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SYNERTONE

協同通信集團有限公司

Synertone Communication Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1613)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2024**

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 2024 together with the comparative figures for the corresponding period in 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

| | Notes | 2024 HK\$'000 | 2023 HK\$'000 |
|---|-------|-------------------------------|------------------------|
| Revenue | 4 | 62,581 | 60,538 |
| Cost of sales | | <u>(37,824)</u> | <u>(51,590)</u> |
| Gross profit | | <u>24,757</u> | <u>8,948</u> |
| Other income | 5 | 2,238 | 3,572 |
| Other gains, net | 5 | 4,806 | 1,800 |
| Selling and distribution expenses | | (1,401) | (2,206) |
| Administrative and other operating expenses | | (27,498) | (36,847) |
| Impairment of non-financial assets | | (4,721) | (821) |
| Research and development expenditure | | (2,588) | (4,221) |
| Allowance for expected credit loss, net | | <u>(7,476)</u> | <u>(7,261)</u> |
| Loss from operations | | (11,883) | (37,036) |
| Finance costs | 6(a) | (3,310) | (3,784) |
| Share of results of associates | | <u>(2,559)</u> | <u>(2,855)</u> |
| Loss before tax | 6 | (17,752) | (43,675) |
| Income tax expense | 7 | <u>(16)</u> | <u>(4)</u> |
| Loss for the year | | (17,768) | (43,679) |
| Other comprehensive income/(loss) | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | 216 | (4,836) |
| Reclassification of cumulative translation reserve upon disposal of a foreign operation | | <u>(325)</u> | <u>–</u> |
| Other comprehensive income/(loss) for the year, net of tax | | <u>(109)</u> | <u>(4,836)</u> |
| Total comprehensive loss for the year | | <u><u>(17,877)</u></u> | <u><u>(48,515)</u></u> |

| | 2024 | 2023 |
|---|------------------------|------------------------|
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/income for the year attributable to: | | |
| Owners of the Company | (17,840) | (40,971) |
| Non-controlling interests | <u>72</u> | <u>(2,708)</u> |
| | <u>(17,768)</u> | <u>(43,679)</u> |
| Total comprehensive (loss)/income attributable to: | | |
| Owners of the Company | (17,951) | (45,216) |
| Non-controlling interests | <u>74</u> | <u>(3,299)</u> |
| | <u>(17,877)</u> | <u>(48,515)</u> |
| | <i>HK cents</i> | <i>HK cents</i> |
| Loss per share | | |
| – Basic and diluted | 9 | |
| | <u>(6.0)</u> | <u>(16.05)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

| | Notes | 2024 HK\$'000 | 2023 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 22,036 | 32,283 |
| Right-of-use assets | | 7,482 | 12,828 |
| Goodwill | | 22,172 | 23,375 |
| Interests in associates | | – | 51,592 |
| Financial asset at fair value through profit or loss | | 33,865 | – |
| Deposits and prepayments | 10 | – | 377 |
| | | <u>85,555</u> | <u>120,455</u> |
| Current assets | | | |
| Inventories | | 45,817 | 48,462 |
| Trade and other receivables | 10 | 40,850 | 39,475 |
| Amount due from a former associate | | 17,500 | 15,286 |
| Cash and cash equivalents | | 33,373 | 2,345 |
| | | <u>137,540</u> | <u>105,568</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 45,646 | 57,212 |
| Contract liabilities | | 10,053 | 32,222 |
| Bank borrowings | | 50,650 | 62,753 |
| Lease liabilities | | 535 | 3,826 |
| | | <u>106,884</u> | <u>156,013</u> |
| Net current assets/(liabilities) | | <u>30,656</u> | <u>(50,445)</u> |
| Total assets less current liabilities | | <u>116,211</u> | <u>70,010</u> |

| | <i>Notes</i> | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|--------------|---------------------------------------|-------------------------|
| Non-current liabilities | | | |
| Lease liabilities | | — | 1,641 |
| Net assets | | <u>116,211</u> | <u>68,369</u> |
| Equity | | | |
| Share capital | | 36,031 | 26,031 |
| Reserves | | <u>77,142</u> | <u>43,095</u> |
| Equity attributable to owners of the Company | | 113,173 | 69,126 |
| Non-controlling interests | | <u>3,038</u> | <u>(757)</u> |
| Total equity | | <u>116,211</u> | <u>68,369</u> |

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, and (iii) the rental, maintenance, other related services in relation to computer equipment and machines, information technology infrastructure, and advanced technologies such as robots.

The principal operations of the Group are conducted in the People’s Republic of China (the “**PRC**”). Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company. 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 2024, 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 HKFRSs issued by the 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 of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 April 2023 for the preparation of the consolidated financial statements:

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform—Pillar Two Model Rules |

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

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs 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 ¹ |
| Amendments to HKAS 21 | Lack of Exchangeability ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current ³ and Related Amendments to Hong Kong Interpretation 5 (2020) ³ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ³ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ³ |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements ³ |

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2024.

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

3. SEGMENT REPORTING

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

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

| | |
|------------------------|--|
| 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 platform and robot and other related services. |

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets, interests in associates, financial asset of fair value through profit or loss 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, allowance for/(reversal of) expected credit loss, net, and share of results of associates and unallocated corporate expenses.

