Synergy Group
New Benchmark for Energy Saving

Synergy Group Holdings International Limited
滙能集團控股國際有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1539

2017/18
ANNUAL REPORT
年報

Synergy Group Holdings International Limited
Annual Report 2017/2018

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CORPORATE INFORMATION

(As at 25 July 2018)

DIRECTORS

Executive Directors

Mr. Wong Man Fai Mansfield
(Chairman and Chief Executive Officer)
Mr. Lam Arthur
(Vice Chairman)

Independent non-executive Directors

Mr. Chung Koon Yan
Mr. Cheung Yick Hung Jackie
Dr. Wong Chi Ying Anthony

BOARD COMMITTEES

Audit Committee

Mr. Chung Koon Yan *(Chairman)*
Mr. Cheung Yick Hung Jackie
Dr. Wong Chi Ying Anthony

Remuneration Committee

Mr. Cheung Yick Hung Jackie *(Chairman)*
Mr. Chung Koon Yan
Dr. Wong Chi Ying Anthony

Nomination Committee

Dr. Wong Chi Ying Anthony *(Chairman)*
Mr. Chung Koon Yan
Mr. Cheung Yick Hung Jackie

COMPANY SECRETARY

Mr. Tong Man Chun, *CPA, CPA (Aust.)*

AUTHORISED REPRESENTATIVES

Mr. Wong Man Fai Mansfield
Mr. Tong Man Chun

REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 404B, 4/F
Block B, Seaview Estate
Nos. 4-6 Watson Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

(As at 25 July 2018)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISER

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

AUDITOR

BDO Limited
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited
Hay Wah Building Branch
G/F, Hay Wah Building
71-85 Hennessy Road
Wanchai
Hong Kong

STOCK CODE

1539

COMPANY WEBSITE

www.synergy-group.com

INVESTOR ENQUIRY HOTLINE

Tel: (852) 2121 8033

INVESTOR ENQUIRY EMAIL ADDRESS

info@synergy-group.com

FINANCIAL SUMMARY

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	278,137	256,607	130,068	111,494	79,935
Leasing services of energy saving systems	8,550	97,198	21,383	8,831	10,020
Trading of energy saving products	242,937	137,440	78,896	74,856	42,059
Consultancy service	26,650	21,969	29,789	27,807	27,856
Gross profit	147,729	124,975	69,213	63,839	50,994
EBITDA (note)	159,418	91,811	46,840	38,857	34,555
EBIT (note)	158,354	90,752	45,035	36,071	31,251
Profit attributable to the owners of Synergy Group Holdings International Limited (the "**Company**")	125,704	74,072	35,402	26,229	23,538
Basic earnings per share (HK cents)	25.1	14.8	7.1	6.3	5.7
Total assets	707,626	409,782	189,416	118,713	103,852
Total liabilities	377,724	204,072	57,180	21,810	68,782
Net assets	329,902	205,710	132,236	96,903	35,070

Note: EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation. EBIT is defined as earnings before interest expenses and other finance costs and tax.

- Revenue increased by 8.4% from HK$256.6 million for the year ended 31 March 2017 to HK$278.1 million for the year ended 31 March 2018.

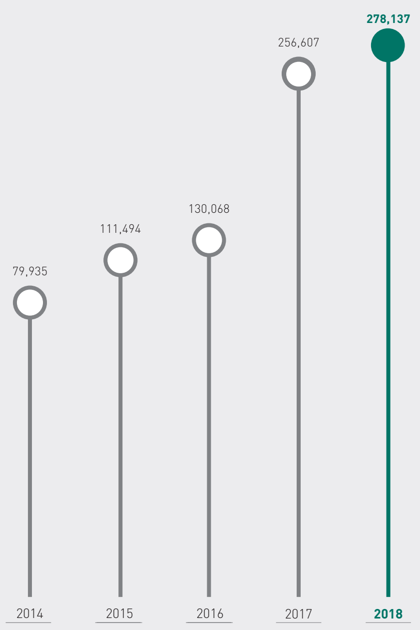
- Gross profit increased by 18.2% from HK$125.0 million for the year ended 31 March 2017 to HK$147.7 million for the year ended 31 March 2018.

- Profit attributable to the owners of the Company increased by 69.7% from HK$74.1 million for the year ended 31 March 2017 to HK$125.7 million for the year ended 31 March 2018.

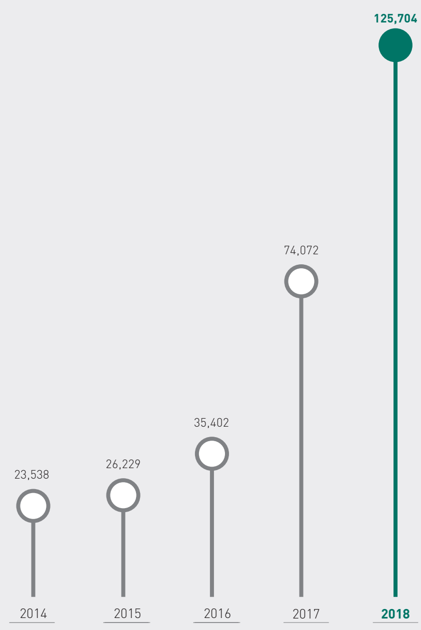
- Basic earnings per share increased by 69.6% from HK14.8 cents for the year ended 31 March 2017 to HK25.1 cents for the year ended 31 March 2018.

FINANCIAL SUMMARY

Analysis of Revenue
HK$'000



Analysis of Profit Attributable to the Owners of the Company
HK$'000

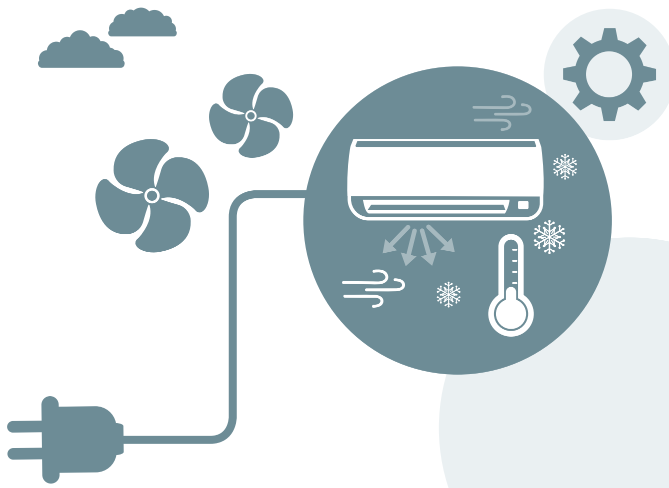


CHAIRMAN'S STATEMENT

"WE AIM TO PROMOTE CHANGE IN THE ENERGY INDUSTRY WITH PROVEN TECHNOLOGY SOLUTIONS AND CONTINUOUS INNOVATION TO CREATE A GREENER WORLD."

The year 2017 has been another remarkable year for the Group. The Group unswervingly continued to facilitate the strategic transformation journey to encompass diverse clean technologies to energise our vision and mission – changing the energy industry to vitalise a sustainable world! As a prominent practitioner in environmental stewardship, we strive to support the Hong Kong Government's Climate Action Plan targeting on carbon intensity reduction of 65%-70% from 2005 levels by 2030. China also emphasised the importance of tackling pollution to establish a "Beautiful China" in the 19th National Congress of the Communist Party of China, proposing a series of new goals and concepts with the expected issuance of new environmental protection policies. The increasing prevalence of clean energy adoption around the world since the global unity in triggering the Paris Agreement is unambiguous, and the Group's business strategy coincides with the global movement.

During the year under review, we continued our prosperity and presented another year of satisfactory results to our investors with a revenue of over HK$270 million and a net profit margin of over 40%, better than other major ESCOs across the world. Our outstanding results mainly arise from our continued growth in the Indonesian market in which we have completed energy saving projects for the largest retail conglomerate in Indonesia. The Group will continue to grow its energy saving business overseas with foreseeable collaborations with conglomerates in South Africa and Malaysia. We will continue to strengthen our team to ensure we possess the requisite capacity to drive strategic development in the future.



In complementing the burgeoning green trend and making significant contributions to sustainability, we have been proactively seeking business development opportunities aspiring to become the global clean technology leader. During this period, we have increased our interests in our associated company which is mainly involved in energy saving business. This further acquisition sends a clear signal to our stakeholders – we are devoted to bolster our market position and retain our technological leadership. In addition, we were able to expand our business portfolio to embrace a more diversified range of clean energy solutions. We invested in a vanadium-resource and processing company through a Hong Kong based company. Together, they carried out exploration, development and extraction of vanadium as well as production and financing of various vanadium products

CHAIRMAN'S STATEMENT

and battery-grade vanadium electrolyte to support the energy storage industry. We fully grasped this opportunity to sow the seeds for future success by achieving an integral supply chain of vanadium electrolyte. By leveraging our innovative business model, expertise and technology innovation, and riding on the future potential robust growth in energy storage, the Group will transit to a new phase of development in the future.

We believe that the growth of clean energy, energy saving and management industry is expected to accelerate in the near future with significant drivers including immense governmental support and serious alarm on adverse climate change. Particularly, the utility companies announced a Feed-in Tariff Scheme for installing solar panels in Hong Kong. We believe we can make further strides in the solar industry and capitalise this opportunity to deliver substantially more solar power projects in the near future. We also work closely with non-governmental organisations in bringing green power to Hong Kong. We will make use of our talents and technologies to surmount every challenge and I am delighted to be part of the journey of the Group to unlock the potential for clean energy market.

I would like to take this opportunity to thank the management and all our dedicated employees for their continued loyalty, diligence and contributions to the Group. With our united commitment and perseverance, favourable global growth driver, our outstanding talent pool, growing performance and sustainable development, we endeavour to bring fruitful returns to our shareholders.

WONG Man Fai Mansfield
Chairman, Chief Executive Officer and Executive Director

Hong Kong
29 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2018, we had a steady growth that was attributable to the continuous effort we put in expanding into the overseas market, in view of the increase in the awareness of environmental protection and growing demand for energy saving products in developing countries in order to meet the emission reduction targets.

Revenue generated from our trading segment increased by 76.8% from approximately HK$137.4 million for the year ended 31 March 2017 to approximately HK$242.9 million for the year ended 31 March 2018 mainly due to the increase in sales of LED products and the change in preferred way of co-operation with our customer from leasing services to trading businesses in the Indonesian market. Revenue generated from our leasing service segment decreased by 91.2% from approximately HK$97.2 million for the year ended 31 March 2017 to approximately HK$8.6 million for the year ended 31 March 2018 as a result of the above-mentioned change in way of co-operation in the Indonesian market. Revenue generated from our consultancy service segment increased by 21.3% from approximately HK$22.0 million for the year ended 31 March 2017 to approximately HK$26.7 million for the year ended 31 March 2018 due to the increase in demand of consultancy services during the year.

Details of segment information are set out in Note 6 to the consolidated financial statements.

KEY FINANCIAL INFORMATION AND RATIOS

	Year ended 31 March	
	2018	2017
Gross profit (HK$'000)	**147,729**	124,975
Net profit (HK$'000)	**125,555**	74,072
Gross profit margin	**53.1 %**	48.7%
Net profit margin	**45.1%**	28.9%

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

- Our consultancy services (the "**Consultancy Service**"), which are provided by the Company and its subsidiaries (collectively, the "**Group**") to third parties in assisting them in providing energy saving services in their markets, provided to our customers were project-based, hence the demand for our consultancy services may fluctuate.

- We rely on our sub-contractors for providing services of deployment and installation of lighting products to customers.

- We rely on our key management to conduct the Group's business. The inability to retain or attract senior management personnel will adversely affect our performance.

- There may be changes in consumer preferences and habits in green technologies.

- Our borrowings and notes issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

- We are exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate.

FINANCIAL REVIEW

Total revenue was approximately HK$278.1 million for the year ended 31 March 2018, representing an 8.4% increase as compared to that for the year ended 31 March 2017. There has been an increasing demand for the Group's energy saving products and services. Gross profit margin increased from 48.7% for the year ended 31 March 2017 to 53.1% for the year ended 31 March 2018. The increase was resulted from the increase in the proportion of revenue from the consultancy service segment which has a relatively higher gross profit margin when compared to the other segments, and the increase in interest income that was derived from our leasing service segment.

Other income and gains increased from approximately HK$1.4 million for the year ended 31 March 2017 to approximately HK$28.0 million for the year ended 31 March 2018, representing an increase of over 18 times which was mainly due to the gain on step acquisition of approximately HK$26.4 million derived from the further acquisition of interest in an associate of the Group, namely SCML (as hereinafter defined), pursuant to which SCML became an indirect non-wholly owned subsidiary of the Group after the acquisition (details of which were set out in the announcement of the Company dated 19 March 2018).

Selling and distribution costs

The Group's selling and distribution costs for the year ended 31 March 2018 were approximately HK$6.9 million, representing an increase of 7.7% from approximately HK$6.4 million for the year ended 31 March 2017. The increase was mainly due to the net effect of (i) the increase in amount of samples given to potential customers, some of which may enter into contracts with the Group and contribute to an increase in revenue in future; and (ii) the decrease in salaries as a result of the decrease in number of sales related staff of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2018 were approximately HK$27.7 million, representing an increase of 24.3% from approximately HK$22.3 million for the year ended 31 March 2017. The increase was mainly due to the net effect of (i) the increase in remuneration of the directors of the Company (the "**Directors**") and salaries expenses as a result of an overall increase in headcount of the Group; (ii) the exchange differences arose from the revaluation of receivables in foreign currencies as a result of the depreciation against Hong Kong dollar as at year end date; and (iii) the decrease in professional expenses as a result of the one-off expenses for application for the transfer of listing from the then Growth Enterprise Market ("**GEM**") to the Main Board of the Stock Exchange during the year ended 31 March 2017.

Finance costs

The Group's finance costs increased from approximately HK$2.2 million for the year ended 31 March 2017 to approximately HK$13.0 million for the year ended 31 March 2018. The increase of over four times was due to the full year effect of interest expenses arising from the bank and other borrowings and notes payable that had been drawn down in recent years.

Other expenses

The Group's other expenses decreased to approximately HK$0.9 million for the year ended 31 March 2018 from approximately HK$2.1 million for the year ended 31 March 2017. The decrease was mainly due to the provision of doubtful debt of approximately HK$1.2 million during the year ended 31 March 2017.

Income tax expense

The Group's income tax expense for the year ended 31 March 2018 was approximately HK$19.8 million, representing an increase of 37.1% from approximately HK$14.5 million for the year ended 31 March 2017. The increase was mainly due to the increase in taxable income.

Share of results of associates

The Group's share of results of associates for the year ended 31 March 2018 was approximately HK$18.1 million gain, improved from approximately HK$4.9 million loss for the year ended 31 March 2017. The improvement was mainly due to the gain on bargain purchase of approximately HK$18.4 million from the acquisition of interest in an associate of the Group, namely Invinity (as hereinafter defined).

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA increased from approximately HK$91.8 million for the year ended 31 March 2017 to approximately HK$159.4 million for the year ended 31 March 2018. The Group's EBIT increased from approximately HK$90.8 million for the year ended 31 March 2017 to approximately HK$158.4 million for the year ended 31 March 2018.

Profit attributable to the owners of the Company

As a result of the foregoing, our profit attributable to the owners of the Company increased by 69.7% from approximately HK$74.1 million for the year ended 31 March 2017 to HK$125.7 million for the year ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its business with internally generated cash flows and bank and other borrowings. As at 31 March 2018, currents assets of the Group amounted to approximately HK$324.6 million, representing an increase of 33.1% from approximately HK$243.8 million as at 31 March 2017. Current assets mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK$39.5 million (2017: approximately HK$56.0 million) and trade receivables of approximately HK$229.5 million (2017: approximately HK$110.9 million).

As at 31 March 2018, the Group's current liabilities mainly comprised borrowings of approximately HK$91.7 million (2017: approximately HK$107.2 million), note payable of HK$80.0 million (2017: Nil), trade payables of approximately HK$10.5 million (2017: approximately HK$5.7 million) and accruals, other payables and deposits received of approximately HK$49.1 million (2017: approximately HK$24.3 million).

The Group's current ratio decreased from approximately 1.7 times as at 31 March 2017 to approximately 1.3 times as at 31 March 2018. The Group has sufficient working capital to meet the current liquidity demand within at least 12 months from the date of this report.

The total outstanding notes payable and borrowings of the Group as at 31 March 2018 was approximately HK$282.5 million (31 March 2017: approximately HK$161.8 million), of which approximately HK$121.4 million (31 March 2017: approximately HK$104.7 million) was due to banks, approximately HK$31.1 million (31 March 2017: approximately HK$7.1 million) was due to independent third parties, and notes payable of HK$130.0 million (31 March 2017: HK$50.0 million). The increase was due to the new bank and other borrowings and note payable of HK$150.8 million that were drawn during the year ended 31 March 2018.

As at 31 March 2018, the Group's equity attributable to the owners of the Company was approximately HK$333.6 million, representing an increase of 62.2% from approximately HK$205.7 million as at 31 March 2017.

As at 31 March 2018, a time deposit of HK$2.5 million was pledged as a security for the bank facilities (31 March 2017: HK$2.5 million). There is an assignment of receivables from one of the customers of the Group and an assignment of investment in life insurance policy of the Group to the bank. Save as disclosed above, the Group has no other charges on its assets as at 31 March 2018.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2018.

