



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

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1613

# 2023 INTERIM REPORT



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Han Weining

*(Co-Chief Executive Officer)*

Mr. Chong Alex Tin Yam

*(Co-Chief Executive Officer) (resigned on 31 October 2023)*

Ms. Wang Jie *(retired on 30 August 2023)*

### Non-executive Director

Mr. Wong Hoi Lok

*(resigned on 29 November 2023)*

### Independent Non-executive Directors

Mr. Lam Ying Hung Andy

Ms. Li Mingqi

Mr. Cheng Nicholas Tat Hei

Mr. Wang Chen

*(retired on 30 August 2023)*

## COMMITTEES

### Audit Committee

Mr. Lam Ying Hung Andy *(Chairperson)*

Mr. Cheng Nicholas Tat Hei

Ms. Li Mingqi

### Nomination Committee

Mr. Cheng Nicholas Tat Hei *(Chairperson)*

Mr. Lam Ying Hung Andy

Ms. Li Mingqi

### Remuneration Committee

Ms. Li Mingqi *(Chairperson)*

Mr. Lam Ying Hung Andy

Mr. Cheng Nicholas Tat Hei

## COMPANY SECRETARY

Mr. Ting Kin Wai

## AUTHORISED REPRESENTATIVES

Mr. Han Weining

Mr. Lam Ying Hung Andy

*(alternate to Mr. Han Weining)*

Mr. Ting Kin Wai

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1012, 10/F

Tsim Sha Tsui Centre

66 Mody Road

Kowloon, Hong Kong

## AUDITOR

HLB Hodgson Impey Cheng Limited

*Certified Public Accountants*

31/F., Gloucester Tower

The Landmark, 11 Pedder Street

Central, Hong Kong

## WEBSITE

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

## **CORPORATE INFORMATION** *(Continued)*

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

1613

### **PRINCIPAL BANKERS Hong Kong**

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

### **People's Republic of China ("China" or the "PRC")**

Bank of China  
China Construction Bank  
Bank of Jiaxing  
Hecheng Rural Commercial Bank  
Agricultural Bank of China  
Industrial and Commercial Bank of China  
China Merchants Bank  
China Minsheng Bank  
Bank of Tianjin  
Zhejiang Tailong Commercial Bank  
Shanghai Pudong Development Bank Co., Ltd.

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D, P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
17th Floor, Far East Finance Centre  
No. 16 Harcourt Road  
Hong Kong

### **LEGAL ADVISER**

Michael Li & Co.  
19/F., Prosperity Tower  
No. 39 Queen's Road Central  
Central  
Hong Kong

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

For the six months ended 30 September 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Synertone Communication Corporation (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2023, together with the comparative figures for the corresponding period in 2022, as follows:

		<b>For the six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	4	<b>17,126</b>	19,312
Cost of sales		<b>(10,683)</b>	(16,165)
<b>Gross profit</b>		<b>6,443</b>	3,147
Other income	5	<b>2,215</b>	2,589
Other gains, net	5	<b>551</b>	1,861
Selling and distribution expenses		<b>(754)</b>	(984)
Administrative and other operating expenses		<b>(17,037)</b>	(14,765)
Research and development expenditure		<b>(1,866)</b>	(1,504)
Reversal of expected credit loss, net		<b>2,430</b>	3,058
<b>Loss from operations</b>		<b>(8,018)</b>	(6,598)
Finance costs	6(a)	<b>(1,722)</b>	(1,981)
Share of results of associates		<b>(67)</b>	(272)
<b>Loss before tax</b>	6	<b>(9,807)</b>	(8,851)
Income tax expense	7	<b>(8)</b>	(4)
<b>Loss for the period</b>		<b>(9,815)</b>	(8,855)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>389</b>	221
<b>Other comprehensive income for the period, net of tax</b>		<b>389</b>	221
<b>Total comprehensive loss for the period</b>		<b>(9,426)</b>	(8,634)



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2023

		<b>For the six months ended 30 September 2023</b>	2022
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(8,801)</b>	(8,076)
Non-controlling interests		<b>(1,014)</b>	(779)
		<b>(9,815)</b>	(8,855)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		<b>(8,430)</b>	(7,896)
Non-controlling interests		<b>(996)</b>	(738)
		<b>(9,426)</b>	(8,634)
		<b>HK cents</b>	HK cents
			<i>(Restated)</i>
<b>Loss per share</b>			
– Basic and diluted	9	<b>(3.04)</b>	(3.22)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	28,516	32,283
Right-of-use assets		7,928	12,828
Goodwill	11	23,375	23,375
Interests in associates	12	51,330	51,592
Deposits and prepayments	13	–	377
		<b>111,149</b>	120,455
<b>Current assets</b>			
Inventories		48,112	48,462
Trade and other receivables	13	32,631	39,475
Amount due from an associate	12	16,778	15,286
Cash and cash equivalents		12,821	2,345
		<b>110,342</b>	105,568
<b>Current liabilities</b>			
Trade and other payables	14	46,095	57,212
Contract liabilities		17,116	32,222
Bank borrowings	15	56,545	62,753
Lease liabilities		674	3,826
		<b>120,430</b>	156,013

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

As at 30 September 2023

	<i>Note</i>	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	As at 31 March 2023 HK\$'000 (Audited)
<b>Net current liabilities</b>		<b>(10,088)</b>	(50,445)
<b>Total assets less current liabilities</b>		<b>101,061</b>	70,010
<b>Non-current liabilities</b>			
Lease liabilities		<b>215</b>	1,641
<b>Net assets</b>		<b>100,846</b>	68,369
<b>EQUITY</b>			
Share capital	16	<b>30,031</b>	26,031
Reserves		<b>68,847</b>	43,095
<b>Equity attributable to owners of the Company</b>		<b>98,878</b>	69,126
<b>Non-controlling interests</b>		<b>1,968</b>	(757)
<b>Total equity</b>		<b>100,846</b>	68,369