In addition to receiving segment information concerning Adjusted EBIT, the Group's chief executive officer is provided with segment information concerning revenue (including inter-segment sales), interest income, finance costs, depreciation of property, plant and equipment and right-of-use assets, allowance for /(reversal of) expected credit loss, net, written-off of property, plant and equipment, research and development expenditure, impairment of property, plant and equipment, share of results of associates and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purpose for resource allocation and assessment of segment performance for the years ended 31 March 2024 and 2023 is as follows:

| | 2024 | | | | |
|--|---|--------------------------------------|-----------------------------------|--------------------------------|--------------------------|
| | Building intelligence <i>HK\$'000</i> | Control system <i>HK\$'000</i> | Data centre <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Revenue from external customers | 24,305 | 38,030 | 246 | – | 62,581 |
| Inter-segment revenue | <u>2,224</u> | <u>1,335</u> | <u>–</u> | <u>–</u> | <u>3,559</u> |
| Reportable segment revenue | <u><u>26,529</u></u> | <u><u>39,365</u></u> | <u><u>246</u></u> | <u><u>–</u></u> | <u><u>66,140</u></u> |
| 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 for/(reversal of) 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 associates | <u>–</u> | <u>–</u> | <u>–</u> | <u>(2,559)</u> | <u>(2,559)</u> |
| Reportable segment assets | <u><u>97,721</u></u> | <u><u>45,493</u></u> | <u><u>608</u></u> | <u><u>–</u></u> | <u><u>143,822</u></u> |
| Addition to non-current segment assets | | | | | |
| – Property, plant and equipment | <u>–</u> | <u>25</u> | <u>–</u> | <u>–</u> | <u>25</u> |
| Reportable segment liabilities | <u><u>78,519</u></u> | <u><u>12,384</u></u> | <u><u>370</u></u> | <u><u>–</u></u> | <u><u>91,273</u></u> |

| | 2023 | | | | |
|--|---|--------------------------------------|-----------------------------------|--------------------------------|--------------------------|
| | Building intelligence <i>HK\$'000</i> | Control system <i>HK\$'000</i> | Data centre <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Revenue from external customers | 25,766 | 33,977 | 795 | – | 60,538 |
| Inter-segment revenue | <u>1,703</u> | <u>1,342</u> | <u>–</u> | <u>–</u> | <u>3,045</u> |
| Reportable segment revenue | <u><u>27,469</u></u> | <u><u>35,319</u></u> | <u><u>795</u></u> | <u><u>–</u></u> | <u><u>63,583</u></u> |
| Reportable segment loss (Adjusted EBIT) | (13,734) | (2,384) | (3,516) | – | (19,634) |
| Interest income | 1 | 12 | – | 177 | 190 |
| Finance costs | (3,499) | (69) | (28) | (188) | (3,784) |
| Depreciation of property, plant and equipment | (2,119) | (225) | (2,007) | (321) | (4,672) |
| Depreciation of right-of-use assets | (581) | (507) | (572) | (4,508) | (6,168) |
| Allowance for expected credit loss, net | (4,257) | (1,248) | (594) | (1,162) | (7,261) |
| Research and development expenditure | (1,903) | (2,318) | – | – | (4,221) |
| Written-off of property, plant and equipment | (300) | – | – | – | (300) |
| Impairment of property, plant and equipment | (821) | – | – | – | (821) |
| Share of results of associates | <u>–</u> | <u>–</u> | <u>–</u> | <u>(2,855)</u> | <u>(2,855)</u> |
| Reportable segment assets | 90,625 | 53,164 | 6,891 | – | 150,680 |
| Interests in associates | <u>–</u> | <u>–</u> | <u>–</u> | <u>51,592</u> | <u>51,592</u> |
| Addition to non-current segment assets | | | | | |
| – Property, plant and equipment | – | 18 | 205 | – | 223 |
| – Right-of-use assets | <u>–</u> | <u>557</u> | <u>2,140</u> | <u>–</u> | <u>2,697</u> |
| Reportable segment liabilities | <u><u>117,461</u></u> | <u><u>20,018</u></u> | <u><u>175</u></u> | <u><u>–</u></u> | <u><u>137,654</u></u> |

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Revenue | | |
| Reportable segment revenue | 66,140 | 63,583 |
| Elimination of inter-segment revenue | <u>(3,559)</u> | <u>(3,045)</u> |
| Consolidated revenue | <u><u>62,581</u></u> | <u><u>60,538</u></u> |
| Loss | | |
| Reportable segment loss | (7,628) | (19,634) |
| Reversal of/(allowance for) expected credit loss, net | 471 | (1,162) |
| Interest income | 50 | 190 |
| Finance costs | (3,310) | (3,784) |
| Share of results of associates | (2,559) | (2,855) |
| Unallocated corporate expenses | <u>(4,776)</u> | <u>(16,430)</u> |
| Consolidated loss before tax | <u><u>(17,752)</u></u> | <u><u>(43,675)</u></u> |
| Assets | | |
| Reportable segment assets | 143,822 | 150,680 |
| Interests in associates | – | 51,592 |
| Amount due from a former associate | 17,500 | 15,286 |
| Financial asset at fair value through profit a loss | 33,865 | – |
| Unallocated corporate assets | <u>27,908</u> | <u>8,465</u> |
| Consolidated total assets | <u><u>223,095</u></u> | <u><u>226,023</u></u> |
| Liabilities | | |
| Reportable segment liabilities | 91,273 | 137,654 |
| Unallocated corporate liabilities | <u>15,611</u> | <u>20,000</u> |
| Consolidated total liabilities | <u><u>106,884</u></u> | <u><u>157,654</u></u> |

(c) **Geographical information**

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

| | Revenue from external customers | | Non-current assets | |
|-------------------------------|------------------------------------|------------------|--------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 | 2024 HK\$'000 | 2023 HK\$'000 |
| Hong Kong (place of domicile) | 246 | 795 | – | 11,172 |
| The PRC | 62,335 | 59,557 | 51,690 | 109,283 |
| Overseas | – | 186 | – | – |
| | <u>62,581</u> | <u>60,538</u> | <u>51,690</u> | <u>120,455</u> |

Note: Non-current assets exclude financial asset at fair value through profit or loss.

(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:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|-----------------------|------------------|------------------|
| Building intelligence | | |
| – Customer A | 16,972 | N/A* |
| – Customer B | <u>6,612</u> | <u>N/A*</u> |

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

For the year ended 31 March 2024, no single customer contributed 10% or more to the Group's revenue.

