



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

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

2024 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Han Weining

(Chief Executive Officer)

Mr. You Yiyang

Mr. He Bianliu

(appointed on 2 December 2024)

Non-executive Director

Ms. Woodham Mostovaya Ekaterina

Independent Non-executive Directors

Ms. Li Mingqi

Mr. Xu Wei

Mr. Xu Dongsen

(appointed on 6 August 2024)

COMMITTEES

Audit Committee

Ms. Li Mingqi *(Chairperson)*

Mr. Xu Dongsen

(appointed on 6 August 2024)

Mr. Xu Wei

Nomination Committee

Mr. Xu Dongsen *(Chairperson)*

(appointed on 6 August 2024)

Ms. Li Mingqi

Mr. Xu Wei

Remuneration Committee

Mr. Xu Wei *(Chairperson)*

Ms. Li Mingqi

Mr. Xu Dongsen

(appointed on 6 August 2024)

COMPANY SECRETARY

Mr. Lui Wai Sing

AUTHORISED REPRESENTATIVES

Mr. Han Weining

Mr. Lui Wai Sing

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1012, 10/F

Tsim Sha Tsui Centre

66 Mody Road

Kowloon, Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31/F., Gloucester Tower

The Landmark, 11 Pedder Street

Central, Hong Kong

WEBSITE

www.synertone.net

CORPORATE INFORMATION *(Continued)*

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1613

PRINCIPAL BANKERS Hong Kong

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Synertone Communication Corporation (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2024, together with the comparative figures for the corresponding period in 2023, as follows:

	Notes	For the six months ended	
		2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	76,124	17,126
Cost of sales		(69,942)	(10,683)
Gross profit		6,182	6,443
Other income	5	862	2,215
Other gains, net	5	40	551
Selling and distribution expenses		(143)	(754)
Administrative and other operating expenses		(14,460)	(17,037)
Research and development expenditure (Allowance for)/reversal of expected credit loss, net		(1,459)	(1,866)
		(4,781)	2,430
Loss from operations		(13,759)	(8,018)
Finance costs	6(a)	(1,188)	(1,722)
Share of results of associates		-	(67)
Loss before tax	6	(14,947)	(9,807)
Income tax expense	7	(1)	(8)
Loss for the period		(14,948)	(9,815)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		38	389
Other comprehensive income for the period, net of tax		38	389
Total comprehensive loss for the period		(14,910)	(9,426)

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

For the six months ended 30 September 2024

		For the six months ended 30 September 2024	2023
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(13,319)	(8,801)
Non-controlling interests		(1,629)	(1,014)
		(14,948)	(9,815)
Total comprehensive loss attributable to:			
Owners of the Company		(13,306)	(8,430)
Non-controlling interests		(1,604)	(996)
		(14,910)	(9,426)
		HK cents (Unaudited)	HK cents (Unaudited)
Loss per share			
–Basic and diluted	9	(3.65)	(3.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	21,265	22,036
Right-of-use assets		7,163	7,482
Goodwill	11	22,172	22,172
Financial asset at fair value through profit or loss	12	33,865	33,865
		84,465	85,555
Current assets			
Inventories		45,445	45,817
Trade and other receivables	13	66,709	40,850
Amount due from a former associate		17,666	17,500
Cash and cash equivalents		3,995	33,373
		133,815	137,540
Current liabilities			
Trade and other payables	14	58,125	45,646
Contract liabilities		9,872	10,053
Bank borrowings	15	43,543	50,650
Lease liabilities		217	535
		111,757	106,884
Net current assets		22,058	30,656
Total assets less current liabilities		106,523	116,211

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2024

		As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		—	—
Net assets		106,523	116,211
EQUITY			
Share capital	16	37,097	36,031
Reserves		67,992	77,142
Equity attributable to owners of the Company			
		105,089	113,173
Non-controlling interests		1,434	3,038
Total equity		106,523	116,211

