SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2025

The board (the "**Board**") of directors (the "**Directors**") of Synertone Communication Corporation (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated results of the Group for the year ended 31 March 2025 together with the comparative figures for the corresponding period in 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2025

	Notes	**2025** **HK$'000**	2024 *HK$'000*
Revenue	*4*	**116,933**	62,581
Cost of sales		**(101,024)**	(37,824)
Gross profit		**15,909**	24,757
Other income	*5*	**2,459**	2,238
Other gains, net	*5*	**12**	4,806
Selling and distribution expenses		**(226)**	(1,401)
Administrative and other operating expenses		**(36,006)**	(27,498)
Impairment of non-financial asset		**–**	(4,721)
Research and development expenditure		**(3,929)**	(2,588)
Allowance for expected credit loss, net		**(2,470)**	(7,476)
Fair value loss on financial assets at fair value through profit or loss ("**FVTPL**")		**(9,209)**	–
Loss from operations		**(33,460)**	(11,883)
Finance costs	*6(a)*	**(2,354)**	(3,310)
Share of results of an associate		**–**	(2,559)
Loss before tax	*6*	**(35,814)**	(17,752)
Income tax expense	*7*	**(17)**	(16)
Loss for the year		**(35,831)**	(17,768)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5,289)**	216
Reclassification of cumulative translation reserve upon disposal of a foreign operation		**–**	(325)
Other comprehensive expense for the year, net of tax		**(5,289)**	(109)
Total comprehensive expense for the year		**(41,120)**	(17,877)

	Note	**2025** **HK$'000**	2024 *HK$'000*
(Loss) profit for the year attributable to:			
Owners of the Company		**(32,488)**	(17,840)
Non-controlling interests		**(3,343)**	72
		(35,831)	(17,768)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(37,806)**	(17,951)
Non-controlling interests		**(3,314)**	74
		(41,120)	(17,877)
		HK cents	*HK cents*
Loss per share			
– Basic and diluted	*9*	**(8.2)**	(6.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Non-current assets			
Property, plant and equipment		**20,044**	22,036
Right-of-use assets		**7,492**	7,482
Goodwill		**21,911**	22,172
Financial asset at FVTPL		**24,656**	33,865
		74,103	85,555
Current assets			
Inventories		**44,420**	45,817
Trade and other receivables	*10*	**74,618**	40,850
Amount due from a former associate		**17,273**	17,500
Cash and cash equivalents		**11,030**	33,373
		147,341	137,540
Current liabilities			
Trade and other payables	*11*	**55,473**	45,646
Contract liabilities		**14,394**	10,053
Bank borrowings		**43,030**	50,650
Lease liabilities		**831**	535
		113,728	106,884
Net current assets		**33,613**	30,656
Total assets less current liabilities		**107,716**	116,211
Net assets		**107,716**	116,211
Equity			
Share capital		**44,874**	36,031
Reserves		**63,118**	77,142
Equity attributable to owners of the Company		**107,992**	113,173
Non-controlling interests		**(276)**	3,038
Total equity		**107,716**	116,211

Notes:

1. GENERAL INFORMATION

Synertone Communication Corporation (the "**Company**") was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The addresses of the Company's registered office in the Cayman Islands and the principal place of business in Hong Kong are disclosed in the corporate information section to the annual report.

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 principal activities of the Company and its subsidiaries (the "**Group**") are principally engaged in (i) design, development and sales of automation control systems and solutions, (ii) design, research and development, manufacture and sales of intelligent systems and other related products including video intercom and surveillance systems for residential homes and buildings, (iii) rental and maintenance in relation to computer equipment and machines, information technology infrastructure and other related services and advanced technologies such as robots; and (iv) smartphone distribution business.

The principal operations of the Group are conducted in Hong Kong and the People's Republic of China (the "**PRC**"). Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on the Stock Exchange. These financial statements are presented in HK$, rounded to the nearest thousand except for per share data.

According to the register of substantial shareholders maintained by the Company as at 31 March 2025, Excel Time Investments Limited is the substantial corporate shareholder of the Company. The ultimate controlling party of Excel Time Investments Limited is Mr. Han Weining.