4. REVENUE

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

| | 2024 | 2023 |
|--|------------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Building intelligence | 24,305 | 25,766 |
| Control system | 38,030 | 33,977 |
| Data centre | – | 371 |
| | <hr/> | <hr/> |
| Total revenue from contract with customers | 62,335 | 60,114 |
| Add: | | |
| Rental income under HKFRS 16 | 246 | 424 |
| | <hr/> | <hr/> |
| Total revenue | <u>62,581</u> | <u>60,538</u> |

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 from contracts with customers by geographic markets is disclosed in note 3.

5. OTHER INCOME AND OTHER GAINS, NET

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Other income | | |
| Interest income on bank deposits (<i>note a</i>) | 50 | 13 |
| Interest income on loan receivables (<i>note a</i>) | – | 177 |
| Government grants (<i>note b</i>) | – | 1,302 |
| Value-added taxes refund (<i>note c</i>) | 546 | 350 |
| Sundry income | <u>1,642</u> | <u>1,730</u> |
| | <u>2,238</u> | <u>3,572</u> |
| Other gains, net | | |
| Net exchange gain | 292 | 49 |
| (Loss)/gain on disposal of property, plant and equipment | (28) | 1,751 |
| Reversal of written down on inventory | 39 | – |
| Gain on disposal of subsidiaries | 3,044 | – |
| Gain on disposal of an associate | <u>1,459</u> | <u>–</u> |
| | <u>4,806</u> | <u>1,800</u> |
| | <u><u>7,044</u></u> | <u><u>5,372</u></u> |

Notes:

- (a) Interest income from bank deposits and loan receivables represented the total interest income on financial assets not at FVTPL.
- (b) These government grants are unconditional government subsidies received by the Group from relevant government bodies in respect of incentive to “hi-tech enterprise”, with an amount of approximately HK\$1,126,000 and Employment Support Scheme provided by the Hong Kong Government with an amount of approximately HK\$176,000 for the year ended 31 March 2023.
- (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 the following:

(a) Finance costs

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Interest expense on bank borrowings | 3,200 | 3,467 |
| Finance charges on lease liabilities | <u>110</u> | <u>317</u> |
| | <u><u>3,310</u></u> | <u><u>3,784</u></u> |

(b) Staff costs (including Directors' emoluments)

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Salaries, wages and other benefits | 16,282 | 17,303 |
| Contributions to defined contribution retirement plans | <u>2,159</u> | <u>2,325</u> |
| | <u><u>18,441</u></u> | <u><u>19,628</u></u> |

(c) Other items

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Auditor's remuneration | 700 | 700 |
| Cost of inventories recognised as expenses | 37,824 | 50,893 |
| Depreciation of property, plant and equipment | 4,481 | 4,672 |
| Depreciation of right-of-use assets | 2,859 | 6,168 |
| Allowance for expected credit loss, net: | | |
| – Trade receivables | 7,959 | 6,255 |
| – Loan and other receivables | (18) | 510 |
| – Amount due from an associate | (465) | 496 |
| Written-off of property, plant and equipment | – | 300 |
| Impairment of non-financial assets: | | |
| – Property, plant and equipment | 4,721 | 821 |
| Expenses relating to short term lease | 12 | 150 |
| Research and development expenditure (<i>note (i)</i>) | <u><u>2,588</u></u> | <u><u>4,221</u></u> |

Note:

- (i) Research and development expenditure for the year ended 31 March 2024 included HK\$1,814,000 (2023: HK\$2,349,000) relating to staff costs to which the amounts were also included in the respective total amounts disclosed separately in note 6(b).

7. INCOME TAX

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax | | |
| PRC Enterprise Income Tax (“EIT”) | 16 | – |
| Under-provision in respect of prior year | | |
| PRC EIT | <u>–</u> | <u>4</u> |
| Income tax expense | <u><u>16</u></u> | <u><u>4</u></u> |

8. DIVIDENDS

No dividend was paid or proposed for shareholders of the Company during each of the years ended 31 March 2024 and 2023, nor has any dividend been proposed since the end of the each reporting period.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$17,840,000 (2023: approximately HK\$40,971,000) and the weighted average number of ordinary shares of the Company in issue during the year:

| | 2024 <i>'000</i> | 2023 <i>'000</i> |
|---|-----------------------|-----------------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u><u>295,722</u></u> | <u><u>255,325</u></u> |

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

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

10. TRADE AND OTHER RECEIVABLES

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables (<i>notes (a) and (b)</i>) | 48,546 | 47,407 |
| Less: Loss allowance | <u>(26,194)</u> | <u>(23,605)</u> |
| | <u>22,352</u> | <u>23,802</u> |
| Bill receivables | – | 154 |
| Loan receivables | – | 21,318 |
| Other receivables | 24,529 | 23,596 |
| Prepaid value-added and other taxes | 67 | 118 |
| Deposits and prepayments | 13,818 | 12,119 |
| Less: Loss allowance | <u>(19,916)</u> | <u>(41,255)</u> |
| | <u>18,498</u> | <u>16,050</u> |
| | <u>40,850</u> | <u>39,852</u> |
| Reconciliation to the consolidated statement of financial position: | | |
| Non-current | – | 377 |
| Current | <u>40,850</u> | <u>39,475</u> |
| | <u>40,850</u> | <u>39,852</u> |

Notes:

- (a) For the year ended 31 March 2024, purchases of the Group's products by its customers are in general made on credit with credit period of 30 to 180 days (2023: 30 to 180 days). A longer credit period of 181 to 365 days (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.