GUARANTEES

The Group had no material guarantees as at 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSOCIATED COMPANIES

Synergy Cooling Management Limited ("**SCML**", together with its subsidiaries, the "**Cooling Group**") was an associated company of the Group which was owned as to approximately 36.59% by the Group during the period from 1 April 2017 to 21 May 2017, and approximately 49.84% from 22 May 2017 to 19 March 2018. SCML wholly owns Synergy Cooling Management (H.K.) Limited ("**SCML (HK)**") and indirectly wholly owns Synergy ESCO (Malaysia) Sdn. Bhd. ("**SE (Malay)**"). Both SCML (HK) and SE (Malay) are principally engaged in the business of energy saving management. On 20 March 2018, the Group acquired approximately 13.20% interest in SCML (the "**Transaction**"), resulting in an aggregate of approximately 63.04% interest in SCML and SCML became an indirect non-wholly owned subsidiary of the Group. Details of the Transaction were set out in the announcements of the Company dated 19 March 2018 and 21 March 2018.

Goodwill of approximately HK$92.8 million arisen from the Transaction represented the control premium paid, skills and technical talent of SCML group's workforce and the expected synergies to create from integrating Cooling Group into the Group's existing businesses and future market development. Pursuant to the applicable Hong Kong Financial Reporting Standard, goodwill is recognised as of the date of Transaction measured as the excess of the fair value of the Company's equity interest in Cooling Group and the consideration of the Transaction over the net of fair value amounts of the identifiable assets acquired and the liabilities assumed of Cooling Group attributable to the 63.04% interest owned by the Group. The benefits from the Transaction could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Intangible assets of approximately HK$11.7 million which were recorded in the books of Cooling Group represented the exclusive right of refrigerant-related mixing formulae, and were reflected in the consolidated financial statements of the Group after SCML has become a subsidiary of the Group.

The Cooling Group has been focusing on exploring the overseas market (including the PRC), reallocated the focus to the development of a number of sizeable conglomerates customers in Malaysia and the PRC for the year ended 31 March 2018, which led to a decrease in the sales in Hong Kong market and a decrease of approximately 28.3% in revenue of Cooling Group for the period between 1 April 2017 to 19 March 2018 as compared to that for the year ended 31 March 2017. It is expected that the Cooling Group will continue to expand into the overseas market in the near future. The future development of Cooling Group, being part of the Group, is detailed in the paragraph headed "Future Outlook" below.

As at 31 March 2017, advances of approximately HK$8.6 million were made by the Group to the Cooling Group at an interest rate of 5% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

On 18 April 2016, a subsidiary of the Group jointly incorporated Kedah Synergy Limited ("**KSL**", together with its subsidiaries, the "**KSL Group**") with an independent third party. KSL, which was owned as to 35% by the Group as an associated company of the Group, is principally engaged in the business of energy saving management in South Africa. On 13 November 2017, further interest of 12.5% was acquired from two other shareholders of KSL, and the Group was interested in 47.5% of the issued shares of KSL.

The revenue of KSL Group for the year ended 31 March 2018 was approximately HK$37.0 million (for the year ended 31 March 2017: Nil). The net profit attributable to the shareholders of KSL Group for the year ended 31 March 2018 was approximately HK$14.3 million, improved from approximately HK$2.5 million loss for the year ended 31 March 2017, as it was in the stage of business negotiation with a major retailer in South Africa during the year ended 31 March 2017 while installation of the customised LED products in the retail outlets of such major retailer had commenced during the year ended 31 March 2018.

On 7 March 2018, a subsidiary of the Group completed the subscription for 2,400 shares of Invinity Energy Group Limited ("**Invinity**", together with its subsidiaries, the "**Invinity Group**"). The Invinity Group is principally engaged in investing in vanadium mining and processing assets including exploration, development, mining and extraction of vanadium as well as production and financing of various vanadium products and battery-grade vanadium electrolyte to support the vanadium flow batteries energy storage industry. Details of the subscription in Invinity are set out in the announcement of the Company dated 4 May 2018.

Saved as disclosed above, there were no other significant investments held, material acquisition or disposal of subsidiaries and affiliated companies, and other plans for material investments or capital assets during the year ended 31 March 2018.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2018, the Group had 41 full-time employees. The Group offers a competitive remuneration package commensurate with industry practice and provides benefits to its employees, including bonuses, medical coverage and provident fund contributions.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund (MPF) Scheme. Under the MPF Scheme, each of the Group companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has arranged for its Malaysian employees to join the Employees Provident Fund (EPF) Scheme. Under the EPF Scheme, each of the Group companies (the employer) and its employees make monthly contributions to the scheme at rate ranging from 11% to 13% of the employees' earnings. The Group has also arranged for its Malaysian employees to join the social security scheme by Social Security Organisation (SOCSO). The scheme is to guarantee cash payment and benefits in kinds to employees and their dependents in the event of a contingency. The rate of contribution comprises rates ranging from 0.5% to 1.75% of employees' monthly wages, which capped the maximum at RM4,000, from employer and employees.

The Company has adopted a share option scheme as an incentive to its Directors and eligible employees, details of which are set out in the paragraph headed "Share Option Scheme" below.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") adopted by the Company was approved by its shareholder on 5 March 2015. Please refer to the paragraph headed "Share Option Scheme" in the Directors' Report for further details.

FOREIGN CURRENCY EXPOSURE

The Group's revenue and expenses are mainly in Hong Kong dollar which is the functional currency of most of the entities making up the Group. As it is expected that there will be an increase in revenue from overseas markets such as Indonesia and Malaysia, the Directors believe that the Group will be exposed to foreign exchange risk due to exchange rate fluctuations. After considering the current and future exchange rate level and the foreign currency market for Indonesia and Malaysia, the Group does not adopt any foreign currency hedging measure as at the date of this report. However, the Group will monitor its foreign exchange exposure and will consider hedging the foreign currency exposure should the need arises.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 31 March 2018, the gearing ratio of the Group was 86.7% (31 March 2017: 78.7%), which is calculated on the basis of the amount of total debts divided by the total equity. Such increase was due to the new bank and other borrowings and note payable that were drawn down during the year ended 31 March 2018.

DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 March 2018 (31 March 2017: Nil).

The Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

USE OF PROCEEDS

The net proceeds from the listing of shares of the Company on GEM of the Stock Exchange on 24 March 2015 (the "**Listing**"), after deducting the underwriting commission and other expenses in connection with the Listing, amounted to approximately HK$7.1 million and were fully utilised as of 30 September 2017. An analysis comparing the breakdown of the intended use of such net proceeds from the Listing in proportion to that as set out in the prospectus of the Company dated 13 March 2015 ("**Prospectus**") with actual usage for the year ended 31 March 2018 is as follows:

	Use of proceeds for the year ended 31 March 2018 in proportion to that as stated in the Prospectus HK$ million	**Actual use of proceeds for the year ended 31 March 2018** HK$ million
Expansion of our Group's business in international markets	0.4	0.3
Expansion of our Group's business in the PRC	0.2	0.2
Expansion of our Group's business in Hong Kong	0.3	0.3
Marketing activities to enhance our brand image and recognition	0.3	0.2
Enhance our research and development capabilities	0.2	0.2
Total	1.4	1.2

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENTS

Subsequent to the year ended 31 March 2018, on 4 April 2018, the Company completed the placing of 50,000,000 new ordinary shares of HK$0.01 each at a placing price of HK$1.09 per placing share to not less than six placees pursuant to a placing agreement dated 14 March 2018 entered into between the Company and the placing agent. The net proceeds, after deduction of all relevant expenses (including but not limited to the placing commission, legal expenses and disbursements) incidental to the placing of approximately HK$1.6 million, are approximately HK$52.9 million. Details of the placing are set out in the announcement of the Company dated 4 April 2018. The Company intended to use the net proceeds for general working capital of the Group. As at 29 June 2018, approximately HK$26.3 million of the net proceeds have been utilised for the intended purpose.

Subsequent to the year ended 31 March 2018, on 19 April 2018, the Company granted a total of 21,532,400 share options to subscribe for an aggregate of 21,532,400 ordinary shares of HK$0.01 each in the capital of the Company under the share option scheme adopted by the Company on 5 March 2015 (as amended on 26 October 2016). Details of the grant of share options are set out in the announcement of the Company dated 19 April 2018.

FUTURE OUTLOOK

Although there are uncertainties lying in the global political and economic spheres, the Group believes that fighting against climate change is still one of the key focuses, where further milestones and action plans will continuously be developed to ensure and advance the implementation of the Paris Agreement in the years forward. China will continue to safeguard the environment and reform the energy supply and power distribution systems in complementing the government's vision of "building a Beautiful China"; whereas Hong Kong will also follow the same path in order to meet its new carbon emissions reduction target. All these new goals and government policies indicate that the growth in the energy saving and clean energy industry will continue to be accelerated in the future and the Group will continue to capitalise on the unprecedented opportunities to foster its growth.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, the Group has arrived at a transformational point in which it strategically expands its business to enhance the synergy effect among various business sectors and further strengthen its position in the energy service company industry. The Group has increased its interests in an associated company which is mainly involved in energy saving business and it became an indirect non-wholly owned subsidiary of the Group. It is expected the contribution from this company will substantially increase in the coming years with the enlarged customer base, global footprint and technology innovation. The operational efficiency of the Group is also expected to be enhanced by achieving economies of scale and cost savings through the acquisition. On the other hand, the Group has completed the investment in a vanadium-resource and processing company in China through a Hong-Kong based company. It is expected that a sustained structural deficiency in vanadium will be seen owing to the foreseeable robust growth in the energy storage market in the future with a constrained and concentrated vanadium supply mainly for the steel industry. The Invinity Group not only owns a quality operating vanadium-bearing asset and the ability to manufacture into different end-use products, but it intends to develop a patented process to produce highly purified vanadium electrolyte for energy storage applications. The Group has also established an invaluable partnership with a US-based leading vanadium flow battery firm in this investment. Together, the Group and its partner will make determined efforts with fresh impetus to innovate and accomplish their common aspiration – to create a low-cost, high quality, and the largest vertically integrated vanadium electrolyte supply chain, push forward the development of energy storage market and build a greener future.

The Group will continue to reinforce its existing core business competitiveness in providing energy-saving lighting and cooling solutions to large multi-national companies and conglomerates in both domestic and overseas markets. It will make a comprehensive strategic plan focusing on countries with major market potential such as China, Malaysia and South Africa where it foresees large-scale projects to be deployed in the near future. On the other hand, the Group will also embrace new development opportunities to achieve breakthroughs, expand market space, and become the first-mover in the clean energy industry. With the favourable growth momentum in the industry, the Directors are very confident that the Group can integrate its new strengths and open a new era to its strategic development.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Man Fai Mansfield, aged 44, is the Chief Executive Officer, Chairman of the Board and an executive Director of the Company. He is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and a director of various subsidiaries of the Company, and was appointed as the Chief Executive Officer of Synergy Lighting Limited on 1 July 2009. He was appointed as a Director of our Company on 30 December 2011. He is primarily responsible for the overall corporate strategies, development management and operation of our Group. Mr. Wong graduated from the University of Arizona, Arizona, the United States with a Bachelor's degree in Electrical Engineering in May 1996. He also obtained a Master of Engineering (Electrical) from Cornell University, New York, United States in May 1997. He has over 13 years of management experience. Mr. Wong is the sole director and sole shareholder of Mpplication Group Limited, which provides information technology management services to our Group. Mr. Wong is the sole director and sole shareholder of Abundance Development Limited and one of our substantial shareholders.

Mr. Lam Arthur, aged 33, is the Vice Chairman of the Board, an executive Director and one of the substantial shareholders of the Company. He was appointed as a Director and Vice Chairman of our Company on 30 December 2011 and 3 February 2016 respectively, and is responsible for overseas development and research and development of our Group. Mr. Lam is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and a director of various subsidiaries of the Company. Mr. Lam graduated from the University of Notre Dame, Indiana, the United States, with a Bachelor's degree in Mechanical Engineering in May 2008. Before joining our Group, Mr. Lam was an Associate (Trade Support and Risk Management) in Myo Capital Advisers Limited from November 2008 to June 2009. Mr. Lam is a certified Carbon Audit Professional and a certified Energy Manager of The Association of Energy Engineers (Hong Kong Chapter).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Koon Yan, aged 54, is an independent non-executive Director, the Chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of the Company since 5 March 2015. He is a practicing and fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting in November 2000. Mr. Chung obtained the fellow membership of The Association of Chartered Certified Accountants in October 2003 and became a member of The Hong Kong Institute of Certified Public Accountants in October 1998, and was also admitted as an associate

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

of The Institute of Chartered Accountants in England and Wales in October 2004. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and Dickson Wong C.P.A. Company Limited, and has more than 20 years' experience in accounting, auditing and taxation. Mr. Chung has been an independent non-executive director of Great World Company Holdings Limited (stock code: 8003), the shares of which are listed on GEM, since May 2008, an independent non-executive director of Asian Citrus Holdings Limited (stock code: 73) since November 2013, the shares of which are listed on the Main Board of the Stock Exchange and were admitted to trading on AIM (a market operated by the London Stock Exchange) in 2005 but which have been cancelled from trading on AIM since 29 March 2017, and an independent non-executive director of Winson Holdings Hong Kong Limited (stock code: 8421), the shares of which are listed on GEM, since February 2017.

Mr. Cheung Yick Hung Jackie, aged 50, is an independent non-executive Director, the Chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company since 5 March 2015. Mr. Cheung has been a representative of KGI Asia Limited and KGI Futures (Hong Kong) Limited which carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO respectively since 29 March 2011. Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in November 1995 and as a solicitor of the Supreme Court of England and Wales in May 1997. He graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a degree of Bachelor of Laws and obtained the Postgraduate Certificate in Laws in November 1992 and November 1993 respectively. Mr. Cheung served as a District Councillor of the Central and Western District Council for the period from 1 January 2008 to 31 December 2015.

Dr. Wong Chi Ying Anthony, aged 62, is an independent non-executive Director, the Chairman of the Nomination Committee, member of the Audit Committee and member of the Remuneration Committee of the Company since 5 March 2015. He is currently the vice chairman and an executive director of Ngai Hing Hong Company Limited (stock code: 1047), a company listed on the Stock Exchange, and is in charge of its research and development centre and responsible for its business development. Dr. Wong was an Associate Professor in the Department of Industrial and Manufacturing Systems Engineering of The University of Hong Kong from 1997 to 2006. He obtained a B. Tech (Hons) degree and a Ph.D degree in Chemical Engineering from The University of Bradford, United Kingdom, in December 1980 and in December 1983 respectively. Dr. Wong became a Corporate Member of The Institution of Chemical Engineers (MIChemE) and Chartered Engineer (C.Eng) of the Engineering Council, the United Kingdom, in November 1999 and December 1999 respectively. On 1 June 2004, he obtained a status as a Chartered Scientist (CSci) from The Institution of Chemical Engineers and The Science Council, the United Kingdom. He was also admitted as a member of The Hong Kong Institution of Engineers on 16 March 2000.

SENIOR MANAGEMENT

Mr. Cheng Chi Kuen, aged 45, is our Chief Operation Officer since June 2011. He is responsible for overseeing our business operations, sales and marketing, office administration and human resources management. He has over 8 years of management experience. He was the co-founder and a director of Synergy Green Technology Limited. Synergy Green Technology Limited is one of the

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

shareholders of Synergy Cooling Management Limited (indirectly non-wholly owned subsidiary of the Company), which holds approximately 33.7% interest of the entire issued share capital of Synergy Cooling Management Limited. Mr. Cheng was previously employed by Zymmetry Limited (formerly known as Mission System Consultant Limited), a global sourcing and manufacturing solutions provider for the apparel industry. During his time at Zymmetry Limited, Mr. Cheng had held various positions and subsequently as senior marketing manager of Asia Pacific region at the time when he left Zymmetry Limited. He has obtained a Master's degree in Business Administration through a distance learning course offered by the University of Bradford U.K. in July 2013.

Mr. Tong Man Chun, aged 44, is our Chief Financial Officer since December 2011 and was appointed as our Company Secretary on 16 December 2014. He is responsible for our Group's financial planning and management, and corporate governance. He is a Certified Public Accountant in Australia and member of The Hong Kong Institute of Certified Public Accountants. Mr. Tong graduated from the University of South Australia, Australia with a Bachelor's Degree in Accounting in March 1997. Mr. Tong was admitted as a Certified Public Accountant in Australia in October 2001 and was admitted as a member of The Hong Kong Institute of Certified Public Accountants in September 2005. Mr. Tong has over 18 years' experience in accounting taxation, financial reporting and consultancy management and had worked in various corporate services companies and certified public accountants firms in Hong Kong and held various positions such as senior management consultant.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL BUSINESSES

The principal business of the Company is investment holding and the principal businesses of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal businesses during the year ended 31 March 2018.

ANNUAL RESULTS AND DISTRIBUTIONS

The annual results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of comprehensive income on page 76. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2018.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 4. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2018 are set out in Note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 31 to the consolidated financial statements. As at 31 March 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounting to approximately HK$12.4 million (31 March 2017: approximately HK$25.0 million). This includes the Company's share premium and contributed surplus in the amounts of HK$34.7 million and HK$3.2 million, respectively as at 31 March 2018, which may be distributable to the shareholders of the Company subject to the provisions of the Company's memorandum and articles of association ("**Articles of Association**") and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 March 2018 are set out in Note 14 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 March 2018 and as at the date of this report are as follows:

Executive Directors

Mr. WONG Man Fai Mansfield
(Chairman and Chief Executive Officer)

Mr. LAM Arthur *(Vice Chairman)*

Independent non-executive Directors

Mr. CHUNG Koon Yan

Mr. CHEUNG Yick Hung Jackie

Dr. WONG Chi Ying Anthony

In accordance with the Articles of Association, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

In accordance with Articles 84(1) and (2) of the Articles of Association, Mr. Wong Man Fai Mansfield and Dr. Wong Chi Ying Anthony shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with any member of the Group which in order to entitle the Company to terminate the service contract, expressly requires the Company to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's remuneration, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 18 to 20 of this Annual Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent non-executive Directors a written annual confirmation of his independence in relation to their services for the year ended 31 March 2018 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Company considers all independent non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 10(a) to the consolidated financial statements. Details of emolument policy are set out in the section headed "Remuneration Committee" to Corporate Governance Report in this Annual Report.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests and short positions of the Directors and chief executives of our Company in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions 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 as referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules required to be notified to our Company and the Stock Exchange, were as follows:

Short positions in the ordinary shares of HK$0.01 each of the Company

Name of Director	Nature of interest and capacity	Number of Shares	Approximate percentage of issued share capital
Mr. WONG Man Fai Mansfield (Note)	Interest in controlled corporation	47,249,204	9.45%
Mr. LAM Arthur	Beneficial owner	35,464,437	7.09%

Note: Abundance Development Limited is wholly-owned by Mr. WONG Man Fai Mansfield. Under the SFO, Mr. WONG Man Fai Mansfield is deemed to be interested in all the shares of the Company owned by Abundance Development Limited.

