since the second quarter of 2020, the Group's principal operations have gradually recovered and resumed to normal. The Board believes that the performance of our "MOX" brand building intelligence products will remain competitive under the strong real estate market situation in China currently, which has secured a sustainable and stable demand for our building intelligence products in the China market. For the purpose of better utilization of the Group's financial resources and improving the Group's financial position and performance under the prevailing unfavourable business environment, the Group will also consider carrying out other business activities that are considered profitable and can contribute to the Group positively in the short-term future.

Future fund raising and investment opportunities

The Company will continue to explore opportunities for new 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 acquisition of 20% equity interest in Iogo Workshop, which is principally engaged in the leasing of charging stations for mobile devices, in June 2020. 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 from its continuing operations of approximately HK\$90.3 million for the year ended 31 March 2021, representing an increase of approximately HK\$17.1 million or 23.4% as compared to the revenue of approximately HK\$73.2 million for the year ended 31 March 2020.

During the year under review, the Group derived its revenue from the control system and the building intelligence businesses. The following table sets forth a breakdown of revenue by business segments for the years presented:

	2021		2020	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Building intelligence	50,761	56.2	42,426	57.9
Control system	39,520	43.8	30,817	42.1
	<u>90,281</u>	<u>100.0</u>	<u>73,243</u>	<u>100.0</u>

The increase in the Group's revenue from continuing operations for the year ended 31 March 2021 was mainly attributable to the recovery of the market demand for the Group's products and the resumption of the Group's operations and production in China after their suspension in the final quarter of FY2020 due to the outbreak of COVID-19 pandemic.

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\$21.1 million or 45.7% from approximately HK\$46.2 million for FY2020 to approximately HK\$67.3 million for FY2021, which is in line with the increase in sales for the year.

Gross profit and gross profit margin

The Group's gross profit from continuing operations for FY2021 was approximately HK\$23.0 million, representing a decrease of approximately HK\$4.1 million or 15.1% from approximately HK\$27.1 million for FY2020. The gross profit margin for FY2021 also decreased to 25.5% as compared to 37.0% for FY2020. The decrease in both the gross profit and the gross profit margin was mainly attributable to the surge in material prices generally in China due to the impact of COVID-19 pandemic, which in turn led to the significant increase in the Group's average purchase costs for production as compared to the sales increase for FY2021.

Other income and other losses

The Group's other income represents, among others, interest income and value-added taxes refund. For FY2021, it also includes a one-off net gain of approximately HK\$5.1 million (2020: HK\$Nil) arising from a trading transaction of respirator masks, which was entered into by the Group in May 2020. Accordingly, the total other income recognized for FY2021 increased significantly to HK\$10.7 million (2020: HK\$6.1 million).

The net other losses of the Group for FY2021 increased significantly to HK\$6.7 million (2020: HK\$0.6 million) mainly due to the recognition of one-off write-off of obsolete stocks of HK\$5.5 million (2020: HK\$Nil) in current financial year.

Administrative and other operating expenses

The administrative and other operating expenses of the Group from continuing operations mainly represent the staff costs, depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets and legal and professional fees. The expenses decreased by approximately HK\$5.1 million or 12.3% from approximately HK\$41.6 million for FY2020 to approximately HK\$36.5 million for FY2021, mainly attributable to the adoption of stricter control over administrative and operating expenses by the management during the year.

Research and development expenditure

The research and development expenditure of the Group from continuing operations reduced by approximately HK\$13.7 million or 76.5% from approximately HK\$17.9 million for FY2020 to approximately HK\$4.2 million for FY2021 as a result of the stricter cost control adopted by the Group and limited research and development activities conducted by the Group during the current financial year.

Reversal of expected credit loss, net

In FY2021, the Group recorded a net reversal of expected credit loss of HK\$4.6 million (2020: HK\$2.4 million) for its continuing operations in relation to its trade receivables and loan and other receivables. As at 31 March 2021, the Group's trade receivables amounted to HK\$53.0 million (2020: HK\$52.1 million) and the loan and other receivables (including the receivable from trading of respirator masks) amounted to HK\$47.0 million (2020: HK\$64.1 million), out of which amounts of HK\$14.2 million (2020: HK\$16.0 million) and HK\$1.0 million (2020: HK\$2.8 million) were considered impaired for each of the trade receivables and the loan and other receivables respectively 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 from continuing operations was approximately HK\$3.8 million for the year ended 31 March 2021, mainly representing interest expense on bank and other borrowings. The decrease in finance costs of approximately HK\$2.6 million or 40.6% from approximately HK\$6.4 million for the year ended 31 March 2020 was due to the decrease in average balance of bank and other borrowings of the Group in FY2021.

Loss from discontinued operations

During FY2020, the Group discontinued its communication technology business in August 2019 through disposals of SCT and Thrive United. The loss from the Group's communication technology business up to the date of disposal completion amounted to HK\$5.3 million was recorded and classified as loss from discontinued operations of the Group for the year ended 31 March 2020.

Loss for the year

The Group recorded a loss attributable to owners of the Company of approximately HK\$15.1 million for FY2021 (2020: HK\$38.7 million) mainly due to the negative impact of the COVID-19 pandemic, leading to a significant increase in the Group's purchase costs for production and a deterioration on the Group's overall gross profit and gross profit margin due to the surge of material prices in China. However, the loss situation was improved as compared to FY2020 mainly due to a stricter cost control adopted by the Group and reduced research and development activities conducted by the Group during the current financial 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 2021, the issued share capital of the Company was approximately HK\$258.1 million (2020: HK\$258.1 million), comprising 1,032,363,200 shares (the "**Shares**") of the Company of nominal value of HK\$0.25 each (2020: 1,032,363,200 Shares).