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Not yet past due | 28,707 | 20,694 |
| 1-60 days | 2,258 | 2,729 |
| 61-90 days | 1,874 | 1,962 |
| 91-180 days | 340 | 340 |
| 181-365 days | 6,511 | 1,811 |
| Over 365 days | <u>8,856</u> | <u>19,871</u> |
| | 48,546 | 47,407 |
| Less: Loss allowance | <u>(26,194)</u> | <u>(23,605)</u> |
| | <u><u>22,352</u></u> | <u><u>23,802</u></u> |

11. TRADE AND OTHER PAYABLES

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade payables | 13,814 | 18,186 |
| Accrued salaries | 3,492 | 3,213 |
| Accrued expenses | 3,347 | 3,723 |
| Other payables | 24,454 | 26,923 |
| Deposit received | <u>3</u> | <u>4,416</u> |
| Financial liabilities measured at amortised cost | 45,110 | 56,461 |
| Other tax payables | <u>536</u> | <u>751</u> |
| | <u><u>45,646</u></u> | <u><u>57,212</u></u> |

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0-60 days | 4,424 | 2,208 |
| 61-90 days | 197 | 8,692 |
| 91-180 days | 254 | 2,474 |
| 181-365 days | 449 | 1,244 |
| Over 365 days | <u>8,490</u> | <u>3,568</u> |
| | <u><u>13,814</u></u> | <u><u>18,186</u></u> |

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, the Group commenced its new data centre business in Hong Kong during the financial year ended 31 March 2022, which involves the rental and maintenance services for computer equipment and machines located in Hong Kong.

During the financial year ended 31 March 2024 (“**FY2024**” 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 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.

The external revenue recorded by the Group's control system segment increased to HK\$38.0 million for FY2024 (2023: HK\$34.0 million). Due to improvement in sales performance, the segment profit of HK\$0.5 million was recorded by the control system segment for FY2024 as compared to a segment loss of HK\$2.4 million for the year ended 31 March 2023 (“**FY2023**” or the “**Prior Year**”).

Building intelligence operations

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

During FY2024, the sales operation of the Group's "MOX" brand video intercom and surveillance system products remained stable with external revenue at HK\$25.8 million for the Prior Year and HK\$24.3 million for the Current Year. The Group's building intelligence segment recorded a segment gain of HK\$3.6 million for the Current Year as compared to a segment loss of HK\$13.7 million. Such change was mainly due to the improvement of gross profit as a result of more products with higher profit margin were sold during FY2024.

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 platform and robots 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 current unfavourable business environment.

During the Current Year, the revenue from the provision of rental and maintenance services of high-quality computer equipment and commercial service robots rental business were nil (2023: HK\$0.6 million) and HK\$0.2 million (2023: HK\$0.2 million) respectively. Accordingly, the Group's data centre operations recorded an overall revenue of HK\$0.2 million (2023: HK\$0.8 million) and segment loss of HK\$11.7 million (2023: loss of HK\$3.5 million) for the Current Year. The increase in segment loss was mainly due to the impairment of property, plant and equipment of HK\$4.7 million was recorded during FY2024.

Investment in associate engaging in the charging station leasing operations

In June 2020, the Company acquired 20% equity interests in an associate namely Iogo Workshop Investment Limited (together with its subsidiaries, the "**Iogo Workshop Group**") at a consideration of HK\$56 million which, through its wholly-owned subsidiary 深圳市海豚共享科技有限公司 (literally translated as Shenzhen Dolphin Technology Company Limited), is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. As at 31 March 2023, the carrying value of Iogo Workshop Group in the Group's consolidated financial statements was approximately HK\$51.6 million, representing approximately 22.8% of the Group's total assets value.

In the Prior Year, the Group held a 20% interest in Iogo Workshop Investment Limited and accounted for the investment as an associate. The Group disposed of a 5% interest in Iogo Workshop Investment Limited to a third party for proceeds of RMB15 million in the current year. The Group has accounted for the remaining 15% interest as financial asset at fair value through profit or loss whose fair value at the date of disposal was HK\$33.9 million. This transaction has resulted in the recognition of a gain of HK\$1.5 million.

The loss recognised by the Group as sharing of results of its associates for the Current Year was HK\$2.6 million (2023: HK\$2.9 million).

Business prospects on the Group's principal operations

During the Current Year, the market conditions remain challenging, as inflation and high interest rates continued to weigh on consumer demand and business investment in China and consumers are more price-sensitive and cautious in making discretionary purchases. In addition, China was affected by the continued Sino-US tensions and as a result the recovery of the economic environment was weak and disappointing during the Current Year.

Under the rapidly growing markets in the 5G technology, internet-of-things and the internet home technology in China currently, the Board believes that it would secure a sustainable and stable demand for our building intelligence products in the China market and therefore our building intelligence operations will remain competitive in the future. Due to the effective cost saving approach during the Current Year, the Group's two major segments, namely business intelligence and control system, recorded segment gain during the Current Year as compared to segment loss in the previous years.

Given these volatilities and challenges, the Group will continue to adopt a prudent approach to exercise cost control and will make every endeavour to identify business opportunities with promising potential in the manufacturing segments or even other sectors so as to diversify the Group's income stream to tackle the adverse economic cycle. The Board believes that the growth of the Group will depend on business opportunities arising from 5G technology and related products.

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.

Money lending transactions of the Group

As at 31 March 2024, the Group had two outstanding loan receivables of nil net carrying amount with major terms as follows:

| Key terms of loan receivables | | | | | | Outstanding | Loss | Carrying |
|-------------------------------|---------------|-------------------------------------|---------------|-----------------------|--|----------------------------|-------------------------------|----------------------------|
| Borrowers | Date | Principal amount | Interest rate | Tenor | Collaterals | amount as at 31 March 2024 | allowance as at 31 March 2024 | amount as at 31 March 2024 |
| | | HK\$'000 | | | | HK\$'000 | HK\$'000 | HK\$'000 |
| Debtor 1 | 29 April 2020 | 13,000 | 8% per annum | One month | Mining inventory assets and personal guarantee | 10,087 (“Receivable 1”) | (10,087) | - |
| Debtor 2 | 22 May 2020 | 13,000 (revolving facility maximum) | Interest free | Repayable upon demand | Factory production equipment and machinery | 11,134 (“Receivable 2”) | (11,134) | - |
| | | | | | | 21,221 | (21,221) | - |

The loan transactions above were not in the ordinary course of business of the Group and all applicable size test percentage ratios under the Listing Rules were below 5%. The details of each of the borrowers, bases of impairment assessment on each of the loans, the reasons for granting of loans and how they met the Group’s business strategies are disclosed below.