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2022 (Audited)	313,091	843,126	(90)	(9,996)	1,109	(1,044,347)	102,893	2,542	105,435
Loss for the period	-	-	-	-	-	(8,076)	(8,076)	(779)	(8,855)
Other comprehensive income for the period	-	-	-	-	180	-	180	41	221
Total comprehensive income/(loss) for the period	-	-	-	-	180	(8,076)	(7,896)	(738)	(8,634)
At 30 September 2022 (Unaudited)	313,091	843,126	(90)	(9,996)	1,289	(1,052,423)	94,997	1,804	96,801
At 1 April 2023 (Audited)	26,031	842,275	(90)	(9,996)	(3,136)	(785,958)	69,126	(757)	68,369
Loss for the period	-	-	-	-	-	(8,801)	(8,801)	(1,014)	(9,815)
Other comprehensive income for the period	-	-	-	-	371	-	371	18	389
Total comprehensive loss for the period	-	-	-	-	371	(8,801)	(8,430)	(996)	(9,426)
<b>Transactions with owners</b>									
Issue of shares	4,000	11,000	-	-	-	-	15,000	-	15,000
Share issuance costs	-	(300)	-	-	-	-	(300)	-	(300)
Issue of shares of a subsidiary	-	-	23,542	-	-	-	23,542	3,721	27,263
Costs related to issue of shares of a subsidiary	-	-	(60)	-	-	-	(60)	-	(60)
Total transactions with owners	4,000	10,700	23,482	-	-	-	38,182	3,721	41,903
At 30 September 2023 (Unaudited)	30,031	852,975	23,392	(9,996)	(2,765)	(794,759)	98,878	1,968	100,846

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	For the six months ended	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Net cash used in operating activities</b>	<b>(22,833)</b>	(6,148)
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	(18)	(217)
Proceeds from disposal of property, plant and equipment	–	5,054
Advance to an associate	(1,550)	(699)
Interest received	21	49
Loans and advance to independent third parties	–	(3,031)
Repayment of loans from independent third parties	50	15,936
Other investing cash flows	(3)	–
<b>Net cash (used in)/ generated from investing activities</b>	<b>(1,500)</b>	17,092
<b>Financing activities</b>		
Proceeds from bank borrowings	19,850	22,647
Repayment of bank borrowings	(22,253)	(26,394)
Proceeds from placing of new shares of the Company	15,000	–
Proceeds from issue of new shares of a subsidiary	27,263	–
Share issuance costs	(360)	–
Interest paid	(1,566)	(1,981)
Repayment of lease liabilities	(2,532)	(2,927)
<b>Net cash generated from/ (used in) financing activities</b>	<b>35,402</b>	(8,655)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 September 2023

	For the six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Net increase in cash and cash equivalents</b>	<b>11,069</b>	2,289
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,345</b>	8,009
<b>Effect of foreign exchange rates changes</b>	<b>(593)</b>	(560)
<b>Cash and cash equivalents at end of the period, representing bank balances and cash</b>	<b>12,821</b>	9,738

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 1. GENERAL

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, 10/F, 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 sales 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 PRC. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The condensed 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 condensed 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2023.

In the current interim period, the Group has applied, for the first time, a number of new and amendments to HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements. The application of the new and amendments to HKFRSs has had no material impact on the Group’s financial performance and positions for the current and prior interim periods and/or on the disclosures set out in the condensed consolidated financial statements.

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

In preparing the condensed 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\$9,815,000 incurred for the six months ended 30 September 2023 and, as at that date, the Group had net current liabilities of approximately HK\$10,088,000.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

*(Continued)*

In view of the above circumstances, the Directors 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;
- (ii) the Company has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group;
- (iii) Mr. Han Weining, the Director of the Company, 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 Group will look into business and investment opportunities for business expansion and capital injection in order to enhance the long-term growth potential of the Group.

The Directors have reviewed the Group's cash flow projections. The cash flow projections cover a period of not less than twelve months from 30 September 2023.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

*(Continued)*

Notwithstanding the above, since the execution of the above plans and measures are in progress, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the condensed consolidated statement of financial position. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

## 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.

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, information technology infrastructure and platform and robot and other related services.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 3. SEGMENT REPORTING *(Continued)*

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 basis:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets, interests in associates and amount due from an associate 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 and items not specifically attributed to an individual reportable segment, such as share of results of associates and unallocated corporate expenses.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 3. SEGMENT REPORTING *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purpose for resource allocation and assessment of segment performance for each of the six months ended 30 September 2023 and 2022 is as follows:

### Segment revenue and results

	For the six months ended 30 September 2023			
	Building intelligence	Control system	Data centre	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	4,347	12,656	123	17,126
Inter-segment revenue	1,710	904	–	2,614
Reportable segment revenue	6,057	13,560	123	19,740
Reportable segment (loss)/ income (Adjusted EBIT)	(1,947)	2,899	(1,361)	(409)
Interest income				21
Finance costs				(1,722)
Share of results of associates				(67)
Unallocated corporate income and expenses, net				(7,630)
Consolidated loss before tax				(9,807)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

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

#### Segment revenue and results *(Continued)*

	For the six months ended 30 September 2022			Total HK\$'000 (Unaudited)
	Building intelligence HK\$'000 (Unaudited)	Control system HK\$'000 (Unaudited)	Data centre HK\$'000 (Unaudited)	
Revenue from external customers	3,975	14,666	671	19,312
Inter-segment revenue	1,377	1,080	–	2,457
Reportable segment revenue	5,352	15,746	671	21,769
Reportable segment (loss)/ income (Adjusted EBIT)	(3,393)	1,339	(1,695)	(3,749)
Interest income				167
Finance costs				(1,981)
Share of results of associates				(272)
Unallocated corporate income and expenses, net				(3,016)
Consolidated loss before tax				(8,851)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 3. SEGMENT REPORTING *(Continued)*

### Segment assets and liabilities

	Building intelligence		Control system		Data centre		Total	
	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
<b>Assets</b>								
Reportable segment assets	87,392	90,625	53,011	53,164	5,235	6,891	145,638	150,680
Interests in associates							51,330	51,592
Amount due from an associate							16,778	15,286
Unallocated corporate assets							7,745	8,465
Consolidated total assets							221,491	226,023
<b>Liabilities</b>								
Reportable segment liabilities	88,129	117,461	17,614	20,018	-	175	105,743	137,654
Unallocated corporate liabilities							14,902	20,000
Consolidated total liabilities							120,645	157,654

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 4. REVENUE

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

	<b>For the six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Building intelligence	<b>4,347</b>	3,975
Control system	<b>12,656</b>	14,666
Data centre	–	371
Total revenue from contract with customers	<b>17,003</b>	19,012
Add:		
Rental income under HKFRS 16	<b>123</b>	300
Total revenue	<b>17,126</b>	19,312

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

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

Disaggregation of the Group's revenue by geographic markets is as follows:

	<b>For the six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong (place of domicile)	<b>123</b>	1,028
PRC	<b>16,860</b>	18,230
Overseas	<b>143</b>	54
	<b>17,126</b>	19,312

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 5. OTHER INCOME AND OTHER GAINS, NET

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Other income</b>		
Interest income on bank deposits <i>(note a)</i>	21	2
Interest income on loan receivables <i>(note a)</i>	–	165
Government grants <i>(note b)</i>	–	563
Value-added taxes refund <i>(note c)</i>	258	232
Sundry income	1,936	1,627
	<b>2,215</b>	2,589
<b>Other gains, net</b>		
Net exchange gain	29	72
Gain on disposal of subsidiaries	522	–
Gain on disposal of property, plant and equipment	–	1,789
	<b>551</b>	1,861
	<b>2,766</b>	4,450

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2023

### 5. OTHER INCOME AND OTHER GAINS, NET (Continued)

Notes:

- (a) Interest income from bank deposits and loan receivables represents the total interest income on financial assets not at fair value through profit or loss.
- (b) The government grants for the six months ended 30 September 2022 mainly represent unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to “hi-tech enterprise” and subsidising for the adverse impact due to COVID-19 pandemic.
- (c) 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

	For the six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	1,566	1,789
Finance charges on lease liabilities	156	192
	<b>1,722</b>	1,981



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 6. LOSS BEFORE TAX *(Continued)*

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

	For the six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	9,500	8,003
Contributions to defined contribution retirement plans	1,095	1,481
	<b>10,595</b>	<b>9,484</b>

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

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

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

As at 30 September 2023 and 2022, the Group had no forfeited contributions available to reduce the existing level of contributions.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 6. LOSS BEFORE TAX *(Continued)*

#### (c) Other items

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	10,276	15,594
(Reversal of)/allowance for expected credit loss, net:		
– Trade receivables	(2,462)	(748)
– Loan and other receivables	(26)	(2,317)
– Amount due from an associate	58	7
Depreciation of property, plant and equipment	2,250	2,342
Depreciation of right-of-use assets	2,333	2,988

### 7. INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
PRC Enterprise Income Tax ("EIT") <i>(note d)</i>	8	4
Income tax expense	8	4

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 7. INCOME TAX EXPENSE *(Continued)*

*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 payment of the 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 periods.
- (d) The PRC subsidiaries of the Group are subject to PRC EIT at a rate of 25% for both current and prior periods 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 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

During the six months ended 30 September 2023, no dividend has been paid or proposed by the Company, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2022: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$8,801,000 (six months ended 30 September 2022: approximately HK\$8,076,000) and the weighted average number of ordinary shares of the Company in issue during the period:

	For the six months ended 30 September	
	2023	2022
	'000	'000
		<i>(Restated)</i>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>289,821</b>	250,473

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

On 22 December 2022, the Company implemented a share consolidation and the weighted average number of ordinary shares in issue used in the basic loss per share calculation during the six months ended 30 September 2022 was adjusted retrospectively.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 September 2023 have been adjusted for the effect of share placing on 19 May 2023.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group spent HK\$18,000 on additions to property, plant and equipment (six months ended 30 September 2022: HK\$217,000).

### 11. GOODWILL

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Cost	<b>232,448</b>	232,448
Less: Accumulated impairment losses	<b>(209,073)</b>	(209,073)
Carrying amount	<b>23,375</b>	23,375

The carrying amount of goodwill as at 30 September 2023 and 31 March 2023 were allocated to the Group's cash generating unit as follows:

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Control system	<b>23,375</b>	23,375

During the six months ended 30 September 2023, the Group recognised no impairment loss (six months ended 30 September 2022: Nil) under control system cash generating unit as management of the Group determines that the carrying amount of those assets related to the cash generating unit exceeded the recoverable amount at the end of each reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 12. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE

The Company held 20% equity interests in an associate namely logo Workshop Investment Limited (“**logo Workshop**”) at a cost of HK\$56 million. logo Workshop, together with its subsidiaries as the “**logo Workshop Group**”, is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services.

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

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Cost of investment in associates	<b>56,000</b>	56,000
Share of post-acquisition loss, net of dividends received	<b>(4,726)</b>	(4,659)
Exchange adjustments	<b>56</b>	251
	<b>51,330</b>	51,592
Amount due from an associate (note)	<b>16,778</b>	15,286

*Note:* The carrying amount due from an associate of approximately HK\$16,778,000 (31 March 2023: HK\$15,286,000), net of loss allowance of approximately HK\$650,000 (31 March 2023: HK\$592,000), was unsecured, interest-free and recoverable on demand.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 12. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE *(Continued)*

The following is a list of the particulars of associates of the Company, which are unlisted corporate entities of which quoted market prices are not available, as at 30 September 2023 and 31 March 2023:

Name of entities	Place of incorporation and business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
logo Workshop Investment Limited	BVI	20% (Direct)	20%	Investment holding
Dolphin International Technology Co., Limited	Hong Kong	20% (Indirect)	20%	Investment holding
深圳海豚充电科技有限公司 <i>(note a)</i>	PRC	20% (Indirect)	20%	Investment holding
深圳市海豚共享科技有限公司 <i>(note b)</i>	PRC	20% (Indirect)	20%	Leasing and renting of charging stations for mobile devices and extended value-added services

*Notes:*

- (a) Registered under the laws of the PRC as a wholly-owned foreign enterprise.
- (b) Registered under the laws of the PRC as a limited liability company.
- (c) The above associates are accounted for using the equity method in the condensed consolidated financial statements.
- (d) The financial year end date for logo Workshop and its subsidiaries is 31 March.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 12. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE *(Continued)*

Summarised financial information in respect of the logo Workshop Group is set out as below:

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Current assets	<b>18,410</b>	18,968
Non-current assets	<b>19,287</b>	19,873
Current liabilities	<b>(34,511)</b>	(34,339)
Non-current liabilities	<b>(1,048)</b>	(1,051)
Net assets	<b>2,138</b>	3,451
	<b>For the six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue	<b>109</b>	58
Loss for the period	<b>(335)</b>	(1,358)
Other comprehensive loss for the period	<b>(978)</b>	(2,719)
Total comprehensive loss for the period	<b>(1,313)</b>	(4,077)
Dividends received from the associates during the period	–	–

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 12. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of interests in associates recognised in the condensed consolidated financial statements as at 30 September 2023:

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Net assets of the logo Workshop Group	<b>2,138</b>	3,451
Proportion of the Group's ownership interest in the logo Workshop Group	<b>20%</b>	20%
Group's share of net assets of the logo Workshop Group	<b>428</b>	690
Goodwill	<b>50,902</b>	50,902
Carrying amount of the Group's interests in the logo Workshop Group	<b>51,330</b>	51,592

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Trade receivables <i>(notes a, b)</i>	<b>45,880</b>	47,407
Less: Loss allowance <i>(note c)</i>	<b>(27,513)</b>	(23,605)
	<b>18,367</b>	23,802
Bill receivables	<b>215</b>	154
Loan receivables	<b>21,318</b>	21,318
Other receivables <i>(note d)</i>	<b>23,308</b>	23,596
Prepaid value-added and other taxes	<b>78</b>	118
Deposits and prepayments	<b>10,570</b>	12,119
Less: Loss allowance	<b>(41,225)</b>	(41,255)
	<b>14,264</b>	16,050
	<b>32,631</b>	39,852

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

*(Continued)*

Reconciliation to the condensed consolidated statement of financial position:

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Non-current	–	377
Current	<b>32,631</b>	39,475
	<b>32,631</b>	39,852

*Notes:*

- (a) For the six months ended 30 September 2023, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (31 March 2023: 30 to 180 days). A longer credit period of 181 to 365 days (31 March 2023: 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

*(Continued)*

Notes: *(Continued)*

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

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Not yet past due	<b>11,373</b>	20,694
1–60 days	<b>2,165</b>	2,729
61–90 days	<b>3,538</b>	1,962
91–180 days	<b>2,583</b>	340
181–365 days	<b>2,960</b>	1,811
Over 365 days	<b>23,261</b>	19,871
	<b>45,880</b>	47,407
Less: Loss allowance	<b>(27,513)</b>	(23,605)
	<b>18,367</b>	23,802

- (c) The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (“ECLs”), which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2023

## 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Notes: (Continued)

(c) (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 30 September 2023 and 31 March 2023:

	Average loss rate		Gross carrying amount		Loss allowance	
	30 September 2023 %	31 March 2023 %	30 September 2023 HK\$'000	31 March 2023 HK\$'000	30 September 2023 HK\$'000	31 March 2023 HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Individual assessment	100.00%	100.00%	23,261	19,871	23,261	19,871
Collective assessment:						
Not yet past due	9.17%	9.17%	11,373	20,694	1,040	1,897
1-60 days	21.81%	21.81%	2,165	2,729	471	595
61-90 days	28.59%	28.59%	3,538	1,962	1,010	561
91-180 days	30.59%	30.59%	2,583	340	789	104
181-365 days	31.86%	31.86%	2,960	1,811	942	577
			45,880	47,407	27,513	23,605

For long overdue trade receivables, the Group regularly reviews the specific circumstances of each major customer to determine if any follow-up action has to be taken. An extension of credit period may be granted by the Group to customers with long business relationship and established reputation; customers which are distributors that have difficulty in receiving payments from final customers; customers which are government-related entities that are subject to strictly regulated government annual budgeting process and payment approval procedures; and customers for which a repayment plan has been arranged.

For the purpose of assessment of ECLs, expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

(d) Amount mainly represents the past due gross outstanding receivable balance of approximately HK\$16,781,000 (31 March 2023: HK\$16,831,000), with full allowance of HK\$16,781,000 (31 March 2023: HK\$16,831,000) arising from one-off respirator masks trading to an independent third party.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 14. TRADE AND OTHER PAYABLES

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Trade payables	<b>13,017</b>	18,186
Accrued salaries	<b>2,402</b>	3,213
Accrued expenses	<b>1,611</b>	3,723
Other payables ( <i>note</i> )	<b>27,350</b>	26,923
Deposit received	<b>1,089</b>	4,416
Financial liabilities measured at amortised cost	<b>45,469</b>	56,461
Other tax payables	<b>626</b>	751
	<b>46,095</b>	57,212

*Note:*

Amounts include (i) the outstanding payable balance of approximately HK\$6,525,000 (31 March 2023: HK\$6,525,000) arising from one-off respirator masks trading transaction, and (ii) amount due to a Director of approximately HK\$5,413,000 (31 March 2023: HK\$4,980,000), which was unsecured, non-interest bearing and repayable on demand.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 14. TRADE AND OTHER PAYABLES *(Continued)*

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

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
0-60 days	<b>3,072</b>	2,208
61-90 days	<b>2,204</b>	8,692
91-180 days	<b>294</b>	2,474
181-365 days	<b>3,882</b>	1,244
Over 365 days	<b>3,565</b>	3,568
	<b>13,017</b>	18,186

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 15. BANK BORROWINGS

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Bank borrowings		
– secured	<b>56,545</b>	62,753

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	<b>56,545</b>	62,753

The carrying amounts of bank loans that contain  
a repayment on demand clause (shown under  
current liabilities) but repayable:

Within one year	<b>56,545</b>	62,753
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 15. BANK BORROWINGS *(Continued)*

The banking facilities are subject to the fulfilment of covenants. If the Group was in breach of the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 30 September 2023, none of the covenants relating to drawn down facilities had been breached (31 March 2023: Nil).

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

All the bank borrowings are fixed-rate borrowings which carry interest at prevailing interest rates of 4.35%–6.35% per annum for the period ended 30 September 2023 (31 March 2023: 4.15%–6.35% per annum).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 16. SHARE CAPITAL

	30 September 2023		31 March 2023	
	Number of shares '000	Amount HK\$'000 (Unaudited)	Number of shares '000	Amount HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each	<b>4,000,000</b>	<b>400,000</b>	4,000,000	400,000
<b>Issued and fully paid:</b>				
At beginning of the period/year (ordinary shares of HK\$0.1 (As at 1 April 2022: HK\$0.25) each)	<b>260,313</b>	<b>26,031</b>	1,252,363	313,091
Share consolidation (note 1)	–	–	(1,041,250)	–
Capital reduction (note 1)	–	–	–	(299,360)
Issue of new shares (note 2)	<b>40,000</b>	<b>4,000</b>	49,200	12,300
At end of the period/year (ordinary shares of HK\$0.1 each)	<b>300,313</b>	<b>30,031</b>	260,313	26,031

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

## 16. SHARE CAPITAL *(Continued)*

*Notes:*

- (1) During the year ended 31 March 2023, the Company conducted the capital reorganisation (the “**Capital Reorganisation**”), involving, among others, (i) the share consolidation (the “**Share Consolidation**”) whereby every five issued and unissued shares of the Company of HK\$0.25 each was consolidated into one consolidated share (the “**Consolidated Share**”) of HK\$1.25 each; and (ii) the capital reduction (the “**Capital Reduction**”) whereby the par value of each issued Consolidated Share was reduced from HK\$1.25 to HK\$0.10 by cancelling the paid up share capital to the extent of HK\$1.15 per issued Consolidated Share so that following such reduction, each issued Consolidated Share in the share capital of the Company became one new share with a par value of HK\$0.10 each.