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executives of our Company had any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are 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 referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as our Directors are aware, as at 31 March 2018, the persons/entities (other than the Directors or chief executives of our Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of our Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group were as follows:

Interests or short positions in the ordinary shares of HK$0.01 each of the Company

Name of Shareholder	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of issued share capital
Abundance Development Limited (Note 2)	Beneficial owner	47,249,204 (S)	9.45%
Ms. CAI Linda Xin Xin (Note 3)	Interest of spouse	47,249,204 (S)	9.45%
Ms. LIANG Wai Yun Fiona (Note 4)	Interest of spouse	35,464,437 (S)	7.09%
Central Huijin Investment Ltd. (Note 5)	Interest of controlled corporation	100,001,641 (L)	20.00%
China Construction Bank Corporation (Note 5)	Interest of controlled corporation	100,001,641 (L)	20.00%
CCB International Group Holdings Limited (Note 5)	Interest of controlled corporation	100,001,641 (L)	20.00%
CCB International (Holdings) Limited (Note 5)	Interest of controlled corporation	100,001,641 (L)	20.00%
CCBI Investments Limited (Note 5)	Interest of controlled corporation	100,001,641 (L)	20.00%
Wan Tai Investments Limited (Note 5)	Person having a security interest in shares	100,001,641 (L)	20.00%

Notes:

1. The letters "L" and "S" denote the person's long position and short position in such Shares respectively.

2. Abundance Development Limited is wholly-owned by Mr. WONG Man Fai Mansfield.

3. Ms. CAI Linda Xin Xin is the spouse of Mr. WONG Man Fai Mansfield. Under the SFO, Mr. WONG Man Fai Mansfield is deemed to be interested in all the shares of the Company owned by Abundance Development Limited, and Ms. CAI Linda Xin Xin is deemed to be interested in all the shares of the Company in which Mr. WONG Man Fai Mansfield is interested.

4. Ms. LIANG Wai Yun Fiona is the spouse of Mr. LAM Arthur. Under the SFO, Ms. LIANG Wai Yun Fiona is deemed to be interested in all the shares of the Company in which Mr. LAM Arthur is interested.

5. Wan Tai Investments Limited is wholly controlled by CCBI Investments Limited, which is in turn wholly controlled by CCB International (Holdings) Limited, which is in turn wholly controlled by CCB International Group Holdings Limited, which is in turn wholly controlled by China Construction Bank Corporation, which 57.11% shares is in turn controlled by Central Huijin Investment Ltd..

DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2018, the Directors were not aware of any persons/entities who had any interest or short position in the securities in the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 5 March 2015 (which was amended on 26 October 2016). As at 31 March 2018, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) The purpose of the Share Option Scheme

The Share Option Scheme seeks to provide an incentive for the Qualified Participants (as hereinafter defined) to work with commitment towards enhancing the value of our Company and its shares ("**Shares**") for the benefit of the shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of our Group.

(b) Who may join

The Board may at its discretion grant options to any director or employee (whether full time or part time) of our Company and its subsidiaries and associated companies (as defined under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) (collectively, "**Qualified Participants**").

(c) Grant of Option

An offer of the grant of an option shall be made to the Qualified Participants by letter in such form as the Board may from time to time determine, requiring the Qualified Participants to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules). The offer shall remain open for acceptance for a period of twenty business days from the date on which it is made. Subject to the terms of the offer letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options. An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Qualified Participant.

(d) Subscription Price

The subscription price ("**Subscription Price**") shall be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant ("**Offer Date**"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

DIRECTORS' REPORT

(e) Maximum number of shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at 24 March 2015 (i.e. the date of listing of the Shares in GEM, "**Listing Date**"), i.e. 50,000,000 Shares. For the purpose of calculating the scheme mandate ("**Scheme Mandate**"), options which have been lapsed in accordance with the terms of the relevant scheme shall not be counted.

(f) Maximum entitlement of shares of each Qualified Participant

Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any option-holder if the acceptance of those options would result in the total number of Shares issued and to be issued to that Qualified Participant on exercise of his options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total Shares then in issue.

(g) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme ("**Option Period**") shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

(h) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing from 5 March 2015, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Share Option Scheme. As at the date of this report, the Share Option Scheme has remaining life of approximately seven years.

No share options were granted under the Share Option Scheme during the year ended 31 March 2018 (2017: Nil). As at 31 March 2018, there were no outstanding options granted under the Share Option Scheme (2017: Nil).

Subsequent to the year ended 31 March 2018, on 19 April 2018, the Company has granted a total of 21,532,400 share options to subscribe for an aggregate of 21,532,400 ordinary shares of HK$0.01 each in the capital of the Company, comprising (i) 11,150,000 share options to five Directors; and (ii) 10,382,400 share options to certain qualified participants, being employees of the Group, subject to acceptance of such grantees of the share options under the Share Option Scheme (the "**Grant**"). Details of the Grant are set out in the Company's announcement dated 19 April 2018.

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2018.

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2018.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 March 2018, none of the Directors, the substantial shareholders or their respective close associates (as defined under the Listing Rules) had held any position or had any interest in any businesses or companies that were or might be materially, either directly or indirectly, competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the year ended 31 March 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the aggregate percentage of purchase attributable to the Group's five largest suppliers is approximately 99.5% of the total purchases of the Group and the largest supplier included therein amounted to approximately 97.3%.

For the year ended 31 March 2018, the aggregate percentage of sales attributable to the Group's five largest customers is approximately 90.5% of the total sales of the Group and the largest customer included therein amounted to approximately 52.4%.

At no time during the year have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the Group's related party transaction are set out in Note 36 to the consolidated financial statements. Save for transactions disclosed under Note 36(a)(iv) and (v) which are continuing connected transactions that are exempt from annual reporting requirements under Chapter 14A of the Listing Rules, such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under the Listing Rules.

Saved as disclosed above, there were no other transactions which are required to be disclosed as continuing connected transactions in accordance with the requirements of the Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

ISSUE OF SECURED GUARANTEED NOTES

On 16 November 2017, the Company issued secured guaranteed notes with a principal amount of HK$80,000,000 with the interest rate of 9% per annum, with a term of 12 months extendable to up to 36 months at the noteholder's discretion, to Wai Tai Investments Limited, an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited (the "**9% Notes**"). Details of the 9% Notes are set out in Note 29(a) of the consolidated financial statements.

ACQUISITION OF EQUITY INTEREST IN SCML

On 22 May 2017, Synergy Group Worldwide Limited ("**Synergy Worldwide**"), a wholly controlled subsidiary of the Company, completed an acquisition of an aggregate of 13.25% in SCML from two other shareholders of SCML at an aggregate consideration of HK$23.8 million (the "**Acquisition**").

On 20 March 2018, Synergy Worldwide completed a further acquisitions of 13.20% interest in SCML at a consideration of HK$23.8 million (the "**Step Acquisition**"). Details of the Step Acquisition are set out in Note 33 of the consolidated financial statements.

Upon completion of the above acquisitions, Synergy Worldwide has become interested in approximately 63.04% of the issued shares of SCML and SCML has become an indirect non-wholly owned subsidiary of the Company.

DIRECTORS' REPORT

ACQUISITION OF EQUITY INTEREST IN INVINITY ENERGY

On 7 March 2018, Synergy Worldwide completed the subscription for 2,400 shares of Invinity at the consideration of US$3,200,000. As at 31 March 2018, Synergy Worldwide owned approximately 23.65% of the issued shares in Invinity. Details of the acquisition of are set out in the announcement of the Company dated 4 May 2018.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting the underwriting fees, capitalised professional service fee and related expenses) amounted to approximately HK$7.1 million. Details of the use of proceeds are set out in the section headed "Use of Proceeds" to Management Discussion and Analysis in this Annual Report.

CORPORATE GOVERNANCE

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 March 2018.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 54 to 68 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee of the Board was established with its written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision C.3.3 of the Corporate Governance Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. CHUNG Koon Yan (Chairman of the Audit Committee), Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the financial statements for the year ended 31 March 2018.

BUSINESS REVIEW

Details of review of the Group's business is set out in the "Management Discussion and Analysis" section on pages 8 to 17 of this Annual Report.

DIRECTORS' REPORT

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the "Management Discussion and Analysis" section in this Annual Report.

In addition, various financial risks have been disclosed in the notes to the consolidated financial statements of this Annual Report.

An analysis using financial key performance indicators

The relevant financial key performance indicators relating to the business of the Group are set out in the "Financial Review" section in the "Management Discussion and Analysis" and the consolidated financial statements in this Annual Report.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

Relationships with employees, customers, suppliers and other stakeholders

The Group ensures all staff is reasonably remunerated and regularly reviews the employment policies on remuneration and other benefits.

The Group maintains a good relationship with its customers and suppliers. The Group maintains close contacts with the customers and has regular review of requirements of customers and complaints. The Group will conduct appraisal of the performance of suppliers on regular basis.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has in an on-going fashion reviewed the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group.

Permitted indemnity provision

Pursuant to the Articles of Association, the Directors and other officers, for the time being acting in relation to the affairs of the Company, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

DIRECTORS' REPORT

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

Charitable donations

The Group did not make any charitable donation for the year ended 31 March 2018.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding in the Shares.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the 2018 AGM. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the 2018 AGM.

There has been no change in auditors of the Company in the three years ended 31 March 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

This is the second Environmental, Social and Governance Report (the "**ESG Report**") prepared by the Group. The ESG Report focuses on presenting our sustainability achievements throughout the year, reviewing the existing operations and enhancing our performances as we strive for a better corporate sustainable environment.

As an Energy Service Company ("**ESCO**"), we have embraced the goal of resources synergy, conservation and sustainability as a pillar of our corporate identity. Not only do we endeavour to operate our business in the most efficient, environmental-friendly and ethical way, but we also play a vital role in resolving environmental problems through implementation of clean energy solutions in our community to reduce fossil fuel consumption. We firmly believe that the preparation of this Report is a cornerstone to pursue greater business sustainability effectively, comprehensively and transparently together with our stakeholders.

1.1 Reporting Scope and Boundaries

The scope of the ESG Report runs from 1 April 2017 to 31 March 2018, unless otherwise indicated. The report is prepared in accordance with Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The ESG Guide Content Index can be found in Section 7 of this Report.

The information and statistics in the report mainly covers the operations in Hong Kong, unless otherwise stated. The financial data and corporate governance report are detailed in other sections of the 2017/2018 Annual Report.

1.2 Your Feedback

The complete version of this Report is published on our website. We value and welcome any comments and suggestions in relation to this Report and on our sustainability performance. Should you have any feedback on the Report, please contact us via info@synergy-group.com.

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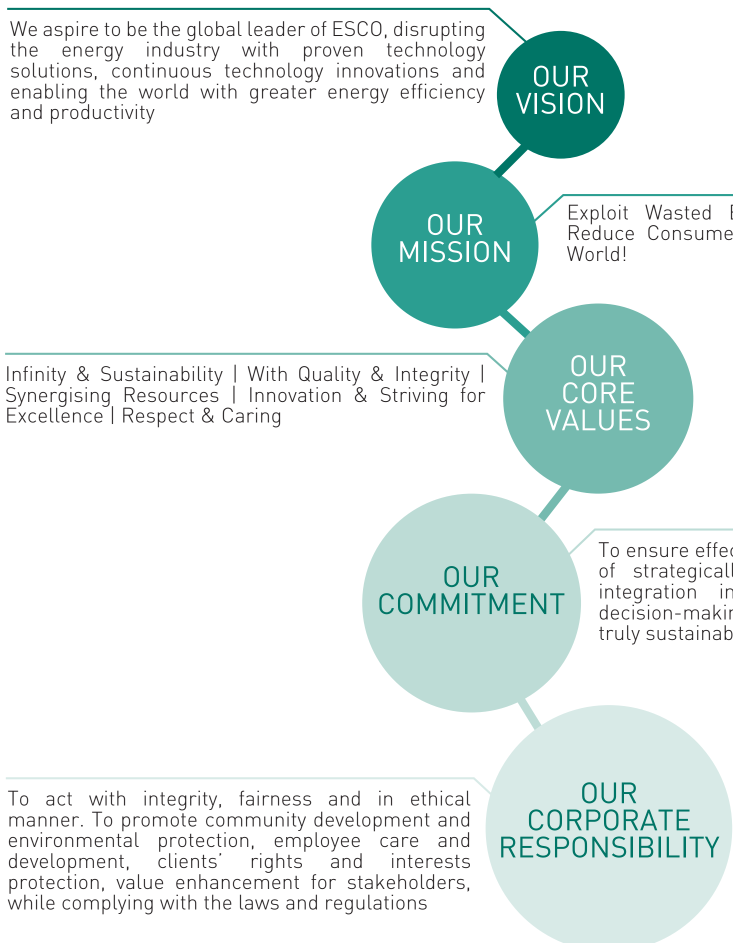
2 SYNERGY ESG APPROACH

2.1 ESG Management Strategy

Incorporating environmental, social and governance ("**ESG**") matter into the company is not only an obligation, but also an expression of a responsible corporate culture. We practise energy saving and efficient energy management, clean energy and environmental stewardship. The Board and management oversee the ESG issues and take responsibility to control the related risks and deploy ESG plan and strategy, contributing to the creation of a harmonious environment. Our ESG performance is also measured through Key Performance Indicators (KPIs) in order to identify the key ESG objectives, the potential challenges ahead and prioritise actions that we can take to improve the overall ESG system.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2 Stakeholder Engagement

The materiality of ESG issues with respect to the enterprise depends on both the nature of our business operations and the interests of our stakeholders. Our business involves a wide variety of stakeholders and our major stakeholders and the associated channel of communications are presented in Table 1 below.

Table 1 Communications between Synergy and the stakeholders

Stakeholders	Communication Channels	Our Commitment
Investors and Shareholders	• Annual/Extraordinary General Meeting • Interim and annual reports • Company website • Investor meetings • Security analyst posts • Press release/announcements	• Achieve and maintain high standards of corporate governance with sustainable business development and return, enhancing corporate value, transparency and accountability
Employees	• Annual performance appraisal • Face-to-face talks • Internal newsletters • Irregular event sessions	• Establish and continuously improve the employment policies and remuneration system • Provide on-going training and development on improving employees' knowledge and skills • All employment-related matters are in compliance with relevant laws and regulations
Suppliers, Contractors and Agents	• Supplier assessment • Site inspection visits • Regular supplier meetings and dialogues	• Maintain good relationships and help in supporting ESG adoption and in compliance with relevant standards
Customers	• Site visits and meetings • Company website • Company booklet and product catalogue	• Offer wide range of eco-friendly and energy saving products and services with quality guarantee
NGOs, Professional Organisations and the Community	• Irregular charity events • Partnership programs • Organisation annual dinners • Memberships	• Proactively collaborate with the organisations to promote sustainable development • Support activities associated with these organisations

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2.3 Materiality Assessment

We carried out an internal analysis to identify the critical ESG topics to ensure all relevant material aspects are included and set forth the strategic direction to achieve our sustainability goals. The internal analysis takes into account various facets including impact of our operations and products on environmental and social aspects, our Group's key policy, target and strategy, competencies of the Group, interests of stakeholders, relevant laws and regulations, the degree of ESG impacts, risks and opportunities, industrial views and practices from peers and competitors as well as any location-specific issues.

Table 2 Material aspects and the corresponding boundaries

Material Aspect	Major Impact Location (Within or outside of the Group)	
	Internal	External
Environment		
Environmental emissions	✓	✓
Use of resources		
• Energy	✓	
• Material (e.g. Packaging)	✓	
General impact on environment & natural resources and mitigation policies		✓
Social		
Employment		
• General working conditions	✓	
• Benefits and compensation	✓	
• Equal opportunity, diversity and anti-discrimination	✓	
Occupational health & safety	✓	
Development & training	✓	
Labour standards		
• Child labour	✓	✓
• Forced labour	✓	✓
Supply chain management	✓	✓
Product responsibility		
• Quality assurance, customer health and safety		✓
• Advertising		✓
• Product labelling		✓
• Data privacy		✓
Anti-corruption	✓	✓
Community investment		✓

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3 ENVIRONMENTAL PERFORMANCE

Environmental protection is a prerequisite to our business operation and management process. Having always considered shouldering the responsibility of environmental protection in complementing the Chinese government vision of creating a "Beautiful China", while Hong Kong has also set a target to reduce carbon intensity by 50% – 60% from the 2005 level by 2020, Synergy is dedicated to explore, innovate and invest in different frontiers of clean energy and energy saving products in pursuance of a green harmony between man and nature.