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2023 (Audited)	26,031	842,275	(90)	(9,996)	(3,136)	(785,958)	69,126	(757)	68,369
Loss for the period	-	-	-	-	-	(8,801)	(8,801)	(1,014)	(9,815)
Other comprehensive income for the period	-	-	-	-	371	-	371	18	389
Total comprehensive loss for the period	-	-	-	-	371	(8,801)	(8,430)	(996)	(9,426)
Transactions with owners									
Issue of shares	4,000	11,000	-	-	-	-	15,000	-	15,000
Share issuance costs	-	(300)	-	-	-	-	(300)	-	(300)
Issue of shares of a subsidiary	-	-	23,542	-	-	-	23,542	3,721	27,263
Costs related to issue of shares of a subsidiary	-	-	(60)	-	-	-	(60)	-	(60)
Total transactions with owners	4,000	10,700	23,482	-	-	-	38,182	3,721	41,903
At 30 September 2023 (Unaudited)	30,031	852,975	23,392	(9,996)	(2,765)	(794,759)	98,878	1,968	100,846
At 1 April 2024 (Audited)	36,031	870,791	20,982	(9,996)	(837)	(803,798)	113,173	3,038	116,211
Loss for the period	-	-	-	-	-	(13,319)	(13,319)	(1,629)	(14,948)
Other comprehensive income for the period	-	-	-	-	13	-	13	25	38
Total comprehensive loss for the period	-	-	-	-	13	(13,319)	(13,306)	(1,604)	(14,910)
Transactions with owners									
Exercise of share options	1,066	4,156	-	-	-	-	5,222	-	5,222
Total transactions with owners	1,066	4,156	-	-	-	-	5,222	-	5,222
At 30 September 2024 (Unaudited)	37,097	874,947	20,982	(9,996)	(824)	(817,117)	105,089	1,434	106,523

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	For the six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash used in operating activities	(25,617)	(22,833)
Investing activities		
Payment for the purchase of property, plant and equipment	(270)	(18)
Advance to an associate	(166)	(1,550)
Interest received	39	21
Repayment of loans from independent third parties	–	50
Other investing cash flows	–	(3)
Net cash used in investing activities	(397)	(1,500)
Financing activities		
Proceeds from bank borrowings	6,176	19,850
Repayment of bank borrowings	(13,283)	(22,253)
Proceeds from exercise of share options	5,222	–
Proceeds from placing of new shares of the Company	–	15,000
Proceeds from issue of new shares of a subsidiary	–	27,263
Share issuance costs	–	(360)
Interest paid	(1,178)	(1,566)
Repayment of lease liabilities	(331)	(2,532)
Net cash used in financing activities	(3,394)	35,402

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 September 2024

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net (decrease)/increase in cash and cash equivalents	(29,408)	11,069
Cash and cash equivalents at beginning of the period	33,373	2,345
Effect of foreign exchange rates changes	30	(593)
Cash and cash equivalents at end of the period, representing bank balances and cash	3,995	12,821

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. GENERAL

The Company was incorporated in the Cayman Islands on 11 October 2006 as an exempted company with limited liability. The addresses of the Company's registered office and the principal place of business in Hong Kong are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room 1012, 10/F, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong respectively.

On 18 April 2012, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

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

For the six months ended 30 September 2024

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies used in the condensed consolidated financial statements for the six months ended 30 September 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2024.

In the current interim period, the Group has applied, for the first time, a number of new and amendments to HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements. The application of the new and amendments to HKFRSs has had no material impact on the Group’s financial performance and positions for the current and prior interim periods and/or on the disclosures set out in the condensed consolidated financial statements.

The Group has not early applied the new and amendments to HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

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

For the six months ended 30 September 2024

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.

Smartphone Distribution:	Distributor of Xiaomi-branded Smartphones, ecosystem products and related equipment.
Building Intelligence:	Provision of (i) video intercom system and security alarm solutions for residential complexes; and (ii) smart home automation systems for new and existing households.
Control System:	Provision of (i) automation hardware and software products, information systems platforms, as well as (ii) the industrial and monitoring and scheduling management system solutions for municipal utilities industry.
Data Centre:	Rental and maintenance services in relation to computer equipment and machines, information technology infrastructure and platform and robot and other related services.

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

For the six months ended 30 September 2024

3. SEGMENT REPORTING *(Continued)*

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

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets, interests in associates and amount due from an associate which are unallocated to an individual reportable segment. Segment liabilities include trade and other payables and contract liabilities attributable to the activities of the individual segments, bank borrowings and lease liabilities managed directly by the segments with the exception of corporate liabilities which are unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment results is adjusted earnings or loss before interest and taxes ("**Adjusted EBIT**"). To arrive at the Adjusted EBIT, the Group's earnings or loss are further adjusted for interest income and items not specifically attributed to an individual reportable segment, such as share of results of associates and unallocated corporate expenses.