The Share Consolidation became effective on 22 December 2022 upon the passing of resolutions by the shareholders of the Company at an extraordinary general meeting of the Company held on 20 December 2022. The Capital Reduction became effective on 9 March 2023 upon, among others, the further obtaining of a court order by the Company made by the Grand Court of the Cayman Islands confirming the Capital Reduction. For details of the Capital Reorganisation, please refer to the announcements of the Company dated 16 November 2022, 20 December 2022, 27 January 2023 and 9 March 2023 respectively, and the circular of the Company dated 2 December 2022.

- (2) During the year ended 31 March 2023, on 3 October 2022, the Company issued 49,200,000 new shares at consideration of HK\$12,300,000 under general mandate to an independent third party at the subscription price of HK\$0.25 per share. The net proceeds amounting to HK\$12,054,000 have been applied as general working capital and further investments of the Group.

During the six months ended 30 September 2023, on 19 May 2023, the Company issued 40,000,000 new shares at consideration of HK\$15,000,000 under general mandate to independent third parties at the subscription price of HK\$0.375 per share. The net proceeds amounting to HK\$14,700,000 have been applied as general working capital and further investments of the Group.

## 17. COMMITMENTS

The Group did not have significant commitments outstanding as at 30 September 2023 and 31 March 2023.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 18. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with its related parties during the period:

#### (a) Balances with related parties

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

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Amount due to a director		
– Han Weining	<b>5,413</b>	4,980

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

The remuneration of directors and other members of key management of the Group during the period is as follows:

	<b>For the six months ended 30 September 2023 HK\$'000 (Unaudited)</b>	
Short-term employee benefits	<b>2,391</b>	1,669
Post-employment benefit	<b>28</b>	21
	<b>2,419</b>	1,690

The remuneration of directors and other key executives is determined having regard to the performance of individuals and market trends.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2023

### 18. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (c) Guarantee

At 31 March 2023, a personal guarantee was given by Mr. Han Weining, the co-chief executive officer and executive director of the Company with the carrying value of bank borrowing of approximately HK\$22,115,000. There was no such guarantee as at 30 September 2023.

### 19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current interim period's presentation.

### 20. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this interim report, there were no other significant events that have occurred subsequent to the end of the reporting period and up to the date of this interim report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is one of the leading providers of building and home intelligence products and integrated automation control systems and solutions. 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 modern living. As one of the world's leading providers 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 Jiaying 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 is also engaged in the data centre business in Hong Kong which involves the rental and maintenance services for computer equipment and machines located in Hong Kong.

During the six months ended 30 September 2023 (the "**Current Period**"), the Group's principal operations include (i) design, development and sales of automation control systems and solutions, (ii) design, research and development, manufacture and sales of intelligent systems including video intercom and surveillance systems for residential homes and buildings, and (iii) rental, maintenance, other related services in relation to computer equipment and machines, information technology infrastructure, and advanced technologies such as robots.

### Control system operations

The Group's control system operations provide customers with automation control systems and solutions, which are widely used in various industries to monitor pressure, temperature, fluid levels and operating condition, including airport refill system 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 decrease in number of control system projects successfully tendered in the PRC, the external revenue recorded by the Group's control system segment for the Current Period dropped to HK\$12.7 million (2022: HK\$14.7 million). However, owing to the increase in reversal of provision for expected credit loss of HK\$3.6 million (2022: HK\$2.0 million) recorded by the control system segment for the Current Period, the segment operating profit has increased to HK\$2.9 million as compared to HK\$1.3 million recorded for the six months ended 30 September 2022 (the "**Prior Period**").



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **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 with high technology enterprise status with continuing new products and software developments.

During the Current Period, the operation of the Group's "MOX" brand video intercom and surveillance system products has improved with external revenue increased to HK\$4.3 million (2022: HK\$4.0 million) after the recovery from production and operation suspension due to the lockdown in China in the Prior Period, particularly in Shanghai and Eastern China regions where the principal production and operation of the Group's building intelligence operations were located. As a result, the Group's segment loss for its building intelligence operations also reduced from HK\$3.4 million for the Prior Period to HK\$1.9 million for the Current Period.

### **Data centre operations**

The Group's data centre business is principally engaged in the provision of rental and maintenance services in relation to computer equipment and machines, robots and other related services in Hong Kong. The revenue for the Current Period of approximately HK\$0.1 million was attributable to the rental and maintenance services of commercial service robots. In the Prior Period, the Group also rented out high-quality computer equipment and provided related custody and maintenance services to a corporate customer located in Hong Kong with revenue of HK\$0.6 million. As such equipment rental and maintenance service contracts expired in May 2022 without further renewal, the revenue for the Current Period decreased to HK\$0.1 million (2022: HK\$0.7 million) and a segment loss of approximately HK\$1.4 million (2022: HK\$1.7 million) was recorded mainly due to the recognition of related depreciation charge and overhead costs for the Current Period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Investment in associate engaging in the charging station leasing operations

The Company held 20% equity interests in an associate namely logo Workshop Investment Limited (together with its subsidiaries, the “**logo Workshop Group**”) 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 30 September 2023, the carrying value of logo Workshop Group in the Group’s condensed consolidated financial statements was approximately HK\$51.3 million (31 March 2023: HK\$51.6 million), representing approximately 23.2% (31 March 2023: 22.8%) of the Group’s total assets value.

As the operation points for leasing of the logo Workshop Group’s mobile charging stations are principally located at retail outlets and restaurants in China, the retail and catering industries in China were gradually recovering following the uplifting of the lockdown policies in 2022 due to the coronavirus disease (“**COVID-19**”) pandemic, and accordingly the revenue of the logo Workshop Group increased to HK\$109,000 (2022: HK\$58,000) and the operating loss was reduced to HK\$0.3 million (2022: HK\$1.4 million) for the Current Period. Accordingly, the loss recognised by the Group as sharing of results of its associates for the Current Period was HK67,000 (2022: HK\$272,000). The Group believed that the leasing and advertising activities of the logo Workshop Group in China will gradually recover in the long run.