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group experienced a net loss of approximately HK$35,831,000 for the year ended 31 March 2025 and had bank borrowings of approximately HK$43,030,000 was default as at that date. Although there exists a material uncertainty relating to the above conditions that may cast significant doubt on the Group's ability to continue as a going concern, the Directors have reviewed the cash flow forecast prepared by the management covering 18 months from the end of the reporting period and been undertaking the following measures to improve the Group's liquidity and financial position:

(i) The Group will continuously adopt a monitoring process on the repayment status of trade receivables in order to seek to achieve timely collection and improve its operating cash flows and financial position;

(ii) The Group is taking measures to tighten cost controls over various costs and expenses and is adopting a more flexible procurement policy to control the purchase costs with the aim to attain gross profit and positive operating cash flow; and

(iii) The Group will reduce its debts by disposal of certain subsidiaries which are bearing the default bank borrowings. Subsequent to the year ended 31 March 2025, the Group has received an legally binding offer letter from a non-controlling shareholder of a non-wholly owned subsidiary in relation to the possible disposal. Upon acceptance by the Group, the directors of the Company expects the possible disposal to be finalised within three months from the date of acceptance of the offer letter. The default bank borrowings of HK$43,030,000 are expected to be fully discharged upon completion of the proposed disposal.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

New and amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 April 2024 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

Amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 21	Lack of Exchangeability[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosure[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Annual improvements to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective date not yet determined.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of the above new and amendments to HKFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 “Presentation of Financial Statements”. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of HKFRS 18 on the consolidated financial statements of the Group.

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 senior management of the Company, who have been identified as the Group’s chief operating decision makers for the purposes of resource allocation and performance assessment. During the year ended 31 March 2025, the Group has expanded into the smartphone distribution business and thus had presented 4 (2024: 3) reportable segments as following:

Building Intelligence:	Provision of video intercom system and security alarm solutions for residential complexes; smart home automation systems for new and existing households and other related products.
Control System:	Provision of automation hardware and software products, information systems platforms, as well as 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 other related services.
Smartphone distribution:	Distributor of Xiaomi-branded smartphones, ecosystem products and related equipment.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the Group's senior management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets, financial asset at FVTPL and amount due from a former 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 items not specifically attributed to an individual reportable segment, such as interest income, depreciation of property, plant and equipment and right-of-use assets, (reversal of) allowance for expected credit loss, net, fair value loss on financial asset at FVTPL, share of results of an associate and unallocated corporate expenses.

In addition to receiving segment information concerning Adjusted EBIT, the Group's senior management is provided with segment information concerning revenue (including inter-segment sales), interest income, finance costs, depreciation of property, plant and equipment and right-of-use assets, (reversal of) allowance for expected credit loss, net research and development expenditure, impairment of property, plant and equipment, share of results of an associate, fair value loss on financial asset at FVTPL and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's senior management for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2025 and 2024 is as follows:

	2025					
	Building intelligence	**Control system**	**Data centre**	**Smartphone distribution**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	1,553	29,499	12	85,869	–	116,933
Inter-segment revenue	718	1,052	–	–	–	1,770
Reportable segment revenue	2,271	30,551	12	85,869	–	118,703
Reportable segment (loss) profit (Adjusted EBIT)	(11,870)	8,657	(18)	(9,312)	–	(12,543)
Interest income	1	34	–	2	6	43
Finance costs	(2,271)	(9)	–	(74)	–	(2,354)
Depreciation of property, plant and equipment	(1,896)	(149)	–	–	–	(2,045)
Depreciation of right-of-use assets	(325)	(378)	–	(795)	–	(1,498)
(Allowance) reversal of allowance for expected credit loss, net	(7,260)	5,087	366	(19)	(644)	(2,470)
Fair value loss on financial assets at FVTPL	–	–	–	–	(9,209)	(9,209)
Research and development expenditure	(882)	(3,047)	–	–	–	(3,929)
Reportable segment assets	81,458	64,569	265	30,104	–	176,396
Addition to non-current segment assets						
– Property, plant and equipment	–	319	–	–	–	319
– Right-of-use assets	–	–	–	1,591	–	1,591
Reportable segment liabilities	78,716	16,669	175	1,883	–	97,443