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

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

For the six months ended 30 September 2024

3. SEGMENT REPORTING *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purpose for resource allocation and assessment of segment performance for each of the six months ended 30 September 2024 and 2023 is as follows:

Segment revenue and results

	For the six months ended 30 September 2024				
	Smartphone distribution HK\$'000 (Unaudited)	Building intelligence HK\$'000 (Unaudited)	Control system HK\$'000 (Unaudited)	Data centre HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	59,691	861	15,560	12	76,124
Inter-segment revenue	-	494	311	-	805
Reportable segment revenue	59,691	1,355	15,871	12	76,929
Reportable segment (loss)/ income (Adjusted EBIT)	(3,948)	(7,451)	3,732	(18)	(7,685)
Interest income					39
Finance costs					(1,188)
Unallocated corporate income and expenses, net					(6,114)
Consolidated loss before tax					(14,948)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2024

3. SEGMENT REPORTING (Continued)

Segment revenue and results (Continued)

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

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

For the six months ended 30 September 2024

3. SEGMENT REPORTING *(Continued)*

Segment assets and liabilities

	Smartphone distribution		Building intelligence		Control system		Data centre		Total	
	30 September 2024	31 March 2024	30 September 2024	31 March 2024	30 September 2024	31 March 2024	30 September 2024	31 March 2024	30 September 2024	31 March 2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Assets										
Reportable segment assets	13,127	-	88,098	97,721	44,948	45,493	20	608	146,193	143,822
Amount due from a former associate									17,666	17,500
Financial assets at fair value through profit or loss									33,865	33,865
Unallocated corporate assets									20,556	27,908
Consolidated total assets									218,280	223,095
Liabilities										
Reportable segment liabilities	12,606	-	76,269	78,519	8,113	12,384	370	370	97,358	91,273
Unallocated corporate liabilities									14,399	15,611
Consolidated total liabilities									111,757	106,884

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

For the six months ended 30 September 2024

4. REVENUE

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

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Smartphone distribution	59,691	–
Building intelligence	861	4,347
Control system	15,560	12,656
Total revenue from contract with customers	76,112	17,003
Add:		
Rental income under HKFRS 16	12	123
Total revenue	76,124	17,126

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 on over time when the service provided.

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

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong (place of domicile)	49,991	123
PRC	16,421	16,860
Overseas	9,712	143
Total revenue	76,124	17,126

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

For the six months ended 30 September 2024

5. OTHER INCOME AND OTHER GAINS, NET

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income on bank deposits <i>(note a)</i>	39	21
Value-added taxes refund <i>(note b)</i>	50	258
Sundry income	773	1,936
	862	2,215
Other gains, net		
Net exchange (loss)/gain	(14)	29
Gain on disposal of subsidiaries	–	522
Reversal of written down on inventory	54	–
	40	551
	902	2,766

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

For the six months ended 30 September 2024

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

Notes:

- (a) Interest income from bank deposits and loan receivables represents the total interest income on financial assets not at fair value through profit or loss.
- (b) Value-added taxes refund is recognised when the acknowledgement of refund from the PRC Tax Bureau has been received.

6. LOSS BEFORE TAX

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

(a) Finance costs

	For the six months ended	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	1,178	1,566
Finance charges on lease liabilities	10	156
	1,188	1,722

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

For the six months ended 30 September 2024

6. LOSS BEFORE TAX *(Continued)*

(b) Staff costs (including Directors' emoluments)

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	8,022	9,500
Contributions to defined contribution retirement plans	1,514	1,095
	9,536	10,595

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

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

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

As at 30 September 2024 and 2023, the Group had no forfeited contributions available to reduce the existing level of contributions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2024

6. LOSS BEFORE TAX (Continued)

(c) Other items

	For the six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	69,837	10,276
Allowance for/(reversal of) expected credit loss, net:		
–Trade receivables	4,781	(2,462)
–Loan and other receivables	–	(26)
–Amount due from a former associate	–	58
Depreciation of property, plant and equipment	1,050	2,250
Depreciation of right-of-use assets	321	2,333

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT") (note d)	1	8
Income tax expense	1	8

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

For the six months ended 30 September 2024

7. INCOME TAX EXPENSE *(Continued)*

Notes:

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.
- (b) Pursuant to the rules and regulations of the British Virgin Islands (“BVI”), the BVI subsidiaries of the Group are not subject to any income tax in the BVI.
- (c) Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.
- (d) The PRC subsidiaries of the Group are subject to PRC EIT at a rate of 25% for both current and prior periods under the Law of the PRC on EIT and Implementation Regulation of the EIT Law.
- (e) Under the EIT Law of the PRC, with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double taxation arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate will be reduced to 5% upon government approval if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.
- (f) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

During the six months ended 30 September 2024, no dividend has been paid or proposed by the Company, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2023: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2024

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$13,319,000 (six months ended 30 September 2023: approximately HK\$8,801,000) and the weighted average number of ordinary shares of the Company in issue during the period:

	For the six months ended	
	30 September	
	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	364,574	289,821

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

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

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 September 2024 have been adjusted for the effect of exercise of share options on 8 July 2024 and 12 August 2024.