On 19 February 2020, the Company issued and allotted 860,000,000 new shares (the “**Subscription Shares**”) of the Company to Mr. Lam Siu Sun for cash at subscription price of HK\$0.1 per Subscription Share (the “**Subscription**”). The net proceeds from the Subscription, after deduction of expenses, amounted to approximately HK\$85,900,000, which were intended to be used as the Group’s general working capital and/or for future investment opportunities of the Group. As at 31 March 2020, the unused net proceeds from the Subscription were approximately HK\$58.3 million, which were fully utilized during FY2021 as intended use for the Group’s general working capital and/or for investment opportunities of the Group with details as follows:

Description of use of proceeds	Amount <i>(in HK\$ million)</i>
Acquisition of interests in an associate	15.8
Deposit paid for acquisition of a brokerage business	1.3
Legal and professional fees	2.6
Net increase in receivables	24.1
New office refurbishment and decoration	1.8
Other administrative and operating uses	1.5
Rental expenses, deposits and management fee	1.3
Staff salaries	1.9
Trading deposit paid for respirator masks transaction	<u>8.0</u>
Total	<u><u>58.3</u></u>

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2021 was approximately 1.0 (2020: approximately 1.6). Gearing ratio calculated by total borrowings (comprising bank and other borrowings and lease liabilities) net of cash and cash equivalents, over total equity as at 31 March 2021 was 44% (2020: 13%).

Bank and other borrowings

As at 31 March 2021, the Group had outstanding bank and other borrowings of approximately HK\$69.0 million (2020: approximately HK\$66.1 million).

Pledge of assets

As at 31 March 2021, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK\$41.4 million (2020: approximately HK\$40.6 million) pledged against bank borrowings raised by the Group.

Contingent liabilities

As at 31 March 2021, the Group had no material contingent liabilities.

Major acquisition and disposal

On 17 April 2020, the Company, as purchaser, entered into a sale and purchase agreement (the “**Wellington Agreement**”) with Wellington Investments Group Limited (the “**Vendor**”), as vendor, pursuant to which the Company agreed to acquire the entire equity interests in Wellington Financial Limited, a company principally engaged in securities trading and brokerage services in Hong Kong, at a consideration of HK\$2.5 million plus the net asset value amount to be determined in accordance with the terms of the Wellington Agreement. According to the terms of the Wellington Agreement, the total consideration for the transaction shall not exceed HK\$16 million. As certain condition(s) precedent under the Wellington Agreement were not satisfied or waived (as the case may be) on or before 31 December 2020, being the long stop date for the transaction under the Wellington Agreement, and the Company and the Vendor did not agree on any further extension of such long stop date, the Wellington Agreement and the acquisition lapsed on 1 January 2021 pursuant to the terms of the Wellington Agreement.

On 5 June 2020, the Company, as purchaser, entered into a sale and purchase agreement with Wylie Wei Ji Chak, as vendor, pursuant to which the Company agreed to acquire from Wylie Wei Ji Chak 20% equity interests in Iogo Workshop at a total consideration of HK\$56 million. Iogo Workshop, together with its subsidiaries, is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. The acquisition of 20% equity interests in Iogo Workshop was completed on 19 June 2020 and thereafter, Iogo Workshop became an associate of the Company.

Save as disclosed above, the Group has no other major acquisition or disposal transactions during the year ended 31 March 2021.

Significant capital expenditure for the year

Save as disclosed above, the Group has no significant capital expenditure commitments as at 31 March 2021.

Risk of foreign exchange fluctuations

Substantially all transactions of the Group are denominated in Renminbi (“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 2021.

Employee and remuneration policy

As at 31 March 2021, the Group had 133 employees (2020: 148). For the year ended 31 March 2021, the staff costs of the Group from continuing operations amounted to approximately HK\$13.7 million, representing a decrease of approximately HK\$8.2 million or 37.4% as compared to approximately HK\$21.9 million for the corresponding period last year, mainly due to the reduced number of the Group’s employees and senior executive personnel during the 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 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 2021, no share options were 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.

EVENTS SUBSEQUENT TO YEAR END

On 19 March 2021, the Company entered into a placing agreement (the “**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 “**Placing Price**”) of HK\$0.25 per Placing Share to not less than six independent placees (the “**Placing**”). The 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 Placing Agreement. The Board considered that the 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 Placing was in the interests of the Company and the Shareholders as a whole.

The completion of the Placing took place on 14 April 2021 and an aggregate of 162,000,000 Placing Shares were issued and allotted to not less than six placees at the 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 Placing. The aggregate nominal value of the Placing Shares issued and allotted was HK\$40.5 million. The net proceeds from the Placing, after deduction of expenses related to the 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.

On 19 April 2021, the Company entered into a share subscription agreement (the “**Share Subscription Agreement**”) with New Paramount Limited (“**New Paramount**”), 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 representing approximately 3.33% of its enlarged issued share capital at a total consideration of HK\$10,000,000 (the “**Proposed Transaction**”). The Proposed Transaction has not yet completed as at the date of this announcement.

Save as disclosed above, there were no other significant events subsequent to year end 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 2021.

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 Friday, 27 August 2021 (“**2021 AGM**”), the register of members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2021 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 for registration not later than 4:30 p.m. on Monday, 23 August 2021.

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 2021.

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 2021 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 following the resignation of Mr. Wong Chit On as the executive Director and the chairman of the Board. Hence the Company did not comply with code provisions under A.2 of the CG Code during the year ended 31 March 2021.

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 28 August 2020 (the “**2020 AGM**”), Mr. Han Weining, the executive Director and chief executive officer of the Company, was appointed as the chairman of the 2020 AGM to answer and address questions raised by the Shareholders at the 2020 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 2020 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 2021.

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 2021 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

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 2021 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, 21 June 2021

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