	2024				
	Building intelligence *HK$'000*	**Control system** *HK$'000*	**Data centre** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	24,305	38,030	246	–	62,581
Inter-segment revenue	2,224	1,335	–	–	3,559
Reportable segment revenue	26,529	39,365	246	–	66,140
Reportable segment profit (loss) (Adjusted EBIT)	3,616	467	(11,711)	–	(7,628)
Interest income	12	21	–	17	50
Finance costs	(3,210)	(43)	(1)	(56)	(3,310)
Depreciation of property, plant and equipment	(1,941)	(210)	(1,005)	(1,325)	(4,481)
Depreciation of right-of-use assets	(568)	(493)	(95)	(1,703)	(2,859)
(Allowance) reversal of allowance for expected credit loss, net	(5,388)	(2,135)	(424)	471	(7,476)
Research and development expenditure	–	(2,588)	–	–	(2,588)
Impairment of property, plant and equipment	–	–	(4,721)	–	(4,721)
Share of results of an associate	–	–	–	(2,559)	(2,559)
Reportable segment assets	97,721	45,493	608	–	143,822
Addition to non-current segment assets					
– Property, plant and equipment	–	25	–	–	25
Reportable segment liabilities	78,519	12,384	370	–	91,273

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

	2025	2024
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**118,703**	66,140
Elimination of inter-segment revenue	**(1,770)**	(3,559)
Consolidated revenue	**116,933**	62,581
Loss		
Reportable segment loss	**(12,543)**	(7,628)
(Allowance) reversal of allowance for expected credit loss, net	**(644)**	471
Interest income	**43**	50
Finance costs	**(2,354)**	(3,310)
Fair value loss on financial assets at FVTPL	**(9,209)**	–
Share of results of an associate	**–**	(2,559)
Unallocated corporate expenses	**(11,107)**	(4,776)
Consolidated loss before tax	**(35,814)**	(17,752)
Assets		
Reportable segment assets	**176,396**	143,822
Amount due from a former associate	**17,273**	17,500
Financial asset at FVTPL	**24,656**	33,865
Unallocated corporate assets	**3,119**	27,908
Consolidated total assets	**221,444**	223,095
Liabilities		
Reportable segment liabilities	**97,443**	91,273
Unallocated corporate liabilities	**16,285**	15,611
Consolidated total liabilities	**113,728**	106,884

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets and goodwill. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of right-of-use assets and property, plant and equipment is based on the physical location of the asset under consideration. In the case of goodwill, it is based on the location of the operation to which they are allocated.

	Revenue from external customers		**Non-current assets**	
	2025	2024	**2025**	2024
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**78,924**	246	**–**	–
The PRC	**31,052**	62,335	**49,447**	51,690
Overseas	**6,957**	–	**–**	–
	116,933	62,581	**49,447**	51,690

Note: Non-current assets exclude financial asset at FVTPL.

(d) Information about products and services

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

(e) Information about major customers

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

	2025	2024
	HK$'000	*HK$'000*
Smartphone distribution		
– Customer A	**75,465**	–
Control system		
– Customer B	**15,476**	N/A*
Building intelligence		
– Customer C	**N/A***	16,972
– Customer D	**N/A***	6,612

* Revenue from the customer is less than 10% of the total revenue of the Group.

4. REVENUE

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

	2025	2024
	HK$'000	*HK$'000*
Smartphone distribution	**85,869**	–
Building intelligence	**1,553**	24,305
Control system	**29,499**	38,030
Total revenue from contract with customers	**116,921**	62,335
Rental income under HKFRS 16	**12**	246
Total revenue	**116,933**	62,581

Revenue from smartphone distribution, 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 over time when the service provided.

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

5. OTHER INCOME AND OTHER GAINS, NET

	2025	2024
	HK$'000	*HK$'000*
Other income		
Interest income on bank deposits	**43**	50
Government grants *(note a)*	**479**	–
Value-added taxes refund *(note b)*	**767**	546
Sundry income	**1,170**	1,642
	2,459	2,238
Other gains, net		
Net exchange gain	**12**	292
Loss on disposal of property, plant and equipment	**–**	(28)
Reversal of written down on inventory	**–**	39
Gain on disposal of subsidiaries	**–**	3,044
Gain on disposal of an associate	**–**	1,459
	12	4,806
	2,471	7,044

Notes:

(a) These government grants are unconditional government subsidies received by the Group from relevant government authorities in respect of incentive to "hi-tech enterprise", with an amount of approximately HK$479,000 during the year ended 31 March 2025.