There were one type of potential dilutive ordinary shares outstanding for the six months ended 30 September 2024. The Company's share options are not included in the calculation of the diluted loss per share because the average market price of the Company's shares during the period is less than the assumed exercise price of the share options, the potential ordinary shares were not included in the calculation of the diluted earnings per share as their inclusion would have no dilutive impact. Hence the diluted loss per share is the same as basic loss per share.

No diluted loss per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2023.

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

For the six months ended 30 September 2024

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2024, the Group spent HK\$270,000 on additions to property, plant and equipment (six months ended 30 September 2023: HK\$18,000).

11. GOODWILL

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Cost	222,057	222,057
Less: Accumulated impairment losses	(199,885)	(199,885)
Carrying amount	22,172	22,172

The carrying amount of goodwill as at 30 September 2024 and 31 March 2024 were allocated to the Group's cash generating unit as follows:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Control system	22,172	22,172

During the six months ended 30 September 2024, the Group recognised no impairment loss (six months ended 30 September 2023: Nil) under control system cash generating unit as management of the Group determines that the carrying amount of those assets related to the cash generating unit exceeded the recoverable amount at the end of each reporting period.

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

For the six months ended 30 September 2024

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Unlisted equity securities	33,865	33,865

The unlisted equity securities are shares in logo Workshop Investment Limited, a company incorporated in PRC which is investment holding and its subsidiaries leasing and renting of charging stations for mobile devices and extended value added services. As at 30 September 2024 and 31 March 2024, the Group held 15% and 15% equity interest in logo Workshop Investment Limited respectively.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade receivables (<i>notes a, b</i>)	63,064	48,546
Less: Loss allowance (<i>note c</i>)	(31,077)	(26,194)
	31,987	22,352
Other receivables (<i>note d</i>)	25,557	24,529
Prepaid value-added and other taxes	67	67
Deposits and prepayments	29,014	13,818
Less: Loss allowance	(19,916)	(19,916)
	34,722	18,498
	66,709	40,850

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

For the six months ended 30 September 2024

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Notes:

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Not yet past due	40,694	28,707
1-60 days	4,941	2,258
61-90 days	2,313	1,874
91-180 days	2,798	340
181-365 days	2,567	6,511
Over 365 days	9,751	8,856
	63,064	48,546
Less: Loss allowance	(31,077)	(26,194)
	31,987	22,352

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2024

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Notes: (Continued)

(c) (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 30 September 2024 and 31 March 2024:

	Average loss rate		Gross carrying amount		Loss allowance	
	30 September 2024	31 March 2024	30 September 2024	31 March 2024	30 September 2024	31 March 2024
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Collective assessment:						
Not yet past due	30.37	30.37	40,694	28,707	12,359	8,717
0-60 days	54.84	54.84	4,941	2,258	2,710	1,238
61-90 days	75.19	75.19	2,313	1,874	1,739	1,409
91-180 days	81.15	81.15	2,798	340	2,271	276
181-365 days	87.52	87.52	2,567	6,511	2,247	5,698
Individual assessment	100	100	9,751	8,856	9,751	8,856
			63,064	48,546	31,077	26,194

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

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

- (d) Amount mainly represents the past due gross outstanding receivable balance of approximately HK\$16,831,000 (31 March 2024: HK\$16,831,000), with full allowance of HK\$16,831,000 (31 March 2024: HK\$16,831,000) arising from one-off respirator masks trading to an independent third party.

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

For the six months ended 30 September 2024

14. TRADE AND OTHER PAYABLES

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade payables	23,639	13,814
Accrued salaries	4,317	3,492
Accrued expenses	2,056	3,347
Other payables <i>(note)</i>	27,439	24,454
Deposit received	3	3
Financial liabilities measured at amortised cost	57,454	45,110
Other tax payables	671	536
	58,125	45,646

Note:

Amounts include (i) the outstanding payable balance of approximately HK\$6,525,000 (31 March 2024: HK\$6,525,000) arising from one-off respirator masks trading transaction, and (ii) amount due to a Director of approximately HK\$1,654,000 (31 March 2024: HK\$1,654,000), which was unsecured, non-interest bearing and repayable on demand.

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

For the six months ended 30 September 2024

14. TRADE AND OTHER PAYABLES *(Continued)*

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
0-60 days	13,139	4,424
61-90 days	419	197
91-180 days	240	254
181-365 days	433	449
Over 365 days	9,408	8,490
	23,639	13,814

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

For the six months ended 30 September 2024

15. BANK BORROWINGS

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Bank borrowings		
– secured	43,543	50,650

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)

The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:

Within one year	43,543	50,650
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The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:

Within one year	43,543	50,650
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 September 2024

15. BANK BORROWINGS *(Continued)*

The banking facilities are subject to the fulfilment of covenants. If the Group was in breach of the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 30 September 2024, none of the covenants relating to drawn down facilities had been breached (31 March 2024: Nil).