Our Group has been providing a diversified portfolio of clean energy, energy saving and efficiency management services from product customisation, on-site inspection and measurement, project deployment to operation, maintenance and repair services. In particular, we focus on providing building energy saving and management solutions as well as solar power and energy storage projects in aiding customers reduce carbon emissions and enhance energy efficiency. Our Group by its nature is a green and socially clean business. We are committed to incentivising the development of clean energy sources and investing in continual research and development to enhance and broaden our clean technologies.

During the reporting year, our Group was not aware of any non-compliance with relevant laws and regulations relating to air and Greenhouse Gas (GHG) emissions, discharges into water and land, as well as generation of hazardous and non-hazardous wastes that have a significant impact on our Group.

Our estimated cumulative environmental contribution since the Company's establishment is illustrated in the figure below [1,2]:

1 The energy savings include all the EMC contracts within Synergy Group as a whole and there is uncertainty in the value due to variation in electricity price and actual monthly energy savings. Direct product trading will also contribute to energy savings but yet we have not included due to different contractual arrangements.

2 The estimation on the equivalent emissions, number of trees plant, etc. is based on general online calculation approaches.

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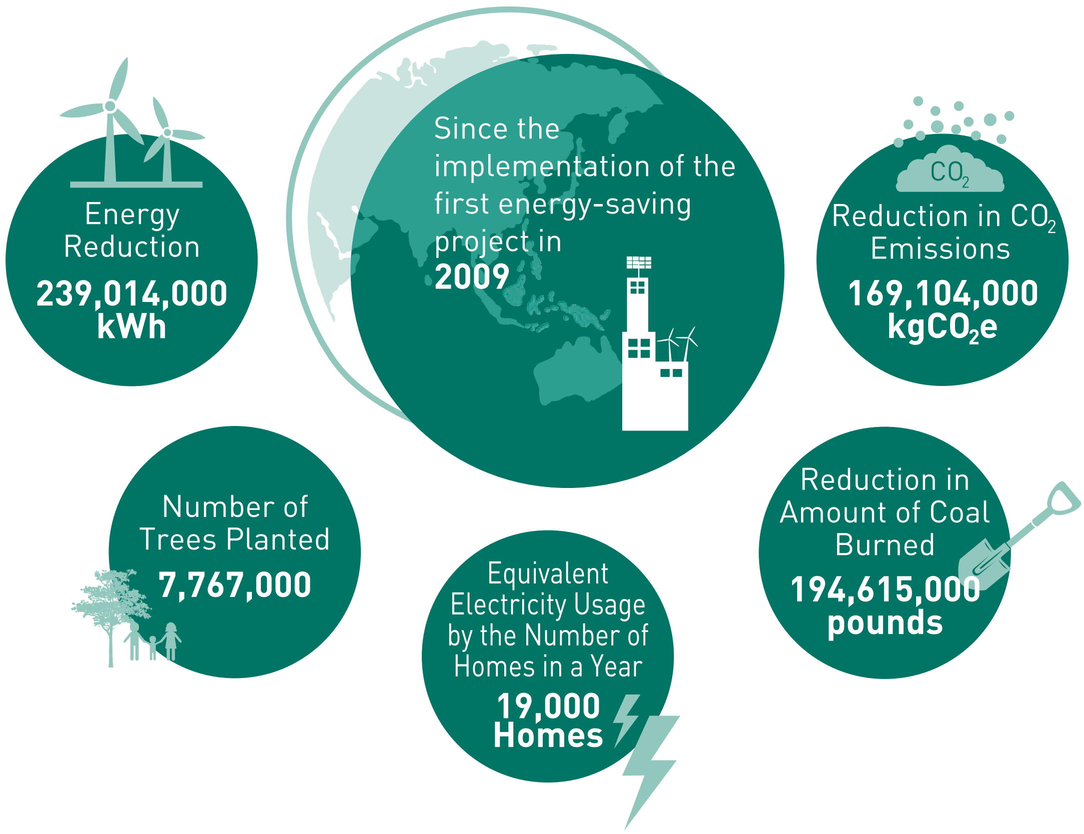

3.1 Our Environmental Management Principles

Synergy is committed to ensuring environmental responsible behaviour in every aspect of our operations. We continue to cascade ESG-related practices to our stakeholders and strengthen their environmental stewardship. The Group emphasises on the 4Rs principles (Reduce, Reuse, Recycle, Recover) to nurture green thinking in everyday life and protect our community. Our Environmental Policy has been improved with the illustration of an overall strategy and a range of green measures that can be adopted in office and during project deployment and engineering work. We aim to integrate environmental issues into our daily operations and corporate culture with regular review and monitoring to ensure our adherence to our environmental objectives.

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3.2 Our Green Office

We urge our employees to practise environmental conservation to achieve an eco-friendly workplace by introducing a paperless office, reinforcing energy saving concepts, using energy-efficient facilities, promoting waste reduction and recycling.

- Reduce paper wastage by recycling/ reusing papers, printing on both sides and using e-platforms
- Established a purchasing mechanism and use supplies according to need
- Reduce waste disposal with the provision of recycling systems and reusable utensils in pantry
- Strengthen power saving measures including switch off electrical and electronic appliances when not in use
- Reinforce lighting energy saving measures including turn off when not in use, use of motion sensor lighting, etc.
- Clean air-conditioning filters every year to prevent the increasing electricity consumption on cooling effect due to dust clogging
- Maintain the air conditioner temperature to above 25 °C
- Recycle used printer toner cartridges by suppliers
- Encourage employees to grow small plants in office

We have stopped using and selling Incandescent Light Bulb (ILB) since our establishment. We have therefore registered and pledged under the Energy Saving Charter on "No ILB" as hosted by Electrical and Mechanical Services Department (EMSD) to promote greener lighting.

3.3 Our Carbon Footprint Summary

We measure our environmental performance with the following Key Performance Indicators:

Category	Parameters
Use of Resources	
Electricity Usage	53,789 kWh
Paper Usage	454 kg
Recycled Materials	97 kg
Hazardous Waste Produced	5.6 tons
Non-Hazardous Waste Produced[3]	5.8 tons
Packaging Material Used[4]	153 tons
Emissions	
Scope 2 emissions[5]	42 tons of CO_2e
Scope 3 emissions[6]	151 tons of CO_2e
Total GHG emissions	**193 tons of CO_2e**

The carbon emissions arising from our business operations are mainly due to office electricity usage, business travel by airplanes and product transportation activities.

3 Non-hazardous waste is the spent lighting tubes (with the hazardous materials removed) as disposed to the authorised collector during retrofitting for customers.

4 For transported goods with no information related to packaging materials were recorded, their packaging material used were estimated based on average percentage of packaging materials used for other transported goods.

5 Emissions produced as a result of electricity; no significant scope 1 direct emissions arise from our operations as compared to other emissions.

6 Emissions produced indirectly from paper usage, commercial business air travel and product transportation.

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3.4 Business Air Travel

Commercial business air travel contributes significantly to our carbon footprint. Therefore, we underscored to draw on every possible avenue to ensure effective travel management and minimise the number of trips required. All travel expenses shall be reasonable with assessment on the necessity, appropriateness of the frequency and mode of travel adopted. Any alternative methods including the use of e-platforms or video conferencing are encouraged to achieve a carbon neutral business.

3.5 Freight Activities

We aim to reduce emissions from transporting goods by developing efficient transport logistics plan whilst ensuring timely and accurate delivery of our products. Our products are transported either by ships or planes to worldwide customers. We continue to implement the following measures to minimise our negative environmental impact:

- Goods transport by sea as far as possible, which is of a lower carbon footprint compared to air-freight.
- Review of the supply chain network design.
- Monitoring and review of the efficiency of our logistics performance to identify areas of improvement.
- Reduction in use of packaging materials and maximisation of shipment volumes bundling in earnest by consolidation and optimisation of our supply chain and shipment planning.

3.6 Chemical Waste Treatment

Spent fluorescent tubes/lamps may sometimes be collected from our customers after lights retrofitting. Under the Waste Disposal Ordinance (Cap. 354) and regulations on chemical waste, fluorescent tubes are classified as hazardous due to the presence of mercury and they are required to be transported and properly treated by qualified service providers. Accordingly, we have implemented a systematic waste disposal procedure and we have registered our warehouse where the chemical waste is stored after collection with the Environmental Protection Department. When the chemical waste has accumulated to a designated level, we then engage registered chemical waste collectors for collection and recycling of these spent lamps for proper waste disposal. No significant contamination to the environment is observed during the reporting period.

Looking Ahead

The Group is devoted into environmental sustainability and we will continue to adhere to our path in green energy technology development, identify opportunities to reduce carbon emissions and minimise other environmental impacts throughout our operations.

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4 SOCIAL PERFORMANCE

Our success is underpinned by our people. We inspire our people to be a force for good in every aspect of work and the society. In addition to our business, synergy is applied throughout our practices in corporate governance to foster a vigorous collaborative culture. Our Group strictly abides to the Employment Ordinance (Chapter 57) and other applicable regulations adopted in Hong Kong. We have not identified any breach of labour standards since the start of the Group.

4.1 Equality and Diversity

Our Group is committed to looking after the well-being of its people. We respect every staff member and we provide adequate guidance and care throughout their work. A comprehensive Staff Handbook, which was prepared in compliance with relevant regulations and revised as necessary, includes detailed guiding principles and procedures on professional ethics, Code of Conduct, employment conditions such as working hours, holidays, compensation and benefits, equal employment opportunities, anti-discrimination, and other related matters. Since the establishment of the Group, we do not condone any form of workplace harassment and discrimination.

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Synergy maintains an open and well-established platform where we recruit staff through professional recruitment agencies, online channels and campus recruitment programmes. We aim to provide equal opportunities and select the best candidate from various backgrounds based on their ability and qualifications, irrespective of factors such as gender, age, race, religion or other measures of diversity. We prohibit the use of forced labour and child as well as young workers against any hazardous work. We have low vulnerability to child and forced labour in our workspace since we will conduct interviews and background investigation to verify identities of any new joiners. In order to avoid the risk of supporting child and forced labour in our brand via our suppliers and contractors, we will enforce these legislations in our agreements and we will also carry out regular audits and inspections to assess if any potential violation of labour regulations may arise.

We treasure the opinions raised from our staff, including resigned people. Therefore, an exit interview will be conducted by Human Resources Manager in order to understand the reasons of departure and identify improvements to be made.

With the practice of the guidelines stipulated in the Staff Handbook, clear individual work division, and the whistleblowing mechanism, we ensure to provide a fair, caring and favourable workplace for our employees.

4.2 Welfare and Benefits

We offer competitive remuneration packages to every full-time employee. A range of fringe benefits include medical and dental allowances, compassionate allowances on deaths of immediate family and gifts on special occasions including birthdays, Chinese New Year, marriages, retirement, is provided. We also provide performance-based bonus and other incentives to share the fruits of company growth and express our appreciation to all employees for their dedication and commitment. In addition to standard paid leaves, all employees are eligible for maternity or paternity leaves as set out by Hong Kong regulations. Mothers are entitled breastfeeding breaks each day when required to support mothers at work.

4.3 Performance Appraisal and Recognition

Synergy recognises that human capital is a key asset to its sustained growth and profitability. A Performance Management System is in place covering all levels of staff to evaluate staff performance, enhance staff competency, recognise and award outstanding work of our people. It also provides a platform to engage staff into a meaningful consultation to express any concerns. All employees are required to undertake the appraisal each year. We introduced the "360 Feedback" scheme in 2016 to allow peer and management work reviews. During the reporting period, we have reviewed and improved the feedback form to provide a more exhaustive coverage in different work aspects, thereby providing personalised opinions and encouraging individual performance.

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4.4 Training and Talent Development

Synergy takes the initiative to understand employees' actual working needs and offers them the opportunity to develop their knowledge and skills. We provide a number of channels for our staff development such as courses, networking events, coaching and monitoring experience. We support our staff to acquire knowledge and take specialised training relevant to their positions at external organisations. Study leaves and educational allowances are provided for employees on any job-related external training and/or obtaining recognised qualifications.

Our staff also attends large-scale exhibitions, seminars and conferences to maintain up-to-date knowledge and enhance our competitive position in the market.

4.5 Staff Engagement

Synergy continues to build a harmonious working environment with teamwork spirit, encouraging our employees to bring their best to work every day. We organised Chinese New Year lunch and Christmas party to strengthen interactions among colleagues and relieve work pressure. We have also extended the range of leisure activities to include sports activities such as playing badminton and basketball to bolster corporate cohesion and improve employees' health, focus and productivity. Employees' families are also welcomed to join to demonstrate our Group's respect for making their family a priority.

4.6 Anti-Bribery & Corruption

Our Group adopts zero tolerance approach on bribery and corruption, and any misconduct or inappropriate behaviour. In addition to following the legal requirements and regulations, our Group has also established the Code of Conduct which offers clear guidelines on best practices to deal with anti-corruption, anti-fraud, whistleblowing, outside employment, handling of confidential information and computer systems usage. The Code provides the mechanism to raise concerns about any misconduct, malpractice or irregularity. Any potential breach of the Code of Conduct will be fully investigated by the executive Director. Any non-compliance is liable to disciplinary actions.

During the reporting period, there are no breaches of the Code and no concluded legal cases regarding corruption practices being brought against the Group.

4.7 Occupational Health and Safety

The Group is committed to ensuring a safe and healthy workplace in order to prevent injury, fatal accident or damage to properties or the environment. Possible hazards such as trips and falls, electrical hazards, injuries during lifting operations or use of abrasive tools may rise during work. A comprehensive Safety Management System was established in 2015 for implementation of the Safety and Health Policy, in compliance with the statutory and contractual requirements as a minimum. Any identified violation of the safety standards will be recorded and recommendations will be provided accordingly. Accidents will also be investigated and documented.

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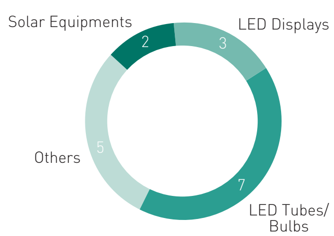
All frontline staff involving in high risk areas are well-trained with regard to health and safety. Suitable Personal Protective Equipment will be provided when necessary. Personnel entering the construction sites are required to have a Construction Industry Safety Training Certificate, in which they are trained with the latest regulations and subjects related to health and safety in construction work. Also, only registered electrical workers can work with electrical equipment.

Since the establishment of the Group, we have an excellent record of zero work injuries and fatalities.

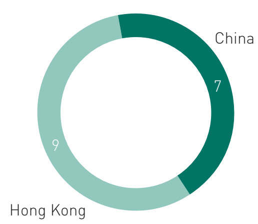
4.8 Supply Chain Management

On the basis of ensuring the highest quality of our products and services, Synergy has made continuous efforts to maintain long-term partnership with the suppliers. Our products are mainly sourced through our Original Equipment Manufacturer (OEM) as well as some other suppliers. We engaged 16 suppliers in sourcing our products:

By Product Type



By Geographical Region



Note There is one supplier doing both LEDs and other equipment, hence, the number of total suppliers added up in the graph "By Product Type" is more than 16.

Purchase transactions are mainly carried out through electronic means which contribute to paper usage reduction and maintain a higher information security level. Our Group has not faced any material legal disputes, severe quality problem or infringement of intellectual property rights from our suppliers.

Supplier Evaluation

We select our suppliers taking into account the following criteria:

- Company structure – company size, date of establishment, in compliance with all relevant laws and policies, social and environmental compliances (e.g. CSR policies, efficient use of energy and resources, raw material procurement).
- Track record – the product history and customer reference.
- Technical capability – the product or service knowledge to supply to high level of specification, product certification.
- Operation capability – the process knowledge to ensure consistent, responsive, dependable and reasonable cost supply.
- Financial capability – the financial strength to fund the business in both the short term and the long term.
- Managerial capability – the management talent and energy to develop supply potential in the future.
- Product warranty – failure rate, lifespan, lux and lead time of replacement.

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A supplier assessment form is required to be filled and onsite audit and interview will be performed.

4.9 Product Responsibility

Our product quality is verified and maintained through the implementation of a Quality Control Policy to meet the expectations of our customers. Inspections are carried out by our staff or appointed external parties on each delivery to ensure the quality and safety of product before sending to the customers. Our staff will also conduct ad hoc site visits to our suppliers to monitor their production schedule, quality, health and safety. We follow recognised code of practices including EMSD Code of Practices for Energy Efficiency of Lighting Installations and normally require the subcontractors to obtain quality certifications including RoHS, CE and UL for its quality management systems and products. Our Group provides warranty which replaces any malfunction of lighting products.

We also provide clear descriptions of our products to our customers in accordance with worldwide standards. All lighting products will be labelled under the Synergy trademark in a standardised manner. The products will also be marked with a warning label to alert customers/users in areas of potential electrical hazards.

During the assessment year, we have not recalled a substantial number of products from an individual customer or received any severe complaints from our customers on the services or the quality of our lighting products.

Moreover, our Group strictly adheres to Personal Data (Privacy) Ordinance (Cap. 486) and all other regulatory requirements on data privacy. We have taken suitable measures in protecting personal and business data through administration and security systems.

Looking Ahead

We will continue to build up a strong learning and development culture through internal and external trainings with the aim of sustaining a professional, ethnical and competent staff force. We will discuss and identify any training goals for each employee during performance appraisal, which will be reviewed every year.

We will develop a Code of Conduct specifically for the supplier to promote ESG practices in the subcontracting companies.

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Our Staff Engagement

During the reporting period, we start to organise regular sports sessions to promote healthy living with a good work-life balance for our people.

We organise Christmas Parties for celebration and gathering.

We also start irregular Brown-Bag sessions to allow staff interacting with each other, brush up teamwork and our management level to share their view of the Group's future development and strategies.