For Debtor 1

Debtor 1, a business acquaintance of the Group and a party independent of the Company and its connected person, was a corporate which engaged in the trading business and investment and was an active face masks trader with customers overseas in early 2020. In 2020, the Group discussed possible cooperation on face masks trading with Debtor 1, during which the Group reviewed Debtor 1's business plan and forecast with regard to the possible cooperation. In about April 2020, Debtor 1 asked the Group for a short-term working capital fund for its face masks trading business. Considering the outbreak of COVID-19 was still happening in most parts of the world and face masks were in high demand due to mandatory requirement to wear face masks in many countries, and the possible cooperation opportunity on face mask trading, the Group granted a short-term bridging loan of one-month tenor of HK\$13 million to Debtor 1 on 29 April 2020 at an interest rate of 8% per annum. In view of the ongoing negotiation on potential cooperation, the loan had no collateral except a personal guarantee at the time of granting of loan. In July 2021, after the prolonged delay in repayment by Debtor 1, the Group further obtained inventory security over certain iron ore inventory located in Malaysia as additional collateral from Debtor 1. As at 31 March 2024, the outstanding amount including the accrued interest was approximately HK\$10.1 million.

Upon the management's individual assessment, having considered that (i) despite there were some repayments made of totally HK\$3 million so far, the Receivable 1 was past due and long outstanding without further significant repayment made, and (ii) the discussion and negotiation on the settlement arrangement with Debtor 1 were still in progress and no formal or legal binding settlement agreement was executed so far, accordingly, amid the uncertainty posed by the COVID-19 pandemic on the overall economic situation, the Group considered that it should adopt a more prudent and cautious approach by making specific provision for the full outstanding amount particularly for Debtor 1 of HK\$10.1 million as its full recoverability was in doubt. As at the date hereof, the Group is still in the ongoing process of discussing and negotiating with Debtor 1 for a mutually agreed repayment schedule with an aim to recover the outstanding receivable amounts.

For Debtor 2

Debtor 2, a business acquaintance of the Group and a party independent of the Company and its connected person, was a corporate which engaged in the manufacturing of face masks with a production line located in their factory in Tsuen Wan, Hong Kong. The Group was interested in investment in the face masks factory and production lines operated by Debtor 2 either by ways of direct investment or as joint venture. In about April 2020, due to the rapid expansion and further capital investment by Debtor 2 in the face masks production line, Debtor 2 asked the Group for a revolving loan facility for the purpose of working capital needs of the face mask factory only. Under the revolving loan arrangement, the granting of working capital advances would be subject to the Group's discretion and be made by instalments upon Debtor 2's request based on its actual expenditure and capital need. Should a solid investment plan between the Group and Debtor 2 materialize, it was anticipated that the loan advance would become part of the consideration for investment by the Group in the face mask factory. At the time during which COVID-19 was at peak and face masks was in high demand, the Group believed that such potential investment opportunity would be profitable to the Group, therefore, after checking the available bank balance of owner of Debtor 2, the Group granted to Debtor 2 the revolving facility with maximum limit of HK\$13 million on 22 May 2020.

As the face mask factory was still in its initial development and expansion stage and the revolving advances would be granted only by insignificant instalments on case-by-case basis, no collateral was obtained at the time of granting such facility as the initial loan amount was minimal. Also, there was no interest charged at the time of entering into the revolving loan facility as the Group was aiming to secure the potential investment opportunity and cooperation with Debtor 2 in the face mask manufacturing business. As the loan advance amount was getting larger, the Group subsequently requested Debtor 2 for asset security over its factory production equipment and machinery as collateral to protect the Group's interests. As at 31 March 2024, the outstanding amount of Receivable 2 was approximately HK\$11.1 million.

Upon the management's individual assessment, having considered that (i) the delay in repayment by Debtor 2 as per agreed repayment schedule upon Group's repayment demand, (ii) the total repayments made by Debtor 2 so far were not significant enough, and (iii) the discussion and negotiation on the settlement arrangement with Debtor 2 were still in progress and no formal or legal binding settlement agreement was executed so far, accordingly, amid the uncertainty posed by the COVID-19 pandemic on the overall economic situation, the Group considered that it should adopt a more prudent and cautious approach by making specific provision for the full outstanding amount particularly for Debtor 2 of HK\$11.1 million as its full recoverability was in doubt. As at the date hereof, the Group is still in the ongoing process of discussing and negotiating with Debtor 2 for a mutually agreed repayment schedule with an aim to recover the outstanding receivable amounts as soon as possible.

Internal control policy and credit worthiness assessments before granting of loans

In order to minimise the credit risks and default risks associated with loan and other receivables, the Company has maintained an internal control policy and conducted credit assessment before entering into the transactions, even though money lending is not the ordinary business of the Group.

When potential borrowers approach the Company for a request on loan financing, borrower identification procedures will take place where the Company would require information and documents from the potential borrowers, including copies of identity card or passport for individual borrowers; and for corporate borrowers, the corporate documents including, where applicable, the certificate of incorporation, business registration certificate, registers of members and directors, articles of association, certificate of incumbency and/or certificate of good standing.

Loan transactions are not in the ordinary course of business of the Company in general. The Company is not registered as a money lender and therefore, does not have access to the credit check system in Hong Kong. However, the Company did conduct credit assessment using information and resources available to it. The Group has maintained strict credit assessment procedures to verify the credit worthiness of the borrowers, such as obtaining bank and security statements, income proof, property proof, their audited financial statements and/or the latest management account (if applicable) and conducting different searches such as bankruptcy or winding up search, land search and litigation search to ascertain if the borrowers have any prior legal cases in the past, which may cast doubt on credit worthiness and repayment ability. Since each loan is different and unique, the Group does not have any specific quantitative conditions or criteria imposed for approving each loan. Approvals on application for loans are decided on a case-by-case basis.