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

All the bank borrowings are fixed-rate borrowings which carry interest at prevailing interest rates of 4.35%–5.80% per annum for the period ended 30 September 2024 (31 March 2024: 4.35%–5.80% per annum).

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

For the six months ended 30 September 2024

16. SHARE CAPITAL

	30 September 2024		31 March 2024	
	Number of shares '000	Amount HK\$'000 (Unaudited)	Number of shares '000	Amount HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.1 each	4,000,000	400,000	4,000,000	400,000
Issued and fully paid:				
At beginning of the period/year (ordinary shares of HK\$0.1	360,313	36,031	260,313	26,031
Issue of shares (note 1)	—	—	100,000	10,000
Exercise of share options (note 2)	10,656	1,066	—	—
At end of the period/year (ordinary shares of HK\$0.1 each)	370,969	37,097	360,313	36,031

Notes:

- (1) During the year ended 31 March 2024, on 19 May 2023, on 27 March 2024, the Company issued 40,000,000 and 60,000,000 new shares respectively at consideration of HK\$15,000,000 and HK\$24,000,000 under general mandate to independent third parties at the subscription price of HK\$0.3675 and HK\$0.401 per share. The net proceeds amounting to HK\$38,516,000 have been applied as general working capital and further investments of the Group.
- (2) During the six months ended 30 September 2024, 10,656,000 ordinary shares were issued in relation to share options exercised under the share option scheme of the Company for total cash consideration of HK\$5,221,440. The excess of the subscription consideration received over the nominal values issued, amounted to HK\$4,155,840, was credited to the share premium account.

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

For the six months ended 30 September 2024

17. COMMITMENTS

The Group did not have significant commitments outstanding as at 30 September 2024 and 31 March 2024.

18. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Balances with related parties

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Amount due to a director		
– Han Weining	1,654	1,654

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

For the six months ended 30 September 2024

18. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with key management personnel

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

	For the six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Short-term employee benefits	2,009	2,391
Post-employment benefit	21	28
	2,030	2,419

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

(c) Guarantee

At 30 September 2024, a personal guarantee was given by Mr. Han Weining, the chief executive officer and executive director of the Company with the carrying value of bank borrowing of approximately HK\$43,543,000 (31 March 2023: HK\$50,650,000).

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

For the six months ended 30 September 2024

19. EVENTS AFTER THE REPORTING PERIOD

On 5 November 2024, the Company entered into the 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 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.

For further details, please refer to the announcements of the Company dated 5 November 2024, 19 November 2024 and 29 November 2024, respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading providers of building and home intelligence products and integrated automation control systems and solutions. The Group's products are widely used in high-rise buildings, high-end residential complexes and smart communities by providing fully digital intelligent control systems for modern living. As one of the world's leading providers of automation control systems, the Group possesses leading standard of technical know-how and commercial competitiveness with which the products are extensively applied in diversified industries including electrical power, petrochemical, public utilities, mining, natural gas and food and beverage industries. The Group has its operation base in Jiaxing City, Zhejiang province of China and has established offices and sales network across major cities in China, including Beijing, Shanghai, Changsha and Hangzhou.

During the six months ended 30 September 2024 (the "**Current Period**"), the Group's principal operations include (i) design, development and sales of automation control systems and solutions, (ii) design, research and development, manufacture and sales of intelligent systems including video intercom and surveillance systems for residential homes and buildings, (iii) rental, maintenance, other related services in relation to computer equipment and machines, information technology infrastructure, and advanced technologies such as robots, and (iv) smartphone distribution business.

Smartphone distribution operations

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 in Hong Kong and Australia.

The revenue and a segment loss of approximately HK\$59.7 million and HK\$3.9 million was recorded by the Group for the Current Period. In the early stage of the smartphone business, the profit margin is generally lower than other operations of the Group. However, the Group will efficiently allocate the net proceeds of approximately HK\$15 million from the subscription of new shares as disclosed in the announcements dated 5 November 2024 and 19 November 2024 to expand its operations by acquiring more stock by enhancing its procurement levels from the authorised distributor in order to improve its profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 for the Current Period dropped to HK\$15.6 million (2023: HK\$12.7 million). Due to improvement in sales performance, the segment profit of HK\$3.7 million was recorded by the control system segment for the Current Period as compared to a segment profit of HK\$2.9 million for the six months ended 30 September 2023 (the "Prior Period").