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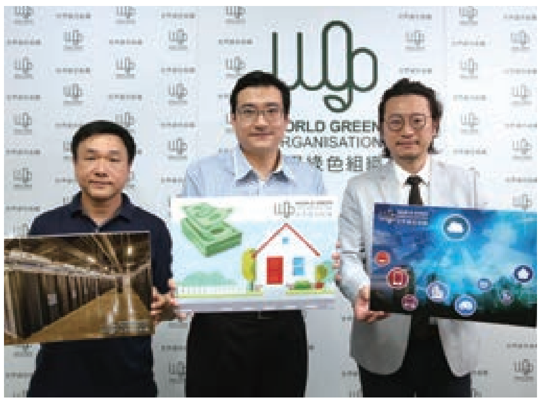
5 COMMUNITY ENGAGEMENT

We are committed to creating a better society by carrying out operations responsibly, communicating and actively participating in meaningful ways.

Since 2012, we work closely with the World Green Organisation (WGO) in a number of activities to support the transformation to a greener economy. Some of the major events include the Green Walk Hong Kong, being the Training Partner for the Green Office Awards Labelling Scheme (GOALS) where we share our ideas in energy saving and smart office implementation, and the development of Synergy Energy Efficiency Index (SEEI).

In addition to green organisations, we actively communicated with other various institutions to promote our care and help the needed. During the reporting period, we purchased and distributed the moon-cakes from a non-governmental organisation called the Good Goods (好好社企) Social Enterprise Concept Store to our stakeholders, supporting the social enterprises and raising community awareness. We have also registered to the Corporate Social Angel Programme in providing LED lighting products, and consultation services, a programme launched by Social Enterprise Business Centre under the Hong Kong Council of Social Service to support and enhance the social enterprises' competitiveness.



Looking Ahead

We strive to uphold social responsibility and contribute back to the community. As such, we will continue to reach out different charities and organisations. We hope that we could diversify our community involvement in the future to encompass areas such as supporting the elderly and disabled as well as sports, arts and culture.

In addition to sponsorship, we will also encourage our staff to indulge in volunteering programs and/or community activities.

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6 ESG AWARDS AND RECOGNITION

Our Group has received a number of accolades in the past years in recognition of our efforts in improving the Company's social aspect, governance and environmental protection:

2018

BOCHK Corporate Environmental Leadership Awards – EcoChallenger
The Federation of Hong Kong Industries and the Bank of China (Hong Kong) Limited

2017

Forbes China Up-and-Comers List Top 100 Best Listed Company
Forbes China

2016

The Excellence Brand Award
PCCW & YP

Sustainable Business Award
World Green Organisation

Social Caring Awards for Green Excellence
United Nations and Social Enterprise Research Institute (SERI)

2015

BOCHK Corporate Environmental Leadership Awards – EcoPartner
The Federation of Hong Kong Industries and the Bank of China (Hong Kong) Limited

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2013

Green Partners EARTH
World Green Organisation

United Nations Millennium Development Goals Green Office Awards Labelling Scheme
World Green Organisation

2011

Green Manufacturing Network Appreciation of our continued pursuit of Green Manufacturing Initiative and Participation in the Green Manufacturing Network
Hong Kong Productivity Council

Caring Company Certificate
The Hong Kong Council of Social Service

2010

Green Enterprise Award
CAPITAL Entrepreneur

Prime Awards for ECO Business
Business Environment Council and Prime Magazine

Productwi$e Label of the Hong Kong Awards for Environmental Excellence
Hong Kong Productivity Council

Outstanding Green Excellence Awards
CAPITAL Weekly

The Best SME Partners
Economic Digest

2009

Outstanding Chinese Patented Invention Award
The State Intellectual Property Office (SIPO) of the PRC

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7 SEHK ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (ESG GUIDE) CONTENT INDEX

This ESG Report was in compliance with the "comply or explain" provisions of ESG Reporting Guide as detailed in Appendix 27 of the Listing Rule. Some of the "recommended disclosures" (R) are also detailed in this Report.

Subject areas, aspects, general disclosure and KPIs		Cross references
Aspect A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Section 3, Section 3.1
KPI A1.1	The types of emissions and respective emissions data	Section 3.3
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Section 3.3
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Section 3.3
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	For office operations, the production of non-hazardous waste consists of food and office garbage such as paper and plastic bottles does not represent a material impact. The major non-hazardous waste generated is from spent tubes
KPI A1.5	Description of measures to mitigate emissions and results achieved	Section 3.2, Section 3.4, Section 3.5
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Section 3.6

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Subject areas, aspects, general disclosure and KPIs		Cross references
Aspect A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Section 3.2
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Section 3.3
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	We operate in leased office premise for which water supply and discharge are solely controlled by the building management. This aspect is immaterial to our operations
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Section 3.2
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	There is no material issue in sourcing or using water that is fit for purpose. Please refer to KPI A2.2
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Section 3.3
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Section 3.2, Section 3.4, Section 3.5, Section 3.6
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Section 3.2, Section 3.3, Section 3.4, Section 3.5, Section 3.6

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Subject areas, aspects, general disclosure and KPIs		Cross references
Aspect B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Section 4, Section 4.1, Section 4.2, Section 4.3, Section 4.5
Aspect B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Section 4.7
KPI B2.1 (R)	Number and rate of work-related fatalities	Section 4.7
KPI B2.2 (R)	Lost days due to work injury	Section 4.7
KPI B2.3 (R)	Description of occupational health and safety measures adopted, how they are implemented and monitored	Section 4.7

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Subject areas, aspects, general disclosure and KPIs		Cross references
	Aspect B3 Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Section 4.4
	Aspect B4 Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Section 4, Section 4.1
KPI B4.1 (R)	Description of measures to review employment practices to avoid child and forced labour	Section 4.1
KPI B4.2 (R)	Description of steps taken to eliminate such practices when discovered	Section 4.1
	Aspect B5 Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain	Section 4.8
KPI B5.1 (R)	Number of suppliers by geographical region	Section 4.8
	Aspect B6 Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Section 4.9

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosure and KPIs		Cross references
Aspect B7 Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Section 4.6
KPI B7.1 (R)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Section 4.6
KPI B7.2 (R)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Section 4.6
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Section 5

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the Company's Annual Report for the year ended 31 March 2018.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and maintaining high standards of corporate governance. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value, transparency and accountability, and to formulate its business strategies and policies.

The Company has applied the principles as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, together with compliance with the code provisions.

The Board is of the view that, throughout the year ended 31 March 2018, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the Corporate Governance Code, except for the deviation from code provision A.2.1 as explained under the paragraph "Chairman and Chief Executive Officer" below.

COMPLIANCE WITH THE MODEL CODE AND SECURITIES DEALING CODE

The Company has adopted its own code of conduct for dealing in securities of the Company by the Directors and the relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company (the "**Securities Dealing Code**") on terms no less exacting than the standard as set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors and relevant employees, all Directors and relevant employees have confirmed that they have complied with the Securities Dealing Code and therefore, complied with the Model Code throughout the year ended 31 March 2018 and up to the date of this report.

BOARD COMPOSITION

The Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors, who together, bring the skills, experience and diversity the Company needs to meet our long-term objectives. The Directors during the year and as at the date of this Annual Report are listed below:

Executive Directors:

Mr. WONG Man Fai Mansfield
(Chairman and Chief Executive Officer)

Mr. LAM Arthur *(Vice Chairman)*

Independent non-executive Directors:

Mr. CHUNG Koon Yan

Mr. CHEUNG Yick Hung Jackie

Dr. WONG Chi Ying Anthony

CORPORATE GOVERNANCE REPORT

There is no relationship (including financial, business, family, or other material/relevant relationship(s)) among the members of the Board. Biographical details of the Directors and the senior management are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 18 to 20 of this Annual Report.

RESPONSIBILITIES OF AND DELEGATION BY THE BOARD

The Board is principally responsible for overall leadership and control of the Company and oversees the Group's businesses, overall strategic decisions and performance, approving the financial statements and annual budgets, and is collectively responsible for promoting the long-term success of the Company by directing and supervising its affairs. The Board ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders.

Our Company's day-to-day management and operational decisions are made by the executive Directors and the Group's senior management, who are experienced in managing the Group's businesses. The three independent non-executive Directors bring independent judgment to the decision-making process of the Board.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the Corporate Governance Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

CORPORATE GOVERNANCE REPORT

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of Corporate Governance Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. WONG Man Fai Mansfield is the Chairman of the Board and the Chief Executive Officer. Mr. WONG has been leading our Group as the Chief Executive Officer and one of our subsidiaries since 2009, thus, the Board believes that the combined roles of Mr. WONG promotes better leadership for both the Board and management and allows more focus on developing business strategies and the implementation of objectives and policies. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises three independent non-executive Directors and has a fairly strong independence element in its composition. The structure is supported by the Company's well established corporate governance structure and internal control system. Therefore, the Board considers that the deviation from code provision A.2.1 is appropriate in the circumstances.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the year ended 31 March 2018, the Board at all times complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received the written confirmation from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a fixed term commencing from the expiry date of the initial term (i.e. 15 September 2017) to and including the date of the third annual general meeting following the said expiry date and will continue thereafter until terminated by at least three months' written notice or payment in lieu to the other party. Each independent non-executive Director has entered into a renewed appointment letter with the Company with a term of three years commencing from 23 March 2018.

According to the Articles of Association, Directors who are appointed to fill casual vacancies or as an addition to the Board are subject to re-election at the next following general meeting of the Company after his or her appointment. In addition, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director would receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2018, all the Directors had participated in continuous professional development programmes, including trainings conducted by qualified professionals. The training areas that the Directors received during the year cover a wide range of relevant topics including Directors' duties and responsibilities, legal and regulatory updates, corporate governance, etc., to ensure that the Directors understand the business and operations of the Group and their duties and obligations. A record of the training received by the respective Directors are kept and updated by the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORDS

Pursuant to code provision A.1.1 of the Corporate Governance Code, the Board is scheduled to meet four times during a financial year as a minimum and, during the year ended 31 March 2018, it met four times. Details of the attendance of each Director at the meetings of the Board and its respective committees and the annual general meeting during the year ended 31 March 2018 are as follows:

	Attendance/No. of Meeting(s)				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
WONG Man Fai Mansfield	4/4	–/–	–/–	–/–	1/1
LAM Arthur	4/4	–/–	–/–	–/–	1/1
CHUNG Koon Yan	4/4	2/2	1/1	1/1	1/1
CHEUNG Yick Hung Jackie	4/4	2/2	1/1	1/1	1/1
WONG Chi Ying Anthony	4/4	2/2	1/1	1/1	1/1

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of the remaining executive Director during the year ended 31 March 2018.

The Company generally gives written notice and draft agenda of regular Board meetings to each Director at least 14 days prior to the meetings. For other Board and committees meetings, written notice is generally given pursuant to the Articles of Association and the respective terms of reference of the Board committees.

Agendas for each meeting are prepared by the Company Secretary in consultation with the Chairman and Chief Executive Officer, and Vice Chairman, and based on a forward calendar that helps ensure that all relevant matters for the year ahead are considered by the Board in a timely manner. All Directors are encouraged to contribute to the agenda setting process. Agendas and accompanying meeting papers are sent to all Directors at least 3 days before each Board meeting or committee meeting for their review and to keep the Directors apprised of the latest developments and financial position of the Company so as to enable them to make informed decisions.

CORPORATE GOVERNANCE REPORT

In addition to board papers, information relevant to the Company's financial position and latest developments is made available to Directors to keep them up to date. Structured monthly updates on the Company's performance, position and prospects are provided to Directors. The Directors also have access to the Company Secretary and senior management where necessary.

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and a Director or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board/committee meetings of the Company in respect of such transactions and shall not be counted as a quorum of such meetings.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs on its behalf, and report back to the Board. The Chairman of each Committee reports back to the Board following each meeting, to ensure the Board is fully briefed on all activities and retains responsibility for approving any actions where a committee role is advisory.

The roles and functions of the committees are set out in their respective terms of reference. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the three Board committees are of no less exacting terms than those set out in the Corporate Governance Code and are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All committees are provided with sufficient resources and support to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expenses.

AUDIT COMMITTEE

The Audit Committee was established on 5 March 2015 with its defined written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision C.3.3 of the Corporate Governance Code. As at 31 March 2018, the Audit Committee comprises three independent non-executive Directors, namely Mr. CHUNG Koon Yan (Chairman of the Audit Committee), Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony, with Mr. CHUNG possessing the appropriate professional qualifications and accounting and related financial management expertise.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and play a key oversight role on the financial reporting system, and risk management and internal control systems of our Company and review its efficiency and effectiveness.

CORPORATE GOVERNANCE REPORT

The Audit Committee shall meet at least two times per year, or more frequently as circumstances require. The Audit Committee held two meetings during the year ended 31 March 2018. Individual attendance records of each Audit Committee member are set out in the table on page 58 of this Annual Report.

The Audit Committee's main work during the year ended 31 March 2018 included reviewing:

- 2016/2017 Annual Report and annual results announcement
- 2017/2018 Interim Report and interim results announcement
- in relation to the external auditor, its plans, reports and letter of representation, fees, involvement in non-audit services, and its terms of engagement and its re-appointment
- the effectiveness of the Company's financial reporting system and risk management and internal control systems
- continuing connected transactions (fully exempt from all requirements under Listing Rules)

Our annual results for the year ended 31 March 2018, including the accounting principles and practices adopted by the Group, were reviewed by our Audit Committee, which was of the opinion that the preparation of such audited consolidated annual results of the Group complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

The Audit Committee has also reviewed the relationship the Company has with BDO Limited, the Company's external auditor. The Audit Committee is satisfied with the effectiveness of the external audit process and the independence of BDO Limited and has recommended their re-appointment at the forthcoming annual general meeting. A resolution to this effect will be included in the notice of annual general meeting for the year 2018.

NOMINATION COMMITTEE

The Nomination Committee was established on 5 March 2015 with its defined written terms of reference. As at 31 March 2018, the Nomination Committee comprises three independent non-executive Directors, namely Dr. WONG Chi Ying Anthony (Chairman of the Nomination Committee), Mr. CHUNG Koon Yan and Mr. CHEUNG Yick Hung Jackie.

The Nomination Committee is primarily responsible for reviewing the structure, size, composition and diversity of the Board at least annually, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee shall meet at least annually or more or less frequently as circumstances require. The Nomination Committee held one meeting during the year ended 31 March 2018. Individual attendance records of each Nomination Committee member are set out in the table on page 58 of this Annual Report.

CORPORATE GOVERNANCE REPORT

In assessing the structure, size, composition and diversity of the Board, the Nomination Committee takes into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The Nomination Committee agrees on measurable objectives for achieving diversity on the Board as set out in the Board Diversity Policy, where necessary, and recommends them to the Board for adoption.

In identifying and selecting suitably qualified candidates for directorships, the Nomination Committee shall consider the candidates on merit and against the objective criteria, with due regard for the benefits of diversity of the Board. External recruitment professionals might be engaged to assist with the selection process when necessary.

During the year ended 31 March 2018, the Nomination Committee conducted an annual review of the structure, size, composition and diversity of the Board and assessed the independence of independent non-executive Directors pursuant to code provision A.5.2 of the Corporate Governance Code. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and no material matter was identified under review.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 5 March 2015 with its defined written terms of reference. As at 31 March 2018, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. CHEUNG Yick Hung Jackie (Chairman of the Remuneration Committee), Mr. CHUNG Koon Yan and Dr. WONG Chi Ying Anthony.

The primary duties of the Remuneration Committee are mainly to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

The emoluments of executive Directors are determined based on skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions.

CORPORATE GOVERNANCE REPORT

The remuneration policy of independent non-executive Directors is to ensure that the independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends.

The Remuneration Committee shall meet at least annually or more or less frequently as circumstances require. The Remuneration Committee held one meeting during the year ended 31 March 2018. Individual attendance records of each Remuneration Committee member are set out in the table on page 58 of this Annual Report.

During the year ended 31 March 2018, the Remuneration Committee reviewed and recommended to the Board on the proposed amendments to the remuneration packages of the individual executive Directors, independent non-executive Directors and senior management for the year ending 31 March 2019 and recommended to the Board on the proposed grant of share options to the Directors and employees.

In conducting its work in relation to the remuneration of Directors and senior management, the Remuneration Committee ensured that no Director or any of his associates was involved in determining his own remuneration. It also ensured that remuneration levels should be sufficient to attract and retain Directors to run the Company successfully without paying more than necessary.

The Remuneration Committee also conducted a review of its terms of reference during the year. It remained satisfied that its terms of reference remained appropriate.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2018.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 69 to 75 of this Annual Report.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration of members of the senior management by band for the year ended 31 March 2018 is set out below:

	Number of members of senior management
Nil to HK$1,500,000	2
Total	2

Details of the remuneration of each Director for the year ended 31 March 2018 are set out in note 10(a) to the consolidated financial statements for the year ended 31 March 2018.

AUDITOR'S REMUNERATION

During the year ended 31 March 2018, the remuneration paid to the Company's external auditor, BDO Limited, is set out below:

Type of Services	**Amount of Fees Payable/Paid** *HK$*
Audit Services	1,280,000
Non-audit Services	130,000
Total	1,410,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

CORPORATE GOVERNANCE REPORT

The Company conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes and regulatory compliance. The Company effectively communicated its anti-fraud policy and procedures to all levels of employees and monitored the effectiveness of its controls related to mitigating fraud risk and remedied any deficiencies identified internally and by the external auditor in a timely manner.

The management, in coordination with department heads, assessed the likelihood of risk occurrence and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2018.