### Business prospects on the Group’s principal operations

Due to the COVID-19 pandemic situation in China has become stable and the lockdown has been lifted by the Chinese government since early 2023, the production and principal operation of both our control system and building intelligence businesses, particularly for those operations located in Shanghai and Eastern China regions, have resumed and recovered during the Current Period. The Board expects that the financial results and performance of both segments will be improved gradually in the near future.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Under the rapidly growing markets in the 5G technology, internet-of-things and the internet home technology in China currently, the Board believes that there is sustainable and stable demand for our building intelligence products in the China market and therefore our building intelligence operations will remain competitive in the future. However, in view of the persistent segment loss recorded by the building intelligence business which was attributable to the finance costs and depreciation charge incurred, 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 plan is also reflected in our recent allotment of new shares of MOX Group Limited, the Company's subsidiary which is principally engaged in the building intelligence business, to a new investor in July 2023, details of which are disclosed in the announcement of the Company dated 23 June 2023. Also, the Group is currently considering to expand the market to overseas by leveraging our manufacturing and procurement capability, in the form of original design manufacturer (ODM) or business solutions and consultations in the areas of green energy, information technology and telecommunications. Should there be any further update or corporate actions as regard to such business restructuring or business expansion as mentioned above, the Company will make further announcement(s) in respect thereof from time to time as required by the Listing Rules.

Regarding the data centre business, the Board expected that it will maintain its currently ongoing business on the rental and maintenance service in relation to commercial service robots in the near future. However, the income generated by the data centre business would be maintained at a minimal level. The Company will keep monitoring the market condition and will consider to further develop or expand its data centre business again should there be any new opportunities identified for the data centre market.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### 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. 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 or its subsidiaries. The Company will make announcement(s) in respect thereof as required by the Listing Rules should they materialise.

### Lapse of the JV Agreement and cessation of pursuing the potential Virtual Asset Business

In June 2023, the Group entered into an agreement (the "**JV Agreement**") for the potential establishment and operation of a joint venture which, through its wholly-owned subsidiary, would operate a virtual asset trading platform in Hong Kong. However, as certain conditions precedent to the completion of the JV Agreement had not been satisfied on or before the long stop date, the JV Agreement had lapsed on 30 June 2023 and had ceased to have further force or effect.

In October 2023, the Board resolved to cease pursuing the potential virtual asset-related activities (the "**Virtual Asset Business**") upon review of the Group's business operations and in view of, among other factors, the unsatisfactory financial performance of the subsidiaries related to the Virtual Asset Business (the "**Related Subsidiaries**") as well as the resignation of Mr. Chong Alex Tin Yam ("**Mr. Chong**"), the former Director and co-chief executive officer of the Company who possessed relevant expertise and capacity on the Virtual Asset Business, the Group divested and disposed of all the Related Subsidiaries to Mr. Chong at a total consideration of approximately HK\$2.5 million on 31 October 2023.

The Board considered that the lapse of the JV Agreement and the cessation of pursuing the Virtual Asset Business should have no material adverse impact on the existing business operations and/or the financial position of the Group and was in the interest of the Company and its shareholders as a whole. For details, please refer to the announcements of the Company dated 13 June 2023, 14 September 2023 and 31 October 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW

#### Revenue

The Group recorded a revenue of approximately HK\$17.1 million for the Current Period, representing a decrease of approximately HK\$2.2 million or 11.4% as compared to the revenue of approximately HK\$19.3 million for the Prior Period.

During the Current Period, the Group derived its revenue from the control system, the building intelligence and the data centre businesses. The following table sets forth a breakdown of revenue by business segments for the respective periods:

	For the six months ended 30 September			
	2023		2022	
	HK\$'000	%	HK\$'000	%
Building intelligence	<b>4,347</b>	<b>25.4</b>	3,975	20.6
Control system	<b>12,656</b>	<b>73.9</b>	14,666	75.9
Data centre	<b>123</b>	<b>0.7</b>	671	3.5
	<b>17,126</b>	<b>100.0</b>	19,312	100.0

The decrease in the Group's revenue for the Current Period was mainly attributable to the decrease in number of tender projects bid by the Group's control system operations and the expiry of rental and maintenance service contracts in the Prior Period without renewal for high-quality computer equipment of the Group's data centre operations.

#### Cost of sales

Cost of sales of the Group consists of costs of raw materials, labour costs and manufacturing overheads. It decreased by approximately HK\$5.5 million or 34.0% from approximately HK\$16.2 million for the Prior Period to approximately HK\$10.7 million for the Current Period, which is in line with the decrease in sales for the Current Period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Gross profit and gross profit margin

The Group's gross profit for the Current Period was approximately HK\$6.4 million, representing an increase of approximately HK\$3.3 million or 106.5% from approximately HK\$3.1 million for the Prior Period. The gross profit margin also increased to 37.6% as compared to 16.3% for the Prior Period. Both the gross profit and the gross profit margin increased significantly mainly due to the comparatively higher fixed costs incurred in the Prior Period due to the lockdown and operation suspension in China in 2022.

### Other income

The Group's other income represents, among others, interest income, government grants and value-added taxes refund. The other income for the Current Period decreased to HK\$2.2 million (2022: HK\$2.6 million) mainly due to no loan interest income and lack of government grants for the Current Period.

### Net other gains

The Group recorded decreased net other gains of HK\$0.6 million (2022: HK\$1.9 million) for the Current Period mainly due to a one-off gain of HK\$1.8 million was recognised in the Prior Period in relation to a disposal of office premise property situated in China at a consideration of RMB4.5 million.

### Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$0.2 million or 20.0% from approximately HK\$1.0 million for the Prior Period to approximately HK\$0.8 million for the Current Period, which is in line with the decrease in sales for the Current Period.

### Administrative and other operating expenses

The administrative and other operating expenses of the Group, which mainly represent the staff costs, depreciation of property, plant and equipment and right-of-use assets and legal and professional fees, increased by approximately HK\$2.2 million or 14.9% from approximately HK\$14.8 million for the Prior Period to approximately HK\$17.0 million for the Current Period mainly due to the minimal administrative expenses incurred in the Prior Period during the lockdown in China and the increase in administrative staff costs due to a number of generally higher salary staff employed by the Group in the Current Period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Research and development expenditure

The research and development expenditure of the Group increased by approximately HK\$0.4 million or 26.7% from approximately HK\$1.5 million for the Prior Period to approximately HK\$1.9 million for the Current Period mainly due to research and development activities were mostly resumed in the Current Period after the operation suspension in the Prior Period due to lockdown in China.