The existing borrowers are business partners or business acquaintances of the Company. In view of that, the Company already has certain understanding of the creditability and financial situation of the borrowers. In respect of business partners, the Company would ask for and review their business plan, budget and/or forecast; and would only enter into the loan transactions if the Company believes that the business plan is solid. In respect of business acquaintances, the Company would ask for assets list of borrowers and/or previous business records of borrowers before entering into the loan transaction.

As with the credit assessment of borrowers, guarantors who provide personal/corporate guarantee in favour of a loan are also required to meet the same basic eligibility and approval criteria, and will be required to go through the same verification and approval procedures.

In determining the terms of the loans, the Company will take into consideration factors such as the credit risks of the borrowers, their recoverability, the prevalent market interest rates and potential business relationship and cooperation in terms of benefit to the Group as a whole. Typically, higher interest rates will be charged for unsecured loans to justify the higher credit risk. In order to lower the Company's risk exposure, the requirement of security, personal or corporate guarantee would be taken into account before the Company would grant a loan.

The Company did not usually obtain collaterals from the borrowers which are either business partners or business acquaintances which have connections or business dealings with the Company because at the time of entering into the loan transactions, the Company was of the view that continuing relationship and business dealings with the borrowers would be sufficient to secure repayment of the loans and in certain cases, the Company has obtained the personal guarantee from the borrower as collateral.

The Group will also perform size test and connected transaction test for each of the loan transactions in order to have each loan transaction complying with the applicable rules and regulations under the Listing Rules.

After credit assessment, size test and connected transaction test and review of the loan applications by the relevant teams, loan documents will be prepared and the loans will be recommended to the Director for final approval.

Apart from the loan approval procedures, the Group has also established internal control measures to control its credit risk and manage its credit operations, which include regular analysing and reviewing of the Group's loan portfolio and compliance matters and monitoring of loan and interest repayment continuously and following up closely with its borrowers as to the deadlines in payment of interests or loans. The Group has also implemented debt recovery procedures to provide an orderly and established system for monitoring and recovering any late payment or default in payment of the customers. In cases of default and/or delinquent loans, the recovery procedure will commence and the Company will send reminder letters or emails to the borrowers for repayment. The Company will also arrange negotiations with the borrowers for a mutually agreed repayment schedule. The Company may also engage lawyers in advising on the actions to be taken to recover loans.

Actions taken to recover outstanding loan receivables

Regarding the recovery of the outstanding loan receivables, the Company has continuously issued demand letters or emails and regularly sent reminder messages through communication apps to respective debtors and has sought legal advice on possible actions can be taken by the Company. When the Company noticed the missing payments from the borrowers, in particular, the ones with larger amounts outstanding, the Company immediately took steps to ask for collaterals such as personal guarantees and pledges on assets from the borrowers. Also, the Company has been in constant contact with the borrowers to have updates as to their financial situation and the status of the collaterals.

Moreover, the Company has been continuously negotiating with the debtors for a mutually agreed repayment schedule and should such negotiation be smooth, the Company shall enter into a legally binding settlement agreement once the repayment schedule is agreed with an aim to fully recover the outstanding receivables from the debtors.

The Company will continuously monitor the repayment situation of those debtors and if necessary, the Company will seek further legal advice or will take legal actions against the debtors to recover the outstanding debts.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately HK\$62.6 million for the Current Year, representing an increase of approximately HK\$2.1 million or 3.5% as compared to the revenue of approximately HK\$60.5 million for the Prior Year.

During the Current Year, 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 years presented:

| | 2024 | | 2023 | |
|-----------------------|------------------------|---------------------|------------------------|---------------------|
| | <i>HK\$'000</i> | <i>%</i> | <i>HK\$'000</i> | <i>%</i> |
| Building intelligence | 24,305 | 38.8 | 25,766 | 42.6 |
| Control system | 38,030 | 60.8 | 33,977 | 56.1 |
| Data centre | 246 | 0.4 | 795 | 1.3 |
| | <u>62,581</u> | <u>100.0</u> | <u>60,538</u> | <u>100.0</u> |

The Group's revenue slightly increased by approximately HK\$2.1 million or 3.5% from approximately HK\$60.5 million for the Prior Year to approximately HK\$62.6 million for the Current Year. The increase was mainly attributable to the increase in revenue from our control system segment which was mainly due to the increase in market demand.

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\$13.8 million or 26.7% from approximately HK\$51.6 million for FY2023 to approximately HK\$37.8 million for FY2024, which was mainly due to some of the corresponding research and development costs for new products launched during the Current Year was recorded under research and development expenditure during the past few years.

Gross profit and gross profit margin

The Group's gross profit for FY2024 was approximately HK\$24.8 million, representing an increase of approximately HK\$15.9 million or 178.7% from approximately HK\$8.9 million for FY2023. The gross profit margin for FY2024 also increased to 39.6% as compared to 14.8% for FY2023, which was mainly due to new products with higher profit margin were launched and sold to the customers during the Current Year in which their related research and development costs were recorded under research and development expenditure during the past few years.

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 decreased to approximately HK\$2.2 million (2023: approximately HK\$3.6 million) mainly due to the decrease in government grants of approximately HK\$1.3 million.

Net other gains

The Group recorded increased net other gains of approximately HK\$4.8 million (2023: approximately HK\$1.8 million) for FY2024 mainly due to a gain on disposal of subsidiaries and a gain of disposal of an associate of approximately HK\$3.0 million and approximately HK\$1.5 million, respectively, was recorded during FY2024.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$0.8 million or 36.4% from approximately HK\$2.2 million for the Prior Year to approximately HK\$1.4 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 decreased by approximately HK\$9.3 million from approximately HK\$36.8 million for FY2023 to approximately HK\$27.5 million for FY2024, which was mainly due to the decrease in staff costs.