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

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

(a) Finance costs

	2025	2024
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**2,268**	3,200
Finance charges on lease liabilities	**86**	110
	2,354	3,310

(b) Staff costs (including Directors' emoluments)

	2025	2024
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**17,916**	16,282
Contributions to defined contribution retirement plans	**1,764**	2,159
Share-based payment expenses	**4,871**	–
	24,551	18,441

(c) Other items

	2025	2024
	HK$'000	*HK$'000*
Auditor's remuneration	**640**	700
Cost of inventories recognised as expenses	**101,024**	37,824
Depreciation of property, plant and equipment	**2,045**	4,481
Depreciation of right-of-use assets	**1,498**	2,859
Allowance for expected credit loss, net		
– Trade receivables	**1,148**	7,959
– Other receivables	**694**	(18)
– Amount due from a former associate	**628**	(465)
Impairment of non-financial asset:		
– Property, plant and equipment	**–**	4,721
Expenses relating to short-term lease	**360**	12
Research and development expenditure	**3,929**	2,588

7. INCOME TAX EXPENSES

	2025	2024
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**6**	16
Under-provision in respect of prior year		
PRC EIT	**11**	–
Income tax expense	**17**	16

8. DIVIDENDS

No dividend was paid or proposed for shareholders of the Company during each of the years ended 31 March 2025 and 2024, nor has any dividend been proposed since the end of each reporting period.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$32,488,000 (2024: approximately HK$17,840,000) and the weighted average number of ordinary shares of the Company in issue during the year:

	2025	2024
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**394,044**	295,722

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

Potential ordinary shares from the assumed exercise of share options have not been included in the calculation of diluted losses per share because they are anti-dilutive for the years ended 31 March 2025. No diluted loss per share is presented as there was no potential diluted ordinary shares in issue for the year ended 31 March 2024. Therefore, diluted loss per share was the same as the basic loss per share for the years ended 31 March 2025 and 2024.

10. TRADE AND OTHER RECEIVABLES

	2025	2024
	HK$'000	*HK$'000*
Trade receivables *(notes (a) and (b))*	**53,458**	48,546
Less: Loss allowance	**(22,643)**	(26,194)
	30,815	22,352
Loan receivables	**–**	–
Other receivables	**27,743**	24,529
Prepaid value-added and other taxes	**49**	67
Deposits and prepayments	**33,603**	13,818
Less: Loss allowance	**(17,592)**	(19,916)
	43,803	18,498
	74,618	40,850

Notes:

(a) For the year ended 31 March 2025, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2024: 30 to 180 days). A longer credit period of 181 to 365 days (2024: 181 to 365 days) may be extended to customers with long term business relationship, established reputation and good repayment history. The credit terms of each customer of the Group are determined by the Group's sales team and are subject to review and approval by the Group's management based on the customers payment history, financial background, transaction volume and length of business relationship with the Group.

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

	2025	2024
	HK$'000	*HK$'000*
Not yet past due	**12,227**	28,707
1-60 days	**2,327**	2,258
61-90 days	**2,734**	1,874
91-180 days	**2,362**	340
181-365 days	**12,493**	6,511
Over 365 days	**21,315**	8,856
	53,458	48,546
Less: Loss allowance	**(22,643)**	(26,194)
	30,815	22,352

11. TRADE AND OTHER PAYABLES

	2025	2024
	HK$'000	*HK$'000*
Trade payables	**11,298**	13,814
Accrued salaries	**3,394**	3,492
Accrued expenses	**2,405**	3,347
Other payables	**37,911**	24,454
Deposit received	**3**	3
Financial liabilities measured at amortised cost	**55,011**	45,110
Other tax payables	**462**	536
	55,473	45,646

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

	2025	2024
	HK$'000	*HK$'000*
0-60 days	**770**	4,424
61-90 days	**599**	197
91-180 days	**440**	254
181-365 days	**4,551**	449
Over 365 days	**4,938**	8,490
	11,298	13,814

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 Jiaxing City, Zhejiang province of China and has established offices and sales network across major cities in China, including Beijing, Shanghai, Changsha and Hangzhou. Besides, in July 2024, the Group launched its smartphone distribution business, with the primary objective of serving as a distributor of Xiaomi-branded smartphones, ecosystem products and related equipment. This new venture leverages the Group's established sales network and market expertise to expand its presence in the consumer electronics market, aligning with its commitment to innovation and diversification.

During the financial year ended 31 March 2025 ("**FY2025**" or the "**Current Year**"), 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 and other related products including video intercom and surveillance systems for residential homes and buildings, (iii) rental and maintenance services in relation to computer equipment and machines, information technology infrastructure and other related services and (iv) smartphone distribution business.

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.