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 the Current Period, the operation of the Group's "MOX" brand video intercom and surveillance system products has deteriorated with external revenue decreased from HK\$4.3 million for the Prior Period to HK\$0.9 million for the Current Period. The Group's building intelligence segment recorded a segment loss of HK\$7.5 million for the Current Period as compared to a segment loss of HK\$1.9 million for the Prior Period. Such change was mainly due to the significant decrease in revenue during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Data centre operations

The Group's data centre business was principally engaged in the provision of rental and maintenance services in relation to computer equipment and machines and robots and other related services in Hong Kong. The revenue for the Prior Period of approximately HK\$0.1 million was attributable to the rental and maintenance services of commercial service robots. As the service contracts expired during the Current Period, the revenue for the Current Period decreased to approximately HK\$12,000. A segment loss of approximately HK\$18,000 (2023: HK\$0.1 million) was recorded for the Current Period.

Investment in associate engaging in the charging station leasing operations

The Company previously held 20% equity interests in an associate namely logo Workshop Investment Limited (together with its subsidiaries, the “**logo Workshop Group**”) which, through its wholly-owned subsidiary 深圳市海豚共享科技有限公司 (literally translated as Shenzhen Dolphin Technology Company Limited), is principally engaged in the leasing and renting of charging stations for mobile devices and extended value-added services. The loss recognised by the Group as sharing of results of its associates for the Prior Period was HK\$67,000.

Subsequently, the Group disposed of a 5% interest in logo Workshop Investment Limited to a third party for proceeds of RMB15 million in March 2024. The Group has accounted for the remaining 15% interest as financial assets 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business prospects on the Group's principal operations

During the Current Period, 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 Period.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW

Revenue

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

	For the six months ended 30 September			
	2024		2023	
	HK\$'000	%	HK\$'000	%
Smartphone distribution	59,691	78.4	–	–
Building intelligence	861	1.1	4,347	25.4
Control system	15,560	20.5	12,656	73.9
Data centre	12	0.0	123	0.7
	76,124	100.0	17,126	100.0

The Group's revenue increased by approximately HK\$59.0 million or 344.5% from approximately HK\$17.1 million for the Prior Period to approximately HK\$76.1 million for the Current Period. The increase was mainly attributable to the increase in revenue from our new business segment in smartphone distribution.

Cost of sales

Cost of sales of the Group consists of procurement of inventory for smartphones and related products, costs of raw materials, labour costs and manufacturing overheads. It increased by approximately HK\$59.3 million or 554.7% from approximately HK\$10.7 million for the Prior Period to approximately HK\$70.0 million for the Current Period, which is in line with the increase in sales for the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Gross profit and gross profit margin

The Group's gross profit for the Current Period was approximately HK\$6.2 million, representing a decrease of approximately HK\$0.2 million or 4.1% from approximately HK\$6.4 million for the Prior Period. The gross profit margin also decreased to 8.1% as compared to 37.6% for the Prior Period. The decrease was mainly due to our new business segment in smartphone distribution which contributed a lower gross profit margin.

Other income

The Group's other income represents, among others, interest income, government grants and value-added taxes refund. The other income for the Current Period decreased to HK\$0.9 million (2023: HK\$2.2 million) mainly due to the decrease in sundry income.

Net other gains

The Group recorded decreased net other gains of HK\$40,000 (2023: HK\$0.6 million) for the Current Period mainly due to a one-off gain of HK\$0.5 million was recognised in the Prior Period in relation to a disposal of subsidiaries.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$0.6 million or 81.0% from approximately HK\$0.8 million for the Prior Period to approximately HK\$0.1 million for the Current Period, which is in line with the decrease in sales from building intelligence segment for the Current Period.

Administrative and other operating expenses

The administrative and other operating expenses of the Group, which mainly represent the staff costs, depreciation of property, plant and equipment and right-of-use assets and legal and professional fees, decreased by approximately HK\$2.5 million or 15.1% from approximately HK\$17.0 million for the Prior Period to approximately HK\$14.5 million for the Current Period, which was mainly due to the decrease in depreciation of property, plant and equipment and right-of-use assets.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Research and development expenditure

The research and development expenditure of the Group decreased by HK\$0.4 million or 21.8% from HK\$1.9 million for the Prior Period to approximately HK\$1.5 million for the Current Period as a result of stricter cost control adopted by the Group and limited research and development activities conducted by the Group during the Current Period.