During the year ended 31 March 2018, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For internal audit function, the Company has an internal audit personnel and has engaged an external professional advisory firm to conduct an independent review of the effectiveness of the risk management and internal control systems during the year ended 31 March 2018 respectively. The internal audit function covers the key issues in relation to the accounting practices and all material controls and has provided its findings and recommendations for improvement with written reports to the Audit Committee.

The Board, as supported by the Audit Committee as well as the written reports with the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2018, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Handling and Dissemination of Inside Information

The Company has developed its disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees in handling and dissemination of inside information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

CORPORATE GOVERNANCE REPORT

DIRECTORS' NON-COMPETITION UNDERTAKING

Each of Mr. Mansfield WONG and Mr. LAM Arthur, being the Directors, entered into a non-competition undertaking with the Company with effect from 24 March 2015 (the "**Directors' Non-competition Undertaking**"). Please refer to our Prospectus for additional information on the Directors' Non-competition Undertaking.

Each of Mr. Mansfield WONG and Mr. LAM Arthur has confirmed compliance with the terms of the Directors' Non-competition Undertaking during the year ended 31 March 2018. All the independent non-executive Directors are of the view that the above-mentioned Directors have been in compliance with the Directors' Non-competition Undertaking in favour of the Company.

COMPANY SECRETARY

Mr. TONG Man Chun, our Company Secretary, is a full-time employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. TONG has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the year ended 31 March 2018.

Biographical details of the Company Secretary is set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 18 to 20 of this Annual Report.

SHAREHOLDERS' RIGHTS AND COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information. The Board endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings, to communicate with them/answer their enquiries, and encourage their participation.

To promote effective communication, the Company maintains a website (www.synergy-group.com), where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are available for public access.

CORPORATE GOVERNANCE REPORT

To facilitate maintaining an on-going dialogue with shareholders and to encourage shareholder engagement and participation, the Company has adopted a Shareholder Communication Policy. Under this policy, the Company commits to provide shareholders with ready, equal and timely access to balanced and understandable information about the Company's performance, position, strategic goals and plans and prospects. Information is made available to shareholders through a number of means, including formal announcements of information required under the Listing Rules and through the constructive use of general meetings.

The general meetings of the Company provide a forum for communication between the Board and shareholders. The Chairman of the Board, as well as the chairmen and/or other members of the Board's three committees will, in the absence of unforeseen circumstances, attend to answer questions raised at these meetings. The external auditor will be asked to attend the annual general meeting to answer questions about relevant matters including the conduct of the audit, the auditor's report and auditor's independence.

To safeguard shareholders' interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, and poll results will be published on the websites of the Company and the Stock Exchange after each general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles of Association, any one or more shareholders of the Company holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) himself (themselves), may convene the general meeting in the same manner, and all reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Note: Any such written requisition from the shareholders should be marked "Shareholders' Communication" on the envelope.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Shareholders may propose a person for election as Director, the procedures of which are available on the Company's website at www.synergy-group.com.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETING

Within 10 days of the date on which a notice (the "**Notice**") is deemed to be received by shareholders in respect of any general meeting of the Company (the "**Relevant General Meeting**"), any one or more shareholders holding at least one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may together, by written notice to the Company at Room 404B, 4/F, Block B, Seaview Estate, Nos. 4-6 Watson Road, North Point, Hong Kong for the attention of the Board or the Company Secretary, propose a resolution to be proposed and considered at the Relevant General Meeting in addition to the resolutions set out in the Notice. Such written notice shall be accompanied by a statement in no more than 1,000 words explaining the matters referred to, and the reasons for, any such proposed resolution. Following the receipt of such written notice and accompanying statement by the Company, the Company may, in the Company's absolute discretion (taking into account, without limitation, legal, regulatory and practical considerations relating to the issue of any supplemental notice to all shareholders in relation to the Relevant General Meeting), include the proposed resolution in the business of (i) the Relevant General Meeting or (ii) in a general meeting of the Company that is subsequent to the Relevant General Meeting.

The Company will circulate a revised Notice including any proposed resolution and the accompanying statement to all shareholders in accordance with the Articles of Association provided that if, in the Company's sole opinion (without have to give reasons therefor), the above process is being abused in any way whatsoever, the Company has absolute discretion to not include such proposed resolution in the business of the Relevant General Meeting or a subsequent general meeting of the Company.

Note: Any such written notice from the shareholders should be marked "Shareholders' Communication" on the envelope.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available and appropriate to provide) from the Board and management by writing to:

Address: Room 404B, 4/F, Block B, Seaview Estate, Nos. 4-6 Watson Road, North Point, Hong Kong

Attention: Mr. Manfred TONG

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

There was no change to the Memorandum and Articles of Association during the year ended 31 March 2018.

ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Tuesday, 18 September 2018. A notice convening the AGM and other relevant documents will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be held on Tuesday, 18 September 2018) be closed from Wednesday, 12 September 2018 to Tuesday, 18 September 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 11 September 2018.

COMPLIANCE DISCLOSURES AND OTHER MATTERS

The Listing Rules require certain corporate governance disclosures to be made. This section of the report details certain disclosures that have not been covered above.

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

Directors' Fees

On 26 March 2018, the Board approved (as recommended by the Remuneration Committee) the inclusion of a housing allowance of not exceeding HK$50,000 per month into the Director's remuneration of Mr. Mansfield WONG and Mr. LAM Arthur for their roles as executive Directors with effect from 1 April 2018.

On 26 March 2018, the Board approved (as recommended by the Remuneration Committee) the increase of Director's fee of Mr. CHUNG Koon Yan, Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony for their roles as independent non-executive Directors to HK$228,000 per annum with effect from 1 April 2018.

Renewal of Appointment Letters

The appointment letter of each of Mr. CHUNG Koon Yan, Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony as independent non-executive Director was renewed for a term of three years commencing from 23 March 2018.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SYNERGY GROUP HOLDINGS INTERNATIONAL LIMITED
滙能集團控股國際有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Synergy Group Holdings International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 76 to 156, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of trade and finance lease receivables

(refer to note 4(k)(ii) on the significant accounting policies, notes 19 and 21 to the consolidated financial statements)

Trade and finance lease receivables were significant to the Group and represented approximately 57% of the total assets as at 31 March 2018.

There was no provision made by management on the trade and finance lease receivables as at 31 March 2018. This conclusion was mainly based on the assessment on the existence of impairment indicators and the estimation of the recoverable amount of each customer. These assessments and estimations involved significant management judgement.

Our response:

Our audit procedures in relation to the management's impairment assessment on trade and finance lease receivables included:

- Reviewing and testing subsequent settlements on a sample basis from customers;
- Reviewing and testing the ageing of trade receivables on a sample basis; and
- Evaluating the reasonableness of management's estimation in expected timing of collection and ultimate realisation of these receivables, including collection history of the customers.

Initial accounting for and impairment of interests in Invinity Energy Group Limited ("Invinity")

(refer to note 4(c) on the significant accounting policies, note 17 to the consolidated financial statements)

During the year, the Group entered into a subscription agreement with Invinity and its shareholders to subscribe for 23.65% equity interests in Invinity at a total cash consideration of US$3,200,000 (equivalent to approximately HK$24,800,000). The acquisition constituted an investment in an associate.

For the purpose of initial accounting for the investment in Invinity, fair value estimation was performed by management, assisted by independent valuers (the "Management Expert"), to determine the fair value of identifiable assets acquired and liabilities assumed. The primary element of the fair value estimation was to assess the fair values of the vanadium mining and relevant processing assets, the major assets owned by Invinity and its subsidiaries (collectively referred to as "Invinity Group").

The initial accounting for investment in Invinity was included as a key audit matter because the fair value estimations involve significant management judgement and estimates with respect to the determination of fair values of the identifiable assets acquired and liabilities assumed.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Initial accounting for and impairment of interests in Invinity Energy Group Limited ("Invinity") (Continued)

As at 31 March 2018, the carrying value of the Group's interests in Invinity amounted to approximately HK$43.2 million was accounted for in interests in associates. It was subject to impairment assessment. Management concluded that there was no indication of impairment on the interests in Invinity.

Our response:

Our audit procedures in relation to the interests in Invinity included:

- Understanding the management's identification process of assets acquired and liabilities assumed of Invinity Group on the date of acquisition, and assessing the appropriateness of the valuation methodologies and the reasonableness of underlying key assumptions and estimation used by management;
- Involving an auditor's expert to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the identifiable assets acquired and liabilities assumed of Invinity Group;
- Evaluating the competence, capabilities and objectivity of the Management Expert and auditor's expert; and
- Understanding management's process for identifying the existence of impairment indicators in respect of the interests in Invinity Group and evaluating management's assessment based on our knowledge of the relevant industry and business.

Step acquisition of Synergy Cooling Management Limited

(refer to note 4(a) on the significant accounting policies and note 33 to the consolidated financial statements)

During the year, the Group had completed two acquisition transactions on equity interest in Synergy Cooling Management Limited ("Synergy Cooling"). Upon completion of the acquisition transactions, Synergy Cooling has become a 63.04% owned subsidiary of the Group in March 2018.

The step acquisition has been accounted for as a business combination using the acquisition method under HKFRS 3 (Revised) "Business Combinations", where the fair value of the Group's previously held equity interests in Synergy Cooling has been used in the measurement of goodwill of the step acquisition at the acquisition transaction date.

The Group engaged an independent valuer (i.e. the Management Expert) to perform a valuation of the fair value of the previously held equity interests of 49.84% in Synergy Cooling and the fair values of the identifiable assets acquired and liabilities assumed of Synergy Cooling as at the acquisition transaction date.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Step acquisition of Synergy Cooling Management Limited (Continued)

We have identified the accounting for the step acquisition as a key audit matter because of the significant judgment exercised in measuring the fair values of the identifiable assets acquired and liabilities assumed and the fair value of the previously held equity interests that could have a material effect to the gain on step acquisition of Synergy Cooling and the amount of goodwill recognised.

Our response:

Our audit procedures in relation to the step acquisition of Synergy Cooling included:

- Analysing the sale and purchase agreement to ascertain the terms and conditions were appropriately accounted for and reflected in the accounting for the step acquisition;
- Obtaining and evaluating the supporting documents of financial information of Synergy Cooling and its subsidiaries (collectively referred to as "Synergy Cooling Group") in respect of its identifiable assets acquired and liabilities assumed on the date of acquisition;
- Evaluating the appropriateness of valuation methodologies and reasonableness of the underlying key assumptions used by management (who was assisted by the Management Expert);
- Involving an auditor's expert to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the identifiable assets acquired and liabilities assumed of Synergy Cooling Group, and the previously held equity interest of 49.84% of Synergy Cooling; and
- Evaluating the competency, capabilities and objectivity of the Management Expert and auditor's expert.

Impairment of goodwill and intangible assets

(refer to note 4(o) on the significant accounting policies, notes 15 and 16 to the consolidated financial statements)

As at 31 March 2018, the Group had goodwill and intangible assets arising from acquisition of Synergy Cooling of approximately HK$92,794,000 and HK$11,653,000, respectively.

Management is required to test annually goodwill for impairment and assess intangible assets with finite useful life for impairment where impairment indicator was identified. For the purpose of assessing impairment, management assessed the recoverable amount of these assets based on the higher of their fair values less costs of disposal and value-in-use. These assets were allocated to cash generating unit of cooling business (the "Cooling CGU") and the recoverable amount of the Cooling CGU was determined by management based on value-in-use calculations using cash flow projections.

Management concluded that there was no impairment on the goodwill and intangible assets. The impairment assessment requires the application of judgement and use of assumptions made by management with respect to the discount rate and the underlying cash flows, in particular future revenue growth, which may affect the carrying amount of these assets.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of goodwill and intangible assets (Continued)

Our response:

Our audit procedures in relation to the management's impairment assessment on goodwill and intangible assets included:

- Understanding management's process for identifying the existence of impairment indicators in respect of these assets;
- Understanding and evaluating the reasonableness of key assumptions in the value-in-use calculation used by management, who was assisted by the Group's independent valuer (i.e. the Management Expert), taking into account Synergy Cooling Group's historical performance and the future operating plans;
- Evaluating the reasonableness and relevance of the key inputs used by the management in the value-in-use calculation, such as discount rate used;
- Involving an auditor's expert to assist our assessment on the reasonableness and appropriateness of the valuation methodology and key assumptions; and
- Evaluating the competency, capabilities and objectivity of the Management Expert and auditor's expert.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092

Hong Kong, 29 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7(a)	278,137	256,607
Cost of sales		(130,408)	(131,632)
Gross profit		147,729	124,975
Other income and gains	7(b)	28,038	1,411
Administrative expenses		(27,700)	(22,279)
Selling and distribution costs		(6,854)	(6,364)
Finance costs	8	(12,969)	(2,220)
Other expenses		(925)	(2,054)
Share of results of associates		18,066	(4,937)
Profit before income tax	9	145,385	88,532
Income tax expense	11(a)	(19,830)	(14,460)
Profit for the year		125,555	74,072
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		(1,434)	–
Exchange difference arising on translation of financial statements of foreign operations		3,585	(610)
Share of other comprehensive income of an associate		(3)	12
Other comprehensive income for the year, net of tax		2,148	(598)
Total comprehensive income for the year		127,703	73,474
Profit for the year attributable to:			
Owners of the Company		125,704	74,072
Non-controlling interests		(149)	–
		125,555	74,072
Total comprehensive income for the year attributable to:			
Owners of the Company		127,852	73,474
Non-controlling interests		(149)	–
		127,703	73,474
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic (HK cents)	13	25.1	14.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	30,913	1,418
Intangible assets	15	11,653	–
Goodwill	16	92,794	–
Interests in associates	17	73,462	19,325
Available-for-sale investments	18	10,089	–
Trade receivables	21	105,889	62,258
Finance lease receivables	19	58,126	82,667
Rental deposits		38	274
Deferred tax assets	11(b)	97	52
		383,061	165,994
Current assets			
Inventories	20	8,006	2,236
Trade receivables	21	229,462	110,938
Finance lease receivables	19	12,218	14,120
Deposits, prepayments and other receivables	22	18,871	46,527
Due from associates	23(a)	16,485	14,002
Pledged bank deposits	24	2,500	2,500
Cash and cash equivalents	24	37,023	53,465
		324,565	243,788
Current liabilities			
Trade payables	25	10,511	5,700
Accruals, other payables and deposits received	26	49,084	24,346
Borrowings	27	91,692	107,201
Finance lease obligations	28	1,542	–
Notes payable	29	80,000	–
Due to a related company	23(b)	28	56
Due to directors	23(c)	4,697	–
Provision for taxation		12,461	5,070
		250,015	142,373
Net current assets		74,550	101,415
Total assets less current liabilities		457,611	267,409

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Trade payables	25	11,197	7,054
Deposits received	26	3,724	54
Borrowings	27	60,816	4,591
Finance lease obligations	28	1,972	–
Notes payable	29	50,000	50,000
		127,709	61,699
Net assets		329,902	205,710
EQUITY			
Share capital	30	5,000	5,000
Reserves	31	328,562	200,710
Equity attributable to the owners of the Company		333,562	205,710
Non-controlling interests		(3,660)	–
Total equity		329,902	205,710

On behalf of the Board

Wong Man Fai Mansfield
Director

Lam Arthur
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to the owners of the Company									
	Share capital HK$'000 (note 30)	Share premium* HK$'000 (note 31)	Capital reserves* HK$'000 (note 31)	Merger reserve* HK$'000 (note 31)	Available-for-sale investment revaluation reserve* HK$'000 (note 31)	Foreign exchange reserves* HK$'000 (note 31)	Retained profits* HK$'000 (note 31)	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2016	5,000	34,749	7,388	12,183	–	(64)	72,980	132,236	–	132,236
Profit for the year	–	–	–	–	–	–	74,072	74,072	–	74,072
Other comprehensive income										
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	(610)	–	(610)	–	(610)
Share of other comprehensive income of an associate	–	–	–	–	–	12	–	12	–	12
Total comprehensive income for the year	–	–	–	–	–	(598)	74,072	73,474	–	73,474
At 31 March 2017 and 1 April 2017	5,000	34,749	7,388	12,183	–	(662)	147,052	205,710	–	205,710
Arising from step acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	–	(3,511)	(3,511)
Profit for the year	–	–	–	–	–	–	125,704	125,704	(149)	125,555
Other comprehensive income										
Change in fair value of available-for-sale investments	–	–	–	–	(1,434)	–	–	(1,434)	–	(1,434)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	3,585	–	3,585	–	3,585
Share of other comprehensive income of an associate	–	–	–	–	–	(3)	–	(3)	–	(3)
Total comprehensive income for the year	–	–	–	–	(1,434)	3,582	125,704	127,852	(149)	127,703
At 31 March 2018	5,000	34,749	7,388	12,183	(1,434)	2,920	272,756	333,562	(3,660)	329,902

* These reserve accounts comprise the consolidated reserves of approximately HK$328,562,000 in the consolidated statement of financial position as at 31 March 2018 (2017: HK$200,710,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before income tax		145,385	88,532
Adjustments for:			
Interest income	7(b)	(838)	(357)
Interest expense	8	11,930	1,841
Amortisation of intangible assets	9	347	–
Bad debts written off	9	3	–
Depreciation of property, plant and equipment	9	717	1,059
Gain on step acquisition	7(b)	(26,438)	–
Losses on disposals of property, plant and equipment	9	567	773
Premium and other charges on life insurance policies		816	–
Provision for impairment loss of trade receivables	9	–	1,190
Share of results of associates		(18,066)	4,937
Warranty provision, net of reversal	9	(104)	1,219
Write-off of inventories	9	334	–
Operating profit before working capital changes		114,653	99,194
(Increase)/decrease in inventories		(4,964)	13,026
Increase in trade receivables		(166,643)	(89,445)
Decrease/(increase) in finance lease receivables		12,099	(82,043)
Decrease/(increase) in deposits, prepayments and other receivables		28,822	(37,292)
Decrease/(increase) in amounts due from associates		312	(1,175)
Increase/(decrease) in trade payables		8,612	(3,569)
Decrease in amount due to a related company		(28)	(56)
Increase in accruals, other payables and deposits received		6,413	15,686
Cash used in operations		(724)	(85,674)
Income tax paid		(12,484)	(17,195)
Net cash used in operating activities		(13,208)	(102,869)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,163)	(349)
Proceed from disposals of property, plant and equipment		13	93
Advances to associates		(18,483)	(4,560)
Repayment of advances to an associate		–	400
Investments in associates		(61,244)	(27)
Interest received		485	357
Purchases of available-for-sale investments		(11,986)	–
Net cash outflows arising from step acquisition	33	(22,986)	–
Net cash used in investing activities		(115,364)	(4,086)
Cash flows from financing activities			
Interest paid on borrowings		(4,425)	(1,841)
Interest paid on notes		(7,456)	–
Interest element on finance lease payments		(49)	–
Proceed from borrowings		70,774	148,310
Repayment of borrowings		(30,297)	(62,015)
Proceeds from issue of notes		80,000	50,000
Net cash generated from financing activities		108,547	134,454
Net (decrease)/increase in cash and cash equivalents		(20,025)	27,499
Cash and cash equivalents at beginning of the year		53,465	26,576
Effect of exchange rate changes on cash and cash equivalents		3,583	(610)
Cash and cash equivalents at end of the year		37,023	53,465

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

1. GENERAL INFORMATION

Synergy Group Holdings International Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 14 December 2011. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Room 404B, 4/F, Block B, Seaview Estate, Nos. 4-6 Watson Road, North Point, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 35 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The consolidated financial statements for the year ended 31 March 2018 were approved and authorised for issue by the board of directors on 29 June 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2017

In current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are relevant to and effective for the Group's consolidated financial statements for the annual year beginning on 1 April 2017.