The external revenue recorded by the Group's control system segment decreased to HK$29.5 million for FY2025 (2024: HK$38.0 million). The segment profit of HK$8.7 million was recorded by the control system segment for FY2025 as compared to a segment profit of HK$0.5 million for the year ended 31 March 2024 ("**FY2024**" or the "**Prior Year**") mainly due to reversal of allowance for expected credit loss.

Building intelligence operations

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

The sales operation of the Group's "MOX" brand video intercom and surveillance system products decreased significantly from revenue at HK$24.3 million for the Prior Year to HK$1.6 million for the Current Year. The Group's building intelligence segment recorded a segment loss of HK$11.9 million for the Current Year as compared to a segment profit of HK$3.6 million for the Prior Year. Such change was mainly due to significant sales decreased due to weak consumer spendings for building intelligence and cost pressure in operation.

Data centre operations

In 2022, the Group developed and commenced its new data centre business in the provision of rental and maintenance services to customers in relation to computer equipment and machines, information technology infrastructure and other related services. The launch of the new business by the Group was for the purpose of better utilisation of the Group's financial resources and improving the Group's financial position and performance under the unfavourable business environment.

The revenue from data centre operations decreased from HK$0.2 million for the FY2024 to HK$12,000 for FY2025. Accordingly, the Group's data centre operations recorded segment loss of HK$18,000 (2024: loss of HK$11.7 million) for the Current Year. The significant decrease in segment loss was primarily attributable to a strategic reallocation of resources. The Group shifted its focus from the data center business, which faced persistent market challenges towards the more resilient and promising smartphone distribution business. This pivot mitigated the financial impact of the data centre segment's underperformance, resulting in a substantially lower segment loss for the FY2025.

Smartphone distribution business

The Group commenced its new smartphone distribution business in July 2024. The primary objective of the Group is to serve as a distributor of Xiaomi-branded smartphones, ecosystem products and related equipment (the "**Products**"). The Group typically procures the Products from an authorised distributor and sells the Products directly to wholesalers.

The revenue from the sales of the Products were HK$85.9 million. The Group's smartphone distribution business recorded segment loss of HK$9.3 million for the Current Year. As this is a newly established business, it has yet to achieve operational synergies and faces intense competition from established market players, which has impacted on its profitability in the initial phase.

Business prospects on the Group's principal operations

The Group faced significant challenges in FY2025 due to persistent economic headwinds in China, including high inflation, elevated interest rates, and ongoing Sino-US tensions, which dampened consumer demand and business investment. These factors created a tough operating environment, impacting the Group's overall performance.

The building intelligence operations, centered on the "MOX" brand at the Jiaxing Science City base, struggled to maintain momentum amid the prolonged downturn of the property sector. While opportunities exist in 5G, IoT, and smart home technologies, the weak consumer spending and cautious market sentiment limited growth, with revenue falling short of the Prior Year. The control system operations, serving industries like steel and public utilities, remain stable, but also faced challenges, with declining revenues reflecting weaker demand and increased competition. The smartphone distribution business, launched in July 2024 to distribute Xiaomi-branded products, struggled to gain traction in a crowded market. Although the strategic reallocation of resources from data centre operation profitability remained elusive due to intense competition and initial operational hurdles.

Despite these challenges, the Group remains committed to leveraging its technical expertise, established sales network with brand recognition of MOX that is trademarked internationally, and especially the manufacturing capabilities to pursue new opportunities. The building intelligence business was originated in Australia and relocated to China, and due to the geopolitical tensions, and particularly the recent United State tariffs, it is now viable to relocate the manufacturing back to Australia, enable sales into markets wary of Chinese products as security risks, while avoiding tariff-related costs. Based on this change in the manufacturing landscape, the Group is actively pursuing this opportunity.

The launch of the smartphone distribution business in FY2025 exemplifies the Group's proactive approach to diversifying revenue streams. By maintaining strict cost control and exploring high-potential sectors such as 5G and IoT, the Group aims to navigate the adverse economic cycle and position itself for recovery and growth in the coming years. The Group will continue exploring other business activities in ICT, to strengthen its operations and deliver values to the shareholders of the Company ("**Shareholders**").

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.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately HK$116.9 million for the Current Year, representing significantly increase of approximately HK$54.3 million or 87.0% as compared to the revenue of approximately HK$62.6 million for the Prior Year.