Allowance for expected credit loss, net

During the Current Year, the Group recorded a net allowance for expected credit loss of HK\$7.5 million in relation to its trade receivables, loan and other receivables and amount due from an associate, as compared to HK\$7.3 million for the Prior Year.

As at 31 March 2024, the Group's trade receivables amounted to HK\$48.5 million (2023: HK\$47.4 million) and the loan and other receivables amounted to HK\$24.5 million (2023: HK\$44.9 million), out of which amounts of HK\$26.2 million (2023: HK\$23.6 million) and HK\$19.9 million (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 as disclosed in the previous paragraph, the remaining receivables were assessed based on an expected credit loss model. For the purpose of assessment of expected credit loss, expected loss rates were estimated based on historical observed default rates over the expected life of the debtors and were adjusted for forward looking information that was available without undue costs or effort.

Finance costs

The finance costs of the Group was approximately HK\$3.3 million for FY2024, mainly represent interest expense on bank borrowings. The decrease in finance costs of approximately HK\$0.5 million or 13.2% from approximately HK\$3.8 million for FY2023 was due to the decrease in effective interest rates of bank borrowings of the Group for the Current Year.

Loss for the year

The loss attributable to owners of the Company decreased significantly by approximately HK\$23.2 million or 56.6% from approximately HK\$41.0 million for the Prior Year to approximately HK\$17.8 million for the Current Year, which was mainly attributable to the increase in gross profit of approximately HK\$15.9 million and the increase in net other gains of approximately HK\$3.0 million.

Capital structure, liquidity and financial resources

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has been meeting its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by shareholders of the Company (the “**Shareholders**”). In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings. As at 31 March 2024, the issued share capital of the Company was approximately HK\$36.0 million (2023: HK\$26.0 million), comprising 360,312,640 shares (the “**Shares**”) of the Company (2023: 260,312,640 Shares) of nominal value of HK\$0.10 each (2023: HK\$0.10 each).

In the Prior Year, on 22 September 2022, the Company entered into another placing agreement (the “**2022 Placing Agreement**”) with Silverbricks Securities Company Limited (the “**2022 Placing Agent**”), pursuant to which the Company conditionally agreed to place, through the 2022 Placing Agent on a best effort basis, up to 49,200,000 placing shares of the Company of nominal value of HK\$0.25 each (the “**2022 Placing Share(s)**”) at the price (the “**2022 Placing Price**”) of HK\$0.25 per 2022 Placing Share to independent placee(s) (the “**2022 Placing**”). The 2022 Placing Price represented a premium of approximately 72.41% to the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on 22 September 2022, being the date of the 2022 Placing Agreement. The Board considered that the 2022 Placing would strengthen the Group’s financial position, broaden the Company’s shareholder base and would provide financial flexibility to the Company should any investment opportunity arise and for the expansion of the existing business, particularly under the unfavourable COVID-19 pandemic situation. Accordingly, the Directors were of the view that the 2022 Placing was in the interests of the Company and the Shareholders as a whole.

The completion of the 2022 Placing took place on 3 October 2022 and an aggregate of 49,200,000 2022 Placing Shares were issued and allotted by the Company to an independent placee, namely Ms. Li Chung Man who was an individual investor and an independent third party, for cash at the 2022 Placing Price of HK\$0.25 per 2022 Placing Share, representing approximately 3.78% of the issued share capital of the Company as enlarged by the allotment and issue of the 2022 Placing Shares immediately upon completion of the 2022 Placing. The aggregate nominal value of the 2022 Placing Shares issued and allotted pursuant to the 2022 Placing was HK\$12.3 million. The net proceeds from the 2022 Placing, after deduction of expenses related to the 2022 Placing, amounted to approximately HK\$12.1 million, representing a net price of approximately HK\$0.246 per 2022 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 2023, the net proceeds from the 2022 Placing of approximately HK\$12.1 million were fully utilised during the Prior Year as intended for the Group's general working capital and for investment opportunities of the Group as previously disclosed with details as follows:

| Description of use of proceeds | Amount <i>(in HK\$ million)</i> |
|--|---|
| Staff salaries and pension contribution | 2.2 |
| Rental expenses and management fee | 1.5 |
| Legal and professional fees | 0.4 |
| Advance to an associate | 3.7 |
| Other general working capital of the Group | <u>4.3</u> |
| Total | <u><u>12.1</u></u> |

In the Current Year, on 3 May 2023, the Company entered into another placing agreement (the “**2023 Placing Agreement**”) with Sinomax Securities Limited (the “**2023 Placing Agent**”), pursuant to which the Company conditionally agreed to place, through the 2023 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 “**2023 Placing Share(s)**”) at the price (the “**2023 Placing Price**”) of HK\$0.375 per 2023 Placing Share to independent placee(s) (the “**2023 Placing**”). The 2023 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 2023 Placing Agreement. The Board considered that the 2023 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 2023 Placing took place on 19 May 2023 and an aggregate of 40,000,000 2023 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 2023 Placing Price of HK\$0.375 per 2023 Placing Share, representing approximately 13.32% of the issued share capital of the Company as enlarged by the allotment and issue of the 2023 Placing Shares immediately upon completion of the 2023 Placing. The aggregate nominal value of the 2023 Placing Shares issued and allotted pursuant to the 2023 Placing was HK\$15.0 million. The net proceeds from the 2023 Placing, after deduction of expenses related to the 2023 Placing, amounted to approximately HK\$14.7 million, representing a net price of approximately HK\$0.3675 per 2023 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 2024, the net proceeds from the 2023 Placing of approximately HK\$14.7 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 with details as follows:

| Description of use of proceeds | Amount <i>(in HK\$ million)</i> |
|--|---|
| 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 | <u>1.8</u> |
| Total | <u><u>14.7</u></u> |

In the Current Year, 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 2024, the net proceeds from the 2024 Placing of approximately HK\$23.8 million were not yet utilised during the Current Year and the Group intends to use for its general working capital and for investment opportunities of the Group as previously disclosed.