### Reversal of expected credit loss, net

During the Current Period, the Group recorded a net reversal of expected credit loss of HK\$2.4 million in relation to its trade receivables, loan and other receivables and amount due from an associate, as compared to HK\$3.1 million for the Prior Period. As at 30 September 2023, the Group's trade receivables amounted to HK\$45.9 million (31 March 2023: HK\$47.4 million) and the loan and other receivables amounted to HK\$44.6 million (31 March 2023: HK\$44.9 million), out of which amounts of HK\$27.5 million (31 March 2023: HK\$23.6 million) and HK\$41.2 million (31 March 2023: HK\$41.3 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 overdue for over one year without repayment, 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\$1.7 million for the Current Period, mainly represent interest expense on bank borrowings. The decrease in finance costs of approximately HK\$0.3 million or 15.0% from approximately HK\$2.0 million for the Prior Period was due to the decrease in average balance of bank borrowings of the Group during the Current Period.

### Loss for the period

The loss attributable to owners of the Company increased by approximately HK\$0.7 million or 8.6% from approximately HK\$8.1 million for the Prior Period to approximately HK\$8.8 million for the Current Period, which was mainly attributable to the administrative expenses increased in the Current Period after the operation was resumed to normal after lockdown in China in 2022 and also as a result of increase in salary costs for the Current Period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### 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 30 September 2023, the issued share capital of the Company was approximately HK\$30.0 million (31 March 2023: HK\$26.0 million), comprising 300,312,640 shares (the “**Shares**”) of the Company (31 March 2023: 260,312,640 Shares) of nominal value of HK\$0.10 each.

On 3 May 2023, the Company entered into a placing agreement (the “**Placing Agreement**”) with Sinomax Securities Limited (the “**Placing Agent**”), pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best effort basis, up to 40,000,000 placing shares of the Company of nominal value of HK\$0.10 each (the “**Placing Share(s)**”) at the price (the “**Placing Price**”) of HK\$0.375 per Placing Share to not less than six independent placees (the “**Placing**”). The Placing Price represented a discount of approximately 14.77% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on 3 May 2023, 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 prevailing high interest rate environment. Accordingly, the Directors were of the view that the Placing was in the interests of the Company and the Shareholders as a whole.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The completion of the Placing took place on 19 May 2023 and an aggregate of 40,000,000 Placing Shares were issued and allotted by the Company to not less than six independent places who were corporate or individual investors for cash at the Placing Price of HK\$0.375 per Placing Share, representing approximately 13.32% 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 pursuant to the Placing was HK\$4 million. The net proceeds from the Placing, after deduction of expenses related to the Placing, amounted to approximately HK\$14.7 million, representing a net price of approximately HK\$0.3675 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 30 September 2023, the net proceeds from the Placing of approximately HK\$14.7 million were fully utilised during the Current Period as intended for the Group's general working capital and for investment opportunities of the Group as previously disclosed in the announcements of the Company dated 3 May 2023 and 19 May 2023, respectively, with details as follows:

<b>Description of use of proceeds</b>	<b>Amount</b> (in HK\$ million)
Staff salaries and pension contribution	3.7
Rental expenses and management fee	1.1
Professional and consultancy fees	2.2
Audit fee	0.8
Repayment of borrowings	5.1
Other general working capital of the Group	1.8
Total	14.7

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 30 September 2023 was approximately 0.9 (31 March 2023: approximately 0.7). Gearing ratio calculated by total borrowings (comprising bank borrowings and lease liabilities) net of cash and cash equivalents, over total equity as at 30 September 2023 was 44% (31 March 2023: 96%).

### Bank borrowings

As at 30 September 2023, the Group had outstanding bank borrowings of approximately HK\$56.5 million (31 March 2023: approximately HK\$62.8 million).

### Pledge of assets

As at 30 September 2023, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK\$29.0 million (31 March 2023: approximately HK\$32.4 million) pledged against bank borrowings raised by the Group.

### Contingent liabilities

As at 30 September 2023, the Group had no material contingent liabilities.

### Major acquisition and disposal

#### 1. *Investment in MOX Group Limited by a subscriber under a share subscription agreement*

On 23 June 2023, MOX Group Limited (“**MOX**”) (an indirect 85%-owned subsidiary of the Company), as issuer, entered into a subscription agreement (the “**MOX Subscription Agreement**”) with Hong Kong Haoxuan Co., Limited (the “**Subscriber**”), as subscriber, and Zhang Pangfei, as guarantor, pursuant to which the Subscriber had agreed to subscribe for, and MOX had agreed to allot and issue to the Subscriber 25,000 new subscription shares of MOX (the “**Subscription Shares**”), representing approximately 33.33% of the issued share capital of MOX as enlarged by the allotment and issue of the Subscription Shares, at the aggregate subscription price of RMB25,000,000 (the “**MOX Subscription**”). The net proceeds arising from the MOX Subscription would be used for general working capital and repayment of borrowings of a MOX’s subsidiary.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

MOX and its subsidiaries (the “**MOX Group**”) are principally engaged in the Group’s building intelligence business. Immediately following the completion of the MOX Subscription, the effective interests in MOX by the Group become approximately 56.67% and MOX will remain as an indirect non-wholly owned subsidiary of the Company and that the MOX Subscription constituted a deemed disposal by the Company under Rule 14.29 of the Listing Rules. As recent financial performance of the Group’s building intelligence business was unfavourable, the Board considered that the MOX Subscription would enhance the financial position of MOX and support the Group’s building intelligence business by providing an additional source of funding to the MOX Group. It also represented a good opportunity to broaden MOX’s shareholder base and capital base and could demonstrate a positive prospect of the Group’s building intelligence business which might further attract potential investments in MOX and/or in the Group. The completion of the MOX Subscription took place on 24 July 2023. For further details, please refer to the announcement of the Company dated 23 June 2023.

### **2. Disposal of One World**

In September 2023, the Group disposed of its entire equity interests in an indirect wholly-owned subsidiary namely One World Clean Energy Investment Co. Limited (“**One World**”) at a consideration of HK\$1. One World was an inactive company mainly incurring administrative expenses. Upon the disposal of One World, the Group recognized a gain on disposal of approximately HK\$0.5 million.