Amendments to Hong Kong Accounting Standard ("HKAS") 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12 "Disclosure of Interests in Other Entities"

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, note 37(b).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28 "Investments in Associates and Joint Ventures"[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 "Business Combinations", HKFRS 11 "Joint Arrangements", HKAS 12 "Income Taxes" and HKAS 23 "Borrowing Costs"[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The Group has performed a preliminary assessment of potential impact of the adoption of HKFRS 9 on the Group. The directors of the Company expect that its financial assets currently measured at amortised cost and FVTOCI will continue with their respective classification and measurements upon the adoption of HKFRS 9. The directors of the Company also expect that the application of HKFRS 9 may result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised cost. Despite that the new impairment model may result in an earlier recognition of credit losses, based on the current assessment, the directors of the Company do not anticipate the adoption of HKFRS 9 will have significant impact on the amounts reported, including the measurement and disclosures in respect of the Group's financial assets and liabilities based on an analysis of the Group's existing financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The Group has performed a preliminary assessment of potential impact of the adoption of HKFRS 15 on the Group. Based on the preliminary assessment, the directors of the Company anticipate that the adoption of HKFRS 15 is not likely to have significant impact on the amounts reported but may result in more disclosures made to the financial statements related to revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has performed a preliminary assessment of potential impact of the adoption of HKFRS 16 on the Group. As at 31 March 2018, the Group, as the lessee, has non-cancellable operating lease commitments of approximately HK$1,305,000 as disclosed in note 32(b). The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that the commitments due after 31 March 2020 will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

HK (IFRIC) Interpretation 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HK (IFRIC) Interpretation 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except for the above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's future financial statements.

3. BASIS OF PREPARATION

(a) Basis of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for available-for-sale investments which are measured at fair values.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of fair value of consideration transferred, the amount recognised for non-controlling interests and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(o)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment other than CIP is provided over their estimated useful lives, using the straight line method. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date. The estimated useful lives are as follows:

Leasehold improvements	3 years or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	2 years
Energy saving systems	5 – 10 years

CIP, which is stated at cost less impairment losses, representing energy saving systems pending installation as well as cost incurred during the periods of installation and testing. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss upon disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Leasing service income consists of:

(i) operating lease rental income and is recognised on a time proportion basis over the period of lease term; or

(ii) finance lease income including sales of goods recognised on transfer of risks and rewards of ownership and interest income recognised over the period of lease using the effective interest method.

Consultancy and management service income is recognised when services are rendered.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (Continued)

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(h) Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives as follows.

Exclusive rights	5 – 9 years

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(o)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted-average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, form an integral part of the Group's cash management.

(k) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables, amount due to a related company, amounts due to directors, borrowings, finance lease obligations and notes payable, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent that they are incremental costs directly attributable to the equity transaction.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (Continued)

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

Upon consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(o) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill; and
- interests in associates

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Related parties

(1) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Related parties (Continued)

(2) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(t) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

Each of the operating segments is managed separately as each of the segments requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Segment reporting (Continued)

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in this report prepared under HKFRS, except that:

(i) finance costs;

(ii) share of results of associates;

(iii) income tax expense; and

(iv) corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets included all assets except intangible assets, goodwill, interests in associates, available-for-sale investments, pledged bank deposits, cash and cash equivalents, amounts due from associates, deferred tax assets and corporate assets. Corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities included all liabilities except tax liabilities, borrowings, finance lease obligations, notes payable, amount due to a related company, amounts due to directors and corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in these financial statements, other key sources estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. Management reassesses the estimations at the reporting date. The carrying amount of inventories is disclosed in note 20.

(ii) Impairment of trade receivables

The Group's management assesses the collectibility of trade receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amount of trade receivables is disclosed in note 21.

(iii) Impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of finance lease receivables is disclosed in note 19.

(iv) Depreciation and amortisation

The Group depreciates property, plant and equipment and amortises intangible assets with finite useful lives using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets. The carrying amounts of property, plant and equipment and intangible assets are disclosed in notes 14 and 15 respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(v) Impairment of non-financial assets (other than goodwill)

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(vi) Warranty provision

The Group generally offers warranty for the energy saving products during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The warranty provision provided during the year, depending on the product type, was based on the past experience of the failure rate of the products in the warranty service period. The carrying amount of warranty provision is disclosed in note 26.

(vii) Income tax

The Group is subject to income taxes in Hong Kong and overseas locations. Judgement is required in determining the provision for income taxes. There are transactions for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made. The carrying amount of provision for taxation amounted to approximately HK$12,461,000 (2017: HK$5,070,000). The carrying amounts of deferred tax assets and deferred tax liabilities are disclosed in note 11(b).

(viii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of each entity in the Group, judgement is required to determine and consider the currency that mainly influences sales prices of goods and services and of the country/jurisdiction whose competitive forces and regulations mainly determines the sales prices of goods and services; the currency that mainly influences labour, materials and other costs of providing goods or services; the currency in which funds from financing activities are generated; and the currency in which receipts from operating activities are usually retained. The functional currency of each entity in the Group is determined based on management's assessment of the primary economic environment in which the entities operate. When the indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

NOTES TO THE FINANCIAL STATEMENTS

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ix) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

6. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, financial information relating to these operations is reported internally and is regularly reviewed by the executive directors, being the chief operating decision maker, based on the following segments:

(1) Provision of leasing service of energy saving systems;

(2) Trading of energy saving products; and

(3) Provision of consultancy services on leasing service of energy saving systems ("Consultancy service").

Segment revenue below represents revenue from external customers. There were no inter-segment sales during the year.

	Leasing service of energy saving systems HK$'000	Trading of energy saving products HK$'000	Consultancy service HK$'000	Total HK$'000
Year ended 31 March 2018				
Revenue from external customers	8,550	242,937	26,650	278,137
Reportable segment profit	4,294	113,665	25,219	143,178
Capital expenditure	108	–	–	108
Depreciation	331	–	–	331
As at 31 March 2018				
Reportable segment assets	105,328	305,247	48,822	459,397
Reportable segment liabilities	8,461	43,506	11	51,978

NOTES TO THE FINANCIAL STATEMENTS

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6. SEGMENT INFORMATION (CONTINUED)

	Leasing service of energy saving systems HK$'000	Trading of energy saving products HK$'000	Consultancy service HK$'000	Total HK$'000
Year ended 31 March 2017				
Revenue from external customers	97,198	137,440	21,969	256,607
Reportable segment profit	42,091	58,362	20,453	120,906
Capital expenditure	108	–	–	108
Depreciation	903	–	–	903
As at 31 March 2017				
Reportable segment assets	106,991	179,665	32,052	318,708
Reportable segment liabilities	11,133	17,926	70	29,129

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented as follows:

	2018 HK$'000	2017 HK$'000
Reportable segment profit	**143,178**	120,906
Unallocated corporate income (note)	**27,333**	1,257
Unallocated corporate expenses (note)	**(30,223)**	(26,474)
Finance costs	**(12,969)**	(2,220)
Share of results of associates	**18,066**	(4,937)
Profit before income tax	**145,385**	88,532

Note: Unallocated corporate income mainly includes gain on step acquisition (note 7(b)).

Unallocated corporate expenses mainly include legal and professional fees, salaries, other administrative expenses and other selling and distribution costs.

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6. SEGMENT INFORMATION (CONTINUED)

	2018 **HK$'000**	2017 HK$'000
Reportable segment assets	**459,397**	318,708
Intangible assets	**11,653**	–
Goodwill	**92,794**	–
Interests in associates	**73,462**	19,325
Available-for-sale investments	**10,089**	–
Pledged bank deposits	**2,500**	2,500
Cash and cash equivalents	**37,023**	53,465
Due from associates	**16,485**	14,002
Deferred tax assets	**97**	52
Other corporate assets	**4,126**	1,730
Group assets	**707,626**	409,782

	2018 **HK$'000**	2017 HK$'000
Reportable segment liabilities	**51,978**	29,129
Borrowings	**152,508**	111,792
Finance lease obligations	**3,514**	–
Notes payable	**130,000**	50,000
Provision for taxation	**12,461**	5,070
Due to a related company	**28**	56
Due to directors	**4,697**	–
Other corporate liabilities (note)	**22,538**	8,025
Group liabilities	**377,724**	204,072

Note: Other corporate liabilities mainly include accruals and other payables for legal and professional fees, salaries and other operating expenses.

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6. SEGMENT INFORMATION (CONTINUED)

The Group's revenue from external customers are divided into the following geographical areas:

	Revenue from external customers	
	2018	2017
	HK$'000	HK$'000
Hong Kong (domiciled)	**53,039**	39,541
Japan	**32,225**	31,845
Australia	**30,195**	25,073
Malaysia	**3,547**	8,991
Indonesia	**145,679**	149,435
Singapore	**13,343**	–
Other overseas locations	**109**	1,722
	278,137	256,607

The Group's non-current assets are located in Hong Kong and Malaysia, which are divided into the following geographical areas (other than financial instruments and deferred tax assets):

	Specified non-current assets	
	2018	2017
	HK$'000	HK$'000
Hong Kong (domiciled)	**179,449**	20,999
Malaysia	**29,411**	18
	208,860	21,017

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6. SEGMENT INFORMATION (CONTINUED)

The geographical location of revenue allocated is based on the location at which the goods were delivered and services were provided. The geographical location of non-current assets is based on the physical location of the assets. The Company is an investment holding company where the Group has majority of its operation and workforce in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues. Revenue derived from these customers are as follows:

	Revenue from external customers	
	2018	2017
	HK$'000	HK$'000
Customer A #	**145,679**	149,435
Customer B ##	**32,225**	31,845
Customer C ##	**30,195**	n/a

\# Attributable to segments of leasing service of energy saving systems and trading of energy saving products

\## Attributable to segment of trading of energy saving products

n/a Transactions did not exceed 10% of the Group's revenue

7. REVENUE AND OTHER INCOME AND GAINS

(a) Revenue represents the income from trading of energy saving products and provision of leasing and Consultancy service. An analysis of revenue is as follows:

	2018	2017
	HK$'000	HK$'000
Leasing service income	**8,550**	97,198
Trading of energy saving products	**242,937**	137,440
Consultancy service income	**26,650**	21,969
	278,137	256,607

NOTES TO THE FINANCIAL STATEMENTS

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7. REVENUE AND OTHER INCOME AND GAINS (CONTINUED)

(b) An analysis of the Group's other income and gains is as follows:

	2018 HK$'000	2017 HK$'000
Interest income		
– from bank deposits	**15**	8
– charged to amount due from an associate	**470**	349
– from available-for-sale investments	**353**	–
	838	357
Management service income received from an associate	**–**	900
Gain on step acquisition (note 33)	**26,438**	–
Others	**762**	154
	28,038	1,411

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	**4,425**	1,841
Interest on notes payable	**7,456**	–
Interest on finance leases	**49**	–
	11,930	1,841
Transaction costs on bank borrowings and notes	**1,039**	379
	12,969	2,220

NOTES TO THE FINANCIAL STATEMENTS

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9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2018 HK$'000	2017 HK$'000
Amortisation of intangible assets (included in administrative expenses)	347	–
Auditor's remuneration	1,280	920
Cost of inventories recognised as expenses		
– Cost of inventories sold	118,374	109,319
– Write-off of inventories	334	–
	118,708	109,319
Depreciation of property, plant and equipment		
– owned	690	1,059
– held under finance leases	27	–
	717	1,059
Employee benefit expenses (including directors' remuneration (note 10(a)))		
– Salaries and welfare	11,968	12,536
– Defined contributions	449	415
	12,417	12,951
Warranty provision, net of reversal	(104)	1,219
Bad debts written off	3	–
Provision for impairment loss of trade receivables	–	1,190
Losses on disposals of property, plant and equipment	567	773
Net foreign exchange loss	5,626	1,072
Minimum lease payments under operating leases in respect of offices, warehouses and an office equipment	1,518	1,506

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remunerations are disclosed as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Defined contributions HK$'000	Total HK$'000
Year ended 31 March 2018				
Executive directors:				
Wong Man Fai Mansfield ("Mr. Mansfield Wong")	**–**	**1,080**	**18**	**1,098**
Lam Arthur ("Mr. Arthur Lam")	**–**	**1,080**	**18**	**1,098**
Independent non-executive directors:				
Chung Koon Yan	**216**	**–**	**–**	**216**
Cheung Yick Hung Jackie	**216**	**–**	**–**	**216**
Wong Chi Ying Anthony	**216**	**–**	**–**	**216**
Total	**648**	**2,160**	**36**	**2,844**
Year ended 31 March 2017				
Executive directors:				
Mr. Mansfield Wong	–	900	18	918
Mr. Arthur Lam	–	900	18	918
Non-executive director:				
Lam Chung Ho Alastair ("Mr. Alastair Lam") (note)	154	–	–	154
Independent non-executive directors:				
Chung Koon Yan	216	–	–	216
Cheung Yick Hung Jackie	216	–	–	216
Wong Chi Ying Anthony	216	–	–	216
Total	802	1,800	36	2,638

Note: Mr. Alastair Lam resigned as the non-executive director with effect from 19 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

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10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, 2 (2017: 2) directors are included.

The analysis of the emolument of the remaining 3 highest paid individuals for the year (2017: 3), whose remuneration fell within the band of nil to HK$1,000,000, are set out below:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**2,160**	2,160
Defined contributions	**54**	54
	2,214	2,214

(c) During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2017: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as bonuses, an inducement to join or upon joining the Group or compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group (2017: Nil).

11. INCOME TAX EXPENSE

(a) Income tax

The amount of taxation in the consolidated statement of comprehensive income represents:

	2018 HK$'000	2017 HK$'000
Current tax		
– Tax for the year	**19,875**	14,630
Deferred tax		
– Current year	**(45)**	(170)
Income tax expense	**19,830**	14,460

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits.

11. INCOME TAX EXPENSE (CONTINUED)

(a) Income tax (Continued)

A subsidiary in Malaysia has elected to pay a lump sum income taxation charge of Malaysian Ringgit ("RM") 20,000 per annum. Another subsidiary in Malaysia has been granted pioneer status under the Promotion of Investments Act, 1986 by the Malaysian Investment Development Authority which exempts 100% of statutory income in relation to its principal activity of provision of energy management systems solutions.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**145,385**	88,532
Tax calculated at the rates applicable to profits or losses in the tax jurisdictions concerned	**24,289**	11,053
Effect of share of results of associates	**(2,981)**	815
Effect of non-taxable revenue	**(4,362)**	–
Effect of non-deductible expenses	**2,554**	1,633
Effect of temporary differences not recognised	**371**	979
Effect of tax losses not recognised	**19**	–
Effect of tax exemption granted to a subsidiary in Malaysia	**(30)**	–
Tax concession	**(30)**	(20)
Income tax expense	**19,830**	14,460

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11. INCOME TAX EXPENSE (CONTINUED)

(b) Deferred tax

Details of the deferred tax assets/(liabilities) recognised and movements during the year are as follows:

	(Accelerated)/ decelerated tax depreciation HK$'000
At 1 April 2016	(118)
Credited to profit or loss for the year	170
At 31 March 2017 and 1 April 2017	52
Credited to profit or loss for the year	45
At 31 March 2018	97

As at 31 March 2018, the Group has unutilised estimated tax losses of approximately HK$22,956,000 (2017: Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised estimated tax losses due to the unpredictability of future profit streams. The unutilised estimated tax losses can be carried forward indefinitely.

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 March 2018 (2017: Nil).

13. EARNINGS PER SHARE

	2018 **HK$'000**	2017 HK$'000
Earnings		
Profit attributable to the owners of the Company	**125,704**	74,072

	2018 **'000**	2017 '000
Number of shares		
Weighted average number of shares	**500,000**	500,000

No diluted earnings per share is presented as the Group had no potential ordinary shares during the years ended 31 March 2018 and 2017.