During the Current Year, the Group derived its revenue from the control system, the building intelligence, data centre business and the smartphone distribution business. The following table sets forth a breakdown of revenue by business segments for the years presented:

	2025		2024	
	HK$'000	***%***	*HK$'000*	*%*
Control system	**29,499**	**25.2**	38,030	60.8
Building intelligence	**1,553**	**1.4**	24,305	38.8
Data centre	**12**	**–**	246	0.4
Smartphone distribution	**85,869**	**73.4**	–	–
	116,933	**100.0**	62,581	100.0

The Group's revenue significantly increased by approximately HK$54.3 million or 87.0% from approximately HK$62.6 million for the Prior Year to approximately HK$116.9 million for the Current Year. This substantial growth was primarily driven by the successful launch of our smartphone distribution business, which experienced increasing market demand.

Cost of sales

Cost of sales of the Group consists of costs of raw materials, labour costs and manufacturing overheads. It increased by approximately HK$63.2 million or 167.1% from approximately HK$37.8 million for FY2024 to approximately HK$101.0 million for FY2025, which is in line with the increase in sales and the launch of smartphone distribution business during the Current Year.

Gross profit and gross profit margin

The Group's gross profit for FY2025 was approximately HK$15.9 million, representing a decrease of approximately HK$8.9 million or 35.9% from approximately HK$24.8 million for FY2024. The gross profit margin for FY2025 also decreased to 13.6% as compared to 39.6% for FY2024, the decrease was mainly due to our new business segment in smartphone distribution which contributed a lower gross profit margin during the Current Year to gain market share.

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 Year slightly increased to approximately HK$2.5 million (2024: approximately HK$2.2 million) which mainly due to the increase in the government grants during the Current Year.

Other gains, net

The Group recorded other gains, net of approximately HK$12,000 (2024: approximately HK$4.8 million) for FY2025 mainly due to a one-off gain on disposal of subsidiaries and a gain on disposal of an associate of approximately HK$3.0 million and approximately HK$1.5 million respectively in Prior Year.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK$1.2 million or 85.7% from approximately HK$1.4 million for the Prior Year to approximately HK$0.2 million for the Current Year, which is in line with the decrease in sales from building intelligence segment for the Current Year.

Administrative and other operating expenses

The administrative and other operating expenses of the Group, which mainly represent the staff costs, depreciation of property, plant and equipment and right-of-use assets and legal and professional fees. It increased by approximately HK$8.5 million from approximately HK$27.5 million for FY2024 to approximately HK$36.0 million for FY2025, which was mainly due to the increase in staff costs and the share-based payment expenses in the Current Year.

Allowance for expected credit loss, net

During the Current Year, the Group recorded a net allowance for expected credit loss of approximately HK$2.5 million in relation to its trade receivables, other receivables and amount due from an associate, as compared to approximately HK$7.5 million for the Prior Year.

As at 31 March 2025, the Group's trade receivables amounted to approximately HK$53.5 million (2024: approximately HK$48.5 million) and other receivables amounted to approximately HK$27.7 million (2024: approximately HK$24.5 million), out of which amounts of approximately HK$22.6 million (2024: approximately HK$26.2 million) and approximately HK$17.6 million (2024: approximately HK$19.9 million) were considered impaired for each of the trade receivables and other receivables respectively. Apart from the specific full provision made according to the Group's individual assessment on long outstanding receivables as disclosed in the previous paragraph, the remaining receivables were assessed based on an expected credit loss model. For the purpose of assessment of expected credit loss, expected loss rates were estimated based on historical observed default rates over the expected life of the debtors and were adjusted for forward-looking information that was available without undue costs or effort.

Financial asset at FVTPL

The Company previously held 20% equity interests in an associate namely Iogo Workshop Investment Limited (together with its subsidiaries, the "**Iogo 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. In March 2024, the Group disposed of a 5% interest in Iogo Workshop Investment Limited to a third party for proceeds of RMB15 million and has accounted for the remaining 15% interest as financial asset at fair value through profit or loss. This transaction had resulted in the recognition of a gain on disposal of an associate of HK$1.5 million in FY2024 and fair value loss on financial asset at fair value through profit or loss of approximately HK$9.2 million in FY2025.

Finance costs

The finance costs of the Group was approximately HK$2.4 million for FY2025, mainly represent interest expense on bank borrowings. The decrease in finance costs of approximately HK$0.9 million or 27.3% from approximately HK$3.3 million for FY2024 was due to repayment of bank borrowings of the Group in the Current Year.