Save as disclosed above, the Group had no other major acquisition or disposal transactions during the six months ended 30 September 2023.

### **Significant capital expenditure for the period**

Save as disclosed elsewhere in this interim report, the Group had no significant capital expenditure commitments as at 30 September 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Risk of foreign exchange fluctuations

Substantially all transactions of the Group are denominated in Renminbi (“RMB”) 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 HK\$ during the Current Period, 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 30 September 2023.

### Employee and remuneration policy

As at 30 September 2023, the Group had 105 (31 March 2023: 115) employees. For the six months ended 30 September 2023, the staff costs of the Group amounted to approximately HK\$10.6 million, representing an increase of approximately HK\$1.1 million or 11.6% as compared to approximately HK\$9.5 million for the corresponding period last year, mainly due to a number of generally higher salary staff employed by the Group in the Current Period.

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 also adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the Shares 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. As at 30 September 2023, no share options were outstanding under any share option schemes of the Company.

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.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

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

As at 30 September 2023, the interests and short positions of the Directors and chief executive of the Company in any of the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571, Laws of Hong Kong ("**SFO**")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules were as follows:

### LONG POSITIONS IN SHARES

Name of Director	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Han Weining	Interest of a controlled corporation	54,227,451 (Note)	18.06%
	Beneficial owner	1,632,000	0.54%

Note: These interests in Shares are held by Excel Time Investments Limited ("**Excel Time**"), which is wholly and beneficially owned by Mr. Han Weining, the co-chief executive officer of the Company and an executive Director. By virtue of the SFO, Mr. Han Weining is deemed to be interested in these 54,227,451 Shares. Mr. Han Weining is the sole director of Excel Time.

## OTHER INFORMATION *(Continued)*

Save as disclosed above, as at 30 September 2023, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the period under review were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 30 September 2023, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

### LONG POSITION IN SHARES

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of issued Shares <i>(Note 1)</i>
Excel Time	Beneficial owner	54,227,451 <i>(Note 2)</i>	18.06%
Lam Siu Sun	Beneficial owner	35,716,480	11.89%

## OTHER INFORMATION *(Continued)*

### Notes:

1. Based on 300,312,640 Shares in issue as at 30 September 2023.
2. Excel Time is wholly-owned by Mr. Han Weining, the co-chief executive officer of the Company and an executive Director whose interest in Shares is set out in the above section headed "Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures of the Company or its associated corporations".

Save as disclosed above, as at 30 September 2023, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company has a share option scheme (the "**Share Option Scheme**") which was adopted on 2 September 2022. The purpose of the Share Option Scheme is to recognise and motivate the contribution of the eligible persons to the Group. The total number of Shares issued and to be issued upon exercise of the options granted to an eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time unless, among others, approval by Shareholders in a general meeting is obtained. During the six months ended 30 September 2023, no share option was granted, exercised, lapsed or cancelled, and there was no outstanding share option under the Share Option Scheme or any other share option scheme of the Company as at 30 September 2023 (31 March 2023: Nil). The total number of share options available for grant under the Share Option Scheme at 1 April 2023 and 30 September 2023 were 25,047,264 Shares and 25,047,264 Shares, respectively, both representing approximately 8.34% of the total number of Shares in issue as at the date of this interim report.

Given that no share option has been granted under the Share Option Scheme during the six months ended 30 September 2023, it is not applicable for the Company to set out the number of Shares that may be issued in respect of the share options granted under such scheme during the six months ended 30 September 2023 divided by the weighted average number of Shares of the relevant class in issue for the six months ended 30 September 2023.

## OTHER INFORMATION *(Continued)*

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 September 2023.

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

Change in Director's information since the date of the 2023 annual report of the Company up to the date of this interim report is set out below:

- At the 2023 AGM (as defined below) held on 30 August 2023, each of Ms. Wang Jie ("**Ms. Wang**"), the then executive Director, and Mr. Wang Chen ("**Mr. Wang**"), the then independent non-executive Director, did not offer themselves for re-election in order to devote more time to their respective personal businesses, and accordingly, has retired as executive Director and independent non-executive Director, respectively, upon the conclusion of the 2023 AGM.

Mr. Wang has also ceased to be each of the member of the audit committee and the remuneration committee of the Company, and the member and chairperson of the nomination committee of the Company upon his retirement.

Upon the retirement of Mr. Wang, Mr. Cheng Nicholas Tat Hei, the independent non-executive Director, succeeded Mr. Wang as the member of the audit committee and the remuneration committee of the Company, and the member and chairperson of the nomination committee of the Company with effect from 30 August 2023.

- Mr. Chong Alex Tin Yam resigned as the executive Director and the co-chief executive officer of the Company with effect from 31 October 2023 due to his personal commitment on other business engagements. Following the resignation of Mr. Chong, Mr. Han Weining, the executive Director, remained and acted as the chief executive officer of the Company.
- Mr. Wong Hoi Lok resigned as the non-executive Director with effect from 29 November 2023 due to his personal commitment on other business engagements.



## OTHER INFORMATION *(Continued)*

### 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 six months ended 30 September 2023 apart from code provisions C.2 and F.2.2 as disclosed below.

#### Code provisions under C.2 of the CG Code

Under code provision C.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 co-chief executive officers 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 C.2 of the CG Code during the six months ended 30 September 2023.

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 from time to time identifying the suitable candidates who possess suitable leadership, knowledge, skills and experience to fill the vacancy of chairman of the Board.

#### Code provision F.2.2 of the CG Code

Under code provision F.2.2 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 30 August 2023 (the “**2023 AGM**”), Mr. Han Weining, being the executive Director and co-chief executive officer of the Company on the date of the 2023 AGM, was appointed as the chairman of the 2023 AGM to answer and address questions raised by the Shareholders at the 2023 AGM.

## OTHER INFORMATION *(Continued)*

The Directors believed that Mr. Han Weining, as the co-chief executive officer of the Company and the executive Director on the date of the 2023 AGM, 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 2023 AGM in the absence of the chairman of the Board.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 September 2023.

### 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), Ms. Li Mingqi and Mr. Cheng Nicholas Tat Hei. 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2023 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

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

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the publicly available information and to the best of the Directors' knowledge, information and belief as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the six months ended 30 September 2023 and up to the date of this report.

On Behalf of the Board

**Synertone Communication Corporation**

**Han Weining**

*Executive Director and Chief Executive Officer*

Hong Kong, 30 November 2023