Reversal of expected credit loss, net

During the Current Period, the Group recorded an allowance for expected credit loss of HK\$4.8 million in relation to its trade receivables, loan and other receivables and amount due from an associate, as compared to a net reversal of expected credit loss of HK\$2.4 million for the Prior Period. As at 30 September 2024, the Group's trade receivables amounted to HK\$63.1 million (31 March 2024: HK\$48.5 million) and the loan and other receivables amounted to HK\$25.6 million (31 March 2024: HK\$24.5 million), out of which amounts of HK\$31.1 million (31 March 2024: HK\$26.2 million) and HK\$19.9 million (31 March 2024: HK\$19.9 million) were considered impaired for each of the trade receivables and the loan and other receivables respectively. Apart from the specific full provision made according to the Group's individual assessment on long outstanding receivables overdue for over one year without repayment, the remaining receivables were assessed based on an expected credit loss model. For the purpose of assessment of expected credit loss, expected loss rates were estimated based on historical observed default rates over the expected life of the debtors and were adjusted for forward looking information that was available without undue costs or effort.

Finance costs

The finance costs of the Group was approximately HK\$1.2 million for the Current Period, mainly represent interest expense on bank borrowings. The decrease in finance costs of approximately HK\$0.5 million or 31.0% from approximately HK\$1.7 million for the Prior Period was due to the decrease in effective interest rates of bank borrowings of the Group during the Current Period.

Loss for the period

The loss attributable to owners of the Company increased from approximately HK\$8.8 million for the Prior Period to approximately HK\$13.3 million for the Current Period, which was mainly attributable to (i) an allowance for expected credit loss of approximately HK\$4.8 million was recorded during the Current Period as compared to a reversal of expected credit loss of approximately HK\$2.4 million for the Prior Period; (ii) decrease in other income by approximately HK\$1.4 million; (iii) decrease in administrative and other operating expenses by approximately HK\$2.5 million; and (iv) decrease in selling and distribution expenses by approximately HK\$0.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Capital structure, liquidity and financial resources

The liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has been meeting its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by shareholders of the Company (the “**Shareholders**”). In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings. As at 30 September 2024, the issued share capital of the Company was approximately HK\$37.1 million (31 March 2024: HK\$36.0 million), comprising 370,968,640 shares (the “**Shares**”) of the Company (31 March 2024: 360,312,640 Shares) of nominal value of 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 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 30 September 2024, the net proceeds from the 2024 Placing of approximately HK\$23.8 million were fully utilised during the Current Period as intended for the Group's general working capital and for investment opportunities of the Group as previously disclosed in the announcements of the Company dated 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

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, as at 30 September 2024 was approximately 1.2 (31 March 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 30 September 2024 was 37% (31 March 2024: 15%).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Bank borrowings

As at 30 September 2024, the Group had outstanding bank borrowings of approximately HK\$43.5 million (31 March 2024: approximately HK\$50.7 million).

Pledge of assets

As at 30 September 2024, the Group had land use rights and property, plant and equipment in aggregate carrying value of approximately HK\$27.3 million (31 March 2024: approximately HK\$28.2 million) pledged against bank borrowings raised by the Group.

Contingent liabilities

As at 30 September 2024, the Group had no material contingent liabilities.

Major acquisition and disposal

Save as disclosed above, the Group had no other major acquisition or disposal transactions during the six months ended 30 September 2024.

Significant capital expenditure for the period

Save as disclosed elsewhere in this interim report, the Group had no significant capital expenditure commitments as at 30 September 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 Period, the Directors expect that any fluctuation of RMB’s exchange rate will not have material adverse effect on the operation of the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure as at 30 September 2024.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employee and remuneration policy

As at 30 September 2024, the Group had 79 (31 March 2024: 73) employees. For the six months ended 30 September 2024, the staff costs of the Group amounted to approximately HK\$9.5 million, representing a decrease of approximately HK\$1.1 million or 10.0% as compared to approximately HK\$10.6 million for the corresponding period last year, mainly due to a number of generally higher salary staff employed by the Group in the Prior Period.

The Group's employee remuneration policy is determined based on a number of factors such as individual performance, experience and prevailing industry practices. Compensation policies and packages of employees are being reviewed on an annual basis. In addition to basic salary, performance related remuneration such as bonus may also be awarded to employees based on internal performance evaluation. The emoluments of the Directors are reviewed at least annually and recommended by the remuneration committee of the Company (the "**Remuneration Committee**"), and decided by the Board, as authorised by the Shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics. The Group also adopted a share option scheme and eligible participants of which may be granted the share options to subscribe for the Shares in order to enable the Company to grant options to its employees, executives or officers who are contributing to the Group as their incentives and rewards.