Loss for the year

The loss attributable to owners of the Company increased significantly by approximately HK$14.7 million or 82.6% from approximately HK$17.8 million for the Prior Year to approximately HK$32.5 million for the Current Year, which was mainly attributable to fair value loss of financial assets at fair value through profit or loss of approximately HK$9.2 million and share-based payment expenses of approximately HK$4.9 million.

Capital structure, liquidity and financial resources

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has been meeting its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by the Shareholders. In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings. As at 31 March 2025, the issued share capital of the Company was approximately HK$44.9 million (2024: HK$36.0 million), comprising 448,741,440 shares (the "**Shares**") of the Company (2024: 360,312,640 Shares) of nominal value of HK$0.10 each (2024: HK$0.10 each).

On 6 March 2024, the Company entered into another placing agreement (the "**2024 Placing Agreement**") with Open Securities Limited (the "**2024 Placing Agent**"), pursuant to which the Company conditionally agreed to place, through the 2024 Placing Agent on a best effort basis, up to 60,000,000 placing shares of the Company of nominal value of HK$0.10 each (the "**2024 Placing Share(s)**") at the price (the "**2024 Placing Price**") of HK$0.401 per 2024 Placing Share to independent placee(s) (the "**2024 Placing**"). The 2024 Placing Price represented a discount of approximately 17.32% to the closing price of HK$0.485 per Share as quoted on the Stock Exchange on 6 March 2024, being the date of the 2024 Placing Agreement. The Board considered that the 2024 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 high interest rate environment currently, and is in the interests of the Company and the Shareholders as a whole.

The completion of the 2024 Placing took place on 27 March 2024 and an aggregate of 60,000,000 2024 Placing Shares were issued and allotted by the Company to an not less than six independent placees who were corporate or individual investors for cash at the 2024 Placing Price of HK$0.401 per 2024 Placing Share, representing approximately 16.65% of the issued share capital of the Company as enlarged by the allotment and issue of the 2024 Placing Shares immediately upon completion of the 2024 Placing. The aggregate nominal value of the 2024 Placing Shares issued and allotted pursuant to the 2024 Placing was HK$24.1 million. The net proceeds from the 2024 Placing, after deduction of expenses related to the 2024 Placing, amounted to approximately HK$23.8 million, representing a net price of approximately HK$0.397 per 2024 Placing Share, which were intended to be used as the Group's general working capital and/or for future investments of the Group as and when the opportunities arise. As at 31 March 2025, the net proceeds from the 2024 Placing of approximately HK$23.8 million were fully utilised during the Current Year 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 6 March 2024 and 27 March 2024, respectively, with details as follows:

Description of use of proceeds	**Amount** *(in HK$ million)*
Staff salaries and pension contribution	4.3
Rental deposits, rental expenses and management fee	1.5
Professional and consultancy fees	1.3
Audit fee	0.8
Other general working capital of the Group	15.9
Total	23.8

On 5 November 2024, the Company entered into the subscription agreement (the "**2025 Subscription Agreement**") with the subscriber (the "**Subscriber**"), pursuant to which the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for a total of 74,176,000 subscription shares at a subscription price of HK$0.28 per subscription share (the "**Subscription**").

The completion of the Subscription (the "**Completion**") took place on 29 November 2024 in accordance with the terms of the 2025 Subscription Agreement. Upon the Completion, 74,176,000 subscription shares were allotted and issued by the Company to the Subscriber, who is an independent third party, at the Subscription Price of HK$0.28 per subscription share.

The net proceeds from the Subscription amount to approximately HK$20.7 million and will be allocated for the procurement of inventory for the smartphone distribution business and the Group's administrative working capital.

As at 31 March 2025, the net proceeds from the Subscription of approximately HK$20.7 million were fully utilised during the Current Year as intended for the procurement of inventory for the smartphone distribution business and the Group's administrative working capital as previously disclosed in the announcements of the Company dated 5 November 2024, 19 November 2024 and 29 November 2024, respectively, with details as follows:

Description of use of proceeds	**Amount** *(in HK$ million)*
Staff salaries and pension contribution	2.9
Rental expenses and management fee	0.4
Procurement of inventory	16.8
Other general working capital of the Group	0.6
Total	20.7

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2025 was approximately 1.3 (2024: approximately 1.3). Gearing ratio calculated by total borrowings (comprising bank borrowings and lease liabilities) net of cash and cash equivalents, over total equity as at 31 March 2025 was 30.5% (2024: 15%).

Bank borrowings

As at 31 March 2025, the Group had outstanding bank borrowings of approximately HK$43.0 million which were overdue (2024: approximately HK$50.7 million).