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 31 March 2024 was approximately 1.3 (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 31 March 2024 was 15% (2023: 96%).

Bank borrowings

As at 31 March 2024, the Group had outstanding bank borrowings of approximately HK\$50.7 million (2023: approximately HK\$62.8 million).

Pledge of assets

As at 31 March 2024, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK\$28.2 million (2023: approximately HK\$32.4 million) pledged against bank borrowings raised by the Group.

Contingent liabilities

As at 31 March 2024, the Group had no material contingent liabilities.

Major acquisition and disposal

On 24 July 2023, Mox Group Limited, a subsidiary of the Company, completed its allotment and 25,000 ordinary shares issued to the independent third party. Upon completion, the equity interest of Mox Group Limited held by the Group decreased from 100% to 66.67%. The total proceeds net of direct transaction cost of approximately HK\$27,203,000 was record and comprise in capital reserve, translation reserve and non-controlling interests amounting to approximately HK\$21,072,000, HK\$2,410,000 and HK\$3,721,000 respectively.

On 11 September 2023, the Group fully disposal of its interest in One World Clean Energy Investment Co Limited and its subsidiaries. The proceeds on disposal of HK\$1 were received in cash.

On 31 October 2023, Radio World Holding Limited (the “**Vendor**”), a direct wholly-owned subsidiary of the Company, and Mr. Chong Alex Tin Yam (“**Mr. Chong**”) as the former co-chief executive officer and executive Director of the Company (as the purchaser) entered into two sale and purchase agreements (the “**Agreements**”), pursuant to which the Vendor has agreed to sell, and Mr. Chong has agreed to purchase: (1) the entire issued share capital (“**Sale Share A**”) of Hong Kong Blockchain Development Marketing Limited; and (2) the entire issued share capital (“**Sale Share B**”) of, and the entire shareholder’s loan owed by (“**Sale Loan**”) of Hong Kong Blockchain Development Company Limited. The consideration for the sale and purchase of Sale Share A is HK\$10,000, Sale Share B is HK\$1.00 and Sale Loan is HK\$2,522,012.15, respectively, which had been paid by Mr. Chong to the Vendor upon completion which took place simultaneously upon the signing of the Agreements.

Save as disclosed above and elsewhere in this announcement, the Group had no other major acquisition or disposal transactions during the year ended 31 March 2024.

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 2024.

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 Year, the Directors expect that any fluctuation of RMB’s exchange rate will not have material adverse effect on the operation of the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 31 March 2024.

Employee and remuneration policy

As at 31 March 2024, the Group had 85 (2023: 115) employees. For the year ended 31 March 2024, the staff costs of the Group amounted to approximately HK\$18.4 million, representing a decrease of approximately HK\$1.2 million or 6.1% as compared to approximately HK\$19.6 million for the corresponding period last year, mainly due to the decrease in number of the Group’s employees during the Current Year.

The Group's employee remuneration policy is determined based on a number of factors such as individual performance, experience and prevailing industry practices. Compensation policies and packages of employees are being reviewed on an annual basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The emoluments of the Directors are reviewed at least annually and recommended by the remuneration committee of the Company (the "**Remuneration Committee**"), and decided by the Board, as authorised by the Shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics. 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 2024, no share options were outstanding under any share option schemes of the Company.

On 27 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.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

1. Grant of Share Options

On 27 April 2024, the Company has granted a total of 25,043,200 share options ("**Share Option(s)**") of exercise price of HK\$0.49 under the share option scheme adopted by the Company on 30 August 2022 (the "**Share Option Scheme**") to certain eligible persons (in accordance with the terms of the Share Option Scheme) (the "**Grantee(s)**"), to subscribe, in aggregate, for up to 25,043,200 ordinary shares of HK\$0.1 each (the "**Share(s)**") in the share capital of the Company, subject to acceptance of the Grantees. The validity period of the Share Options and vesting period are five years, from 26 April 2024 to 25 April 2029 (both dates inclusive).

Among the Share Options, 3,596,800 Share Options were granted to Mr. You Yiyang, an executive Director, and the remaining 21,446,400 Share Options were granted to six employees of the Group. These individuals have participated in the Group's development in financial and business areas. Following the grant of the Share Options, 4,064 Shares will be available for future grant under the scheme mandate limit of the Share Option Scheme.

For further details, please refer to the announcements of the Company dated 26 April 2024 and 7 May 2024 respectively.

2. Appointment of Non-Executive Director

On 29 May 2024, Ms. Woodham Mostovaya Ekaterina (“**Ms. Ekaterina**”) has been appointed as a non-executive Director of the Company. Ms. Ekaterina is subject to retirement and eligible for re-election at the next annual general meeting of the Company.

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

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 29 August 2024 (“**2024 AGM**”), the register of members of the Company will be closed from Monday, 26 August 2024 to Thursday, 29 August 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer of Shares accompanied by the relevant share certificate(s) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 August 2024.

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 2024.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. The Board considers that the Company was in compliance with all the applicable code provisions as set out in the CG Code during the year ended 31 March 2024 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 hence the Company did not comply with code provisions under C.2 of the CG Code during the year ended 31 March 2024.

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 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.

The Directors believed that Mr. Han Weining, as the 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all Directors, all Directors have confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 March 2024.

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 consolidated financial statements of the Company for the year ended 31 March 2024 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.synertone.net). The annual report of the Company for the year ended 31 March 2024 will be despatched to the Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 28 June 2024

As at the date of this announcement, the executive Directors are Mr. Han Weining and Mr. You Yiyang; the non-executive Director is Ms. Woodham Mostovaya Ekaterina; and the independent non-executive Directors are Mr. Lam Ying Hung Andy, Ms. Li Mingqi, Mr. Cheng Nicholas Tat Hei and Mr. Xu Wei.