The Group has been committing resources in continuing education and training programmes for management staff and other employees in order to upgrade their skills and knowledge. These training courses include internal courses run by the management of the Group and external courses provided by professional trainers. They range from technical training for production staff to financial and administrative trainings for management staff.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

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

As at 30 September 2024, the interests and short positions of the Directors and chief executive of the Company in any of the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571, Laws of Hong Kong ("SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

LONG POSITIONS IN SHARES

Name of Director	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Han Weining	Interest of a controlled corporation	53,814,331 (Note 1)	14.51%
	Interest of a controlled corporation	11,800,000 (Note 2)	3.18%
	Beneficial owner	1,632,000	0.44%

OTHER INFORMATION *(Continued)*

Note 1: These interests in Shares are held by Excel Time Investments Limited (“**Excel Time**”), which is wholly and beneficially owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director. By virtue of the SFO, Mr. Han Weining is deemed to be interested in these 54,227,451 Shares. Mr. Han Weining is the sole director of Excel Time.

Note 2: These interests in Shares are held by Hong Kong Able Trillion Group Limited (“**Able Trillion**”), which is wholly and beneficially owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director. By virtue of the SFO, Mr. Han Weining is deemed to be interested in these 11,800,000 Shares. Mr. Han Weining is the sole director of Able Trillion.

Save as disclosed above, as at 30 September 2024, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SECURITIES

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

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

As at 30 September 2024, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

OTHER INFORMATION *(Continued)*

LONG POSITION IN SHARES

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of issued Shares <i>(Note 1)</i>
Excel Time	Beneficial owner	53,814,331 <i>(Note 2)</i>	14.51%
Lam Siu Sun	Beneficial owner	35,716,480	9.63%

Notes:

1. Based on 370,968,640 Shares in issue as at 30 September 2024.
2. Excel Time is wholly-owned by Mr. Han Weining, the chief executive officer of the Company and an executive Director whose interest in Shares is set out in the above section headed "Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures of the Company or its associated corporations".

Save as disclosed above, as at 30 September 2024, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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. The validity period of the Share Options and vesting period are five years, from 26 April 2024 to 25 April 2029 (both dates inclusive).

OTHER INFORMATION *(Continued)*

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. As at 30 September 2024, 14,387,200 Share Options granted by the Company under the Share Option Scheme were valid and outstanding, representing approximately 6.8% of the issued share capital of the Company as at the date of this interim report. 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.

Details of the movements of share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 30 September 2024 are as follows:

Grantees	Date of Grant	Exercise prices of share options	Closing price of the shares on the date of grant	Outstanding as at 1 April 2024	Granted during the period	Exercised during the period	Outstanding as at 30 September 2024
Director							
Mr. You Yiyang	26 April 2024	HK\$0.490	HK\$0.490	-	3,596,800	-	3,596,800
Employees	26 April 2024	HK\$0.490	HK\$0.490	-	21,446,400	10,656,000	10,790,400
Total				-	25,043,200	10,656,000	14,387,200

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 September 2024.

OTHER INFORMATION *(Continued)*

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

Change in Director's information since the date of the 2024 annual report of the Company up to the date of this interim report is set out below:

- Mr. Cheng Nicholas Tat Hei ("**Mr. Cheng**") resigned as the independent non-executive Director, the chairperson of the nomination committee (the "**Nomination Committee**") and a member of each of the audit committee (the "**Audit Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company with effect from 6 August 2024 in order to devote more time to his other business engagements.
- Mr. Xu Dongsun ("**Mr. Xu**") has been appointed as an independent non-executive Director, the chairperson of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee with effect from 6 August 2024.
- At the 2024 AGM (as defined below) held on 29 August 2024, Mr. Lam Ying Hung Andy ("**Mr. Lam**"), the then independent non-executive Director, did not offer himself for re-election due to his intention to pursue other business developments, and accordingly, has retired as the independent non-executive Director upon the conclusion of the 2024 AGM.

Mr. Lam has also ceased to be the chairperson of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee upon his retirement.

Upon the retirement of Mr. Lam, Ms. Li Mingqi has been redesignated as the chairperson of the Audit Committee and resigned as the chairperson of the Remuneration Committee but remains as a member of Remuneration Committee with effect from 29 August 2024. In addition, Mr. Xu Wei, the independent non-executive Director, has been appointed as the chairperson of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee with effect from 29 August 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 six months ended 30 September 2024 apart from code provisions C.2 and F.2.2 as disclosed below.

OTHER INFORMATION *(Continued)*

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 officers should be responsible for the day-to-day management of the Group's business. However, the position of the chairman of the Board has been vacant since 3 January 2020, and hence the Company did not comply with code provisions under C.2 of the CG Code during the six months ended 30 September 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 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.

OTHER INFORMATION *(Continued)*

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 six months ended 30 September 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 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2024 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors’ knowledge, information and belief as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the six months ended 30 September 2024 and up to the date of this report.

On Behalf of the Board

Synertone Communication Corporation

Han Weining

Executive Director and Chief Executive Officer

Hong Kong, 29 November 2024