Pledge of assets

As at 31 March 2025, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK$25.8 million (2024: approximately HK$28.2 million) pledged against bank borrowings raised by the Group.

Contingent liabilities

As at 31 March 2025, the Group had no material contingent liabilities.

Major acquisition and disposal

The Group had no other major acquisition or disposal transactions during the year ended 31 March 2025.

Significant capital expenditure for the year

Save as disclosed elsewhere in this announcement, the Group had no significant capital expenditure commitments as at 31 March 2025.

Risk of foreign exchange fluctuations

Substantially all transactions of the Group are denominated in Renminbi ("**RMB**"), United States Dollar ("**USD**") and HK$ and most of the bank deposits are denominated in RMB, USD and HK$ to minimise foreign exchange exposure. Despite the fluctuation of the exchange rates of RMB and USD against HK$ during the Current Year, the Directors expect that any fluctuation of RMB and USDs' exchange rate will not have material adverse effect on the operation of the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 31 March 2025.

Employee and remuneration policy

As at 31 March 2025, the Group had 82 (2024: 73) employees. For the year ended 31 March 2025, the staff costs of the Group amounted to approximately HK$24.6 million, representing a increase of approximately HK$6.2 million or 33.7% as compared to approximately HK$18.4 million for the corresponding period last year, mainly due to the increase in number of the Group's employees and share-based payment expenses approximately HK$4.9 million for the Current Year.

The Group's employee remuneration policy is determined based on a number of factors such as individual performance, experience and prevailing industry practices. Compensation policies and packages of employees are being reviewed on an annual basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The emoluments of the Directors are reviewed at least annually and recommended by the remuneration committee of the Company (the "**Remuneration Committee**"), and decided by the Board, as authorised by the Shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics. As the Company's previous share option scheme lapsed upon its expiry on 22 March 2022, the Company adopted a new share option scheme on 2 September 2022 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 31 March 2025, 10,790,400 share options were outstanding under the share option schemes of the Company.

On 26 April 2024, the Company has granted a total of 25,043,200 share options under the share option scheme adopted by the Company on 30 August 2022 (the "**Share Option Scheme**") to the executive Director and certain employees of the Group who are contributing to the Group as their incentives and rewards, to subscribe, in aggregate, for up to 25,043,200 Shares, subject to acceptance of the Grantees.

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.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2025.

ANNUAL GENERAL MEETING

A notice convening the AGM of the Company will be published and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2025.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules. The Board considers that the Company was in compliance with all the applicable code provisions as set out in the CG Code during the year ended 31 March 2025 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 chief executive officer should be responsible for the day-to-day management of the Group's business. However, the position of the chairman of the Board has been vacant since 3 January 2020, and the position of chief executive officer has been vacant since 18 March 2025, and hence the Company did not comply with code provisions under C.2 of the CG Code during the year ended 31 March 2025.

Currently, the roles and functions of the chairman, including the coordination and communication of the Board, are performed collectively by the Board members themselves, and the roles and functions of the chief executive officer are performed collectively by the senior management team. 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 and the chief executive officer.

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 29 August 2024 (the "**2024 AGM**"), Mr. Han Weining, being the executive Director and chief executive officer of the Company on the date of the 2024 AGM, was appointed as the chairman of the 2024 AGM to answer and address questions raised by the Shareholders at the 2024 AGM.

The Directors believed that Mr. Han Weining, as the chief executive officer of the Company and the executive Director on the date of the 2024 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 2024 AGM in the absence of the chairman of the Board.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2025.

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 Ms. Li Mingqi (as committee chairperson), Mr. Xu Wei and Mr. Xu Dongsen. The principal duties of the Audit Committee are to review and monitor the Group's financial reporting system, and risk management and internal control systems.

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 March 2025 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

SCOPE OF WORK OF PRISM HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 March 2025 as set out in the preliminary announcement have been agreed by the Group's auditor, Prism Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Prism Hong Kong Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Prism Hong Kong Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.synertone.net). The annual report of the Company for the year ended 31 March 2025 will be despatched to the Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 30 June 2025

As at the date of this announcement, the executive Directors are Mr. Han Weining, Mr. You Yiyang and Mr. He Bianliu; the non-executive Director is Ms. Woodham Mostovaya Ekaterina; and the independent non-executive Directors are Ms. Li Mingqi, Mr. Xu Wei and Mr. Xu Dongsen.