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Energy saving systems HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2016					
Cost	183	318	8,427	–	8,928
Accumulated depreciation	(145)	(248)	(5,839)	–	(6,232)
Net book amount	38	70	2,588	–	2,696
Year ended 31 March 2017					
Opening net book amount	38	70	2,588	–	2,696
Additions	33	208	–	108	349
Transfer in/(out)	–	–	409	(409)	–
Reclassification	–	–	(9)	307	298
Disposals	–	(2)	(864)	–	(866)
Depreciation	(49)	(107)	(903)	–	(1,059)
Closing net book amount	22	169	1,221	6	1,418
At 31 March 2017 and 1 April 2017					
Cost	216	467	5,957	6	6,646
Accumulated depreciation	(194)	(298)	(4,736)	–	(5,228)
Net book amount	22	169	1,221	6	1,418
Year ended 31 March 2018					
Opening net book amount	**22**	**169**	**1,221**	**6**	**1,418**
Additions	**462**	**593**	**–**	**108**	**1,163**
Acquired through step acquisition (note 33)	**11**	**74**	**28,668**	**816**	**29,569**
Transfer in/(out)	**–**	**–**	**175**	**(175)**	**–**
Reclassification	**–**	**–**	**(3)**	**61**	**58**
Disposals	**–**	**(17)**	**(563)**	**–**	**(580)**
Depreciation	**(36)**	**(350)**	**(331)**	**–**	**(717)**
Exchange realignment	**–**	**2**	**–**	**–**	**2**
Closing net book amount	**459**	**471**	**29,167**	**816**	**30,913**
At 31 March 2018					
Cost	**689**	**1,103**	**30,354**	**816**	**32,962**
Accumulated depreciation	**(230)**	**(632)**	**(1,187)**	**–**	**(2,049)**
Net book amount	**459**	**471**	**29,167**	**816**	**30,913**

As at 31 March 2018, the Group's energy saving systems with an aggregate net booking amount of approximately HK$6,076,000 (2017: Nil) were held under finance leases (note 28).

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15. INTANGIBLE ASSETS

	Exclusive rights HK$'000
At 1 April 2016, 31 March 2017 and 1 April 2017	
Cost	3,851
Accumulated amortisation	(3,851)
Net book amount	–
Year ended 31 March 2018	
Opening net book amount	–
Acquired through step acquisition (note 33)	12,000
Amortisation	(347)
Closing net book amount	11,653
At 31 March 2018	
Cost	15,851
Accumulated amortisation	(4,198)
Net book amount	11,653

Note:

Exclusive rights represented the exclusive rights to use some technical know-how of the lighting products and exclusive right on cooling related formula. Amortisation is provided on a straight-line basis over the estimated useful lives of 5 years and 9 years respectively.

16. GOODWILL

	2018 HK$'000	2017 HK$'000
At beginning of the year	–	–
Acquired through step acquisition (note 33)	92,794	–
At end of the year	92,794	–

The goodwill at 31 March 2018 comprises goodwill arising from acquisition of Synergy Cooling Management Limited ("Synergy Cooling") (note 33) which represents the control premium paid, skills and technical talent of Synergy Cooling's workforce and the expected synergies to be achieved from integrating Synergy Cooling into the Group's existing businesses and future market development. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The carrying amount of goodwill has been allocated to the cash generating unit ("CGU") of the cooling business.

Impairment testing on goodwill

The recoverable amount of this CGU is determined using the value-in-use calculation based on cash flow projections from financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and revenue during the period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% for this CGU, which does not exceed the long-term growth rate for the cooling business, and discount rate of 21%, which is pre-tax and reflect specific risks relating to this CGU. The growth rate and revenue are determined based on the past performance and management's expectation of market development.

17. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of net assets	48,868	3,104
Goodwill	24,594	16,221
	73,462	19,325

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17. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the associates, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of companies	Place and date of incorporation	Issued share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities	Notes
			Direct	Indirect		
Synergy Cooling and its subsidiaries (collectively referred to as "Synergy Cooling Group")						
Synergy Cooling	British Virgin Islands ("BVI") 1 April 2011	United States Dollar ("US$") 18,400	– (2017: 36.59%)	–	Investment holding	(a)
Synergy Cooling Management (H.K.) Limited ("Synergy Cooling HK")	Hong Kong 21 April 2011	HK$1	–	– (2017: 36.59%)	Leasing and maintenance services of cooling systems	
Synergy Cooling Management (Malaysia) Limited	BVI 11 November 2013	US$100	–	– (2017: 36.59%)	Investment holding	
Synergy ESCO (Malaysia) Sdn. Bhd. ("Synergy ESCO (Malaysia)")	Malaysia 17 April 2014	RM750,000	–	– (2017: 36.59%)	Provision of energy management systems solutions	
Synergy Cooling ESCO (HK) Limited	Hong Kong 11 June 2014	HK$1	–	– (2017: 36.59%)	Provision of energy management systems solutions	
Kedah Synergy Limited ("Kedah Synergy") and its subsidiaries (collectively referred to as "Kedah Synergy Group")						
Kedah Synergy	BVI 18 April 2016	US$10,000	47.5% (2017: 35%)	–	Investment holding	(b)
Kedah Synergy Hong Kong Limited	Hong Kong 4 December 2017	HK$1	–	47.5%	Trading of energy saving products and provision of cost-saving energy management solutions	
Kedah Synergy Corporation (Pty) Ltd.	South Africa 30 October 2017	–	–	47.5%	Provision of cost-saving energy management solutions	

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17. INTERESTS IN ASSOCIATES (CONTINUED)

Name of companies	Place and date of incorporation	Issued share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities	Notes
			Direct	Indirect		
Invinity Energy Group Limited ("Invinity") and its subsidiaries (collectively referred to as "Invinity Group")						
Invinity	BVI 2 February 2018	US$10,150	23.65%	-	Investment holding	(c)
Invinity Energy Limited	Hong Kong 7 November 2017	HK$10,000	-	23.65%	Investment holding	
古丈縣宏源釩業有限責任公司	People's Republic of China (the "PRC") 16 September 2003	Renminbi ("RMB") 200,000,000	-	16.56%	Mining, processing and sales of vanadium materials	
湖南宏源新能源科技有限公司	PRC 19 April 2012	RMB95,000,000	-	16.56%	Mining, processing and sales of vanadium materials	

All associates are unlisted corporate entities whose quoted market price is not available.

Notes:

(a) During the year, Synergy Cooling Group ceased to be an associate of the Group and has become a subsidiary of the Company. In May 2017, the Group completed an additional investment of 13.25% in Synergy Cooling Group, through acquiring from two other existing shareholders of Synergy Cooling Group at an aggregate consideration of approximately HK$23,844,000 (the "May 2017 Acquisition"). In March 2018, the Group completed an additional investment of 13.20% in Synergy Cooling Group, through acquiring from an existing shareholder of Synergy Cooling Group at a consideration of approximately HK$23,804,000 (the "March 2018 Acquisition"). Upon completion of the March 2018 Acquisition, the Group held equity interest of 63.04% in Synergy Cooling Group and Synergy Cooling Group has become an indirect non-wholly owned subsidiary of the Company thereafter. Details of the March 2018 Acquisition are disclosed in note 33.

(b) During the year, the Group has further acquired 12.5% equity interest of Kedah Synergy from two other shareholders of Kedah Synergy at an aggregate consideration of HK$25,000,000 and held 47.5% equity interest accordingly.

(c) During the year, Invinity was incorporated and the Group has invested US$3,200,000 (equivalent to approximately HK$24,800,000) as investment and held 23.65% equity interest in Invinity accordingly. The Group has the right to put the subscribed shares back to Invinity, on the condition that certain milestones have not been met. The put option is not recognised in the consolidated financial statements as the directors had assessed the fair value of the put option and considered the fair value is insignificant.

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17. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information of Synergy Cooling Group extracted from management accounts up to completion of the March 2018 Acquisition prepared in accordance with HKFRS is set out below:

	2018 HK$'000	2017 HK$'000
Non-current assets	n/a	55,666
Current assets	n/a	9,521
Current liabilities	n/a	(35,452)
Non-current liabilities	n/a	(15,529)

	2018 HK$'000	2017 HK$'000
Revenue	7,283	10,162
Loss from continuing operations	(12,372)	(13,959)
Post-tax profit or loss from discontinued operation	–	–
Other comprehensive income	(5)	33
Total comprehensive income	(12,377)	(13,926)
Dividends received from Synergy Cooling Group	–	–

Reconciliation to the Group's interests in Synergy Cooling Group as at 31 March 2017:

	2018 HK$'000	2017 HK$'000
Net assets of Synergy Cooling Group	n/a	14,206
Percentage of equity interest attributable to the Group	n/a	36.59%
The Group's share of Synergy Cooling Group's net assets	n/a	5,198
Other reconciliation items	n/a	(2,094)
Share of net assets	n/a	3,104
Goodwill	n/a	16,221
Carrying amount of the Group's interests in Synergy Cooling Group	n/a	19,325

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17. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information of Kedah Synergy Group extracted from management accounts prepared in accordance with HKFRS is set out below:

	2018 HK$'000	2017 HK$'000
Non-current assets	**230**	–
Current assets	**50,282**	374
Current liabilities	**(38,598)**	(2,772)
Non-current liabilities	**–**	–

	2018 HK$'000	2017 HK$'000
Revenue	**36,966**	–
Profit/(loss) from continuing operations	**14,312**	(2,476)
Post-tax profit or loss from discontinued operation	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**14,312**	(2,476)
Dividends received from Kedah Synergy Group	**–**	–

Reconciliation to the Group's interests in Kedah Synergy Group as at reporting dates:

	2018 HK$'000	2017 HK$'000
Net assets/(liabilities) of Kedah Synergy Group	**11,914**	(2,398)
Percentage of equity interest attributable to the Group	**47.5%**	35%
The Group's share of Kedah Synergy Group's net assets	**5,659**	–
Goodwill	**24,594**	–
Carrying amount of the Group's interests in Kedah Synergy Group	**30,253**	–

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17. INTERESTS IN ASSOCIATES (CONTINUED)

The Group has discontinued recognition of its share of losses of Kedah Synergy Group during the year ended 31 March 2017. As Kedah Synergy Group reported profits during the year, the Group resumed recognising its share of those profits from Kedah Synergy Group after the Group's share of profits equaled the share of losses not recognised. The amounts of unrecognised share of losses, both for the year and cumulatively, are as follows:

	2018 **HK$'000**	2017 HK$'000
Unrecognised share of losses of Kedah Synergy Group for the year	**–**	839
Accumulated unrecognised share of losses of Kedah Synergy Group	**–**	839

The summarised financial information of Invinity Group extracted from management accounts prepared in accordance with HKFRS is set out below:

	2018 **HK$'000**
Non-current assets	**386,701**
Current assets	**49,546**
Current liabilities	**(59,317)**
Non-current liabilities	**(83,347)**
Non-controlling interests	**(110,844)**

	2018 **HK$'000**
Revenue	**–**
Profit or loss from continuing operations	**–**
Post-tax profit or loss from discontinued operation	**–**
Other comprehensive income	**–**
Total comprehensive income	**–**
Dividends received from Invinity Group	**–**

17. INTERESTS IN ASSOCIATES (CONTINUED)

Reconciliation to the Group's interests in Invinity Group as at 31 March 2018:

	2018
	HK$'000
Net assets attributable to owners of Invinity	**182,739**
Percentage of equity interest attributable to the Group	**23.65%**
Carrying amount of the Group's interests in Invinity Group	**43,209**

18. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	HK$'000	HK$'000
Investment in life insurance policy, at fair value	**10,089**	–

The Group entered into contracts with an insurance company which contains life insurance policy to insure against the death of two members of senior management of the Group with insured sum of US$4,000,000 (equivalent to approximately HK$31,275,000). Under these contracts, the beneficiary and policy holder is a wholly-owned subsidiary of the Group. The Group has paid a one-off premium payment of US$1,533,000 (equivalent to approximately HK$11,986,000) during the year (2017: Nil). The Group has the right to terminate the policy at any time and receive cash back based on the cash value of the policy at the date of termination, which is determined by the premium payment plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. The insurer will declare interest (including the guaranteed interest) to the Group on a monthly basis, based on the amount of account value, at a rate to be determined at insurer's own discretion.

The available-for-sale investments have been pledged to a bank as securities for bank borrowings of approximately HK$10,350,000 (2017: Nil) granted to the Group.

Included in available-for-sale investments are the following amounts denominated in currencies other than the functional currencies:

	2018	2017
	HK$'000	HK$'000
US$	**10,089**	–

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19. FINANCE LEASE RECEIVABLES

The Group provides financial leasing service of energy saving products. The Group's finance lease receivables are as follows:

	Minimum lease payments		Present values of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**16,201**	19,850	**12,218**	14,120
In the second to fifth years, inclusive	**62,997**	75,908	**55,282**	62,868
More than five years	**2,883**	20,574	**2,844**	19,799
	82,081	116,332	**70,344**	96,787
Less: Unearned finance lease income	**(11,737)**	(19,545)	**n/a**	n/a
Present value of minimum lease payments	**70,344**	96,787	**70,344**	96,787
Analysed for reporting purposes as:				
– Current assets			**12,218**	14,120
– Non-current assets			**58,126**	82,667
			70,344	96,787

The effective interest rates of the Group's finance leases are ranging from 5% to 87% per annum (2017: 5% to 221%). There are no unguaranteed residual values of assets under finance leases. Finance lease receivables are secured over the energy saving products. No contingent rent arrangements were made during the years ended 31 March 2018 and 2017.

As at 31 March 2017, included in the Group's finance lease receivables is the trading amount due from an associate, Synergy ESCO (Malaysia), of approximately HK$14,459,000.

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19. FINANCE LEASE RECEIVABLES (CONTINUED)

Included in finance lease receivables are the following amounts denominated in currencies other than the functional currencies:

	2018 **HK$'000**	2017 HK$'000
RM	**–**	14,459
Indonesian Rupiah ("IDR")	**69,410**	80,607

The Group has assigned receivables of a customer to a bank to secure banking facilities of HK$100,000,000 (2017: HK$100,000,000) granted to the Group (the "Assignment"). As at 31 March 2018, there were bank loan balances of approximately HK$66,069,000 (2017: HK$81,967,000) secured by the Assignment. As at 31 March 2018, finance lease receivables of approximately HK$69,410,000 (2017: HK$80,607,000) were subject to the Assignment.

20. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Finished goods	**8,006**	2,236

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21. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	335,351	174,386
Less: Provision for impairment loss	–	(1,190)
Trade receivables, net	335,351	173,196
Classified as:		
Non-current assets (note)	105,889	62,258
Current assets	229,462	110,938
	335,351	173,196

Note: The Group has offered settlement term to a customer attributed to the segment of trading of energy saving products, interest-bearing of 5% per annum with settlement schedule in 84 months ("84-months Credit Term"). As such, the fair value of the consideration attributable to the customer is determined by discounting the nominal amount of all future receipts using an imputed rate of interest of 5% per annum. During the year, the settlement term offered to that customer was revised to 365 days (the "New Credit Term") for the sales after that change. The classification of the recorded trade receivables before the New Credit Term negotiated still followed the 84-months Credit Term.

The Group's trading terms with its customers are mainly on credit. Generally, the credit period is ranging from cash on delivery to 365 days (2017: 180 days), except for a customer who has been granted the settlement schedules of 84 months from the Group.

Based on invoices date, ageing analysis of the Group's trade receivables (net of provision for impairment loss) is as follows:

	2018 HK$'000	2017 HK$'000
0 to 30 days	72,022	38,084
31 to 90 days	21,165	31,756
91 to 180 days	30,456	45,107
181 to 365 days	132,511	37,064
Over 365 days	79,197	21,185
	335,351	173,196

21. TRADE RECEIVABLES (CONTINUED)

Ageing analysis of the Group's trade receivables that are not impaired is as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	226,023	94,372
1 to 30 days past due	17,652	11,131
31 to 90 days past due	11,722	22,843
91 to 180 days past due	14,012	16,856
181 to 365 days past due	51,036	24,578
Over 365 days past due	14,906	3,416
	335,351	173,196

The below table reconciled the provision for impairment loss of trade receivables for the year:

	2018 HK$'000	2017 HK$'000
At beginning of the year	1,190	–
Impairment loss recognised	–	1,190
Written off against trade receivables	(1,190)	–
At end of the year	–	1,190

At each reporting date, the Group's trade receivables are individually determined for impairment testing. At 31 March 2018, the Group's trade receivables that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. Impairment losses in respect of trade receivables are recorded using allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. During the year, the Group has determined no trade receivables (2017: HK$1,190,000) were individually impaired and trade receivables of approximately HK$3,000 (2017: Nil) (note 9) as irrecoverable and written off.

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21. TRADE RECEIVABLES (CONTINUED)

As at 31 March 2017, included in the Group's trade receivables is the trading amounts due from two associates, totally amounting to approximately HK$2,275,000. The credit terms offered are ranging from 30 days to 90 days. The maximum amounts due from associates, Synergy ESCO (Malaysia) and Kedah Synergy Group, during the year amounted to approximately HK$7,826,000 and HK$3,123,000, respectively.

Included in trade receivables are the following amounts denominated in currencies other than the functional currencies:

	2018 **HK$'000**	2017 HK$'000
US$	**71,591**	55,168
RM	**–**	807
IDR	**207,364**	78,924
HK$	**–**	1,468

As at 31 March 2018, trade receivables of approximately HK$207,364,000 (2017: HK$78,924,000) were subject to the Assignment as detailed in note 19.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Deposits (note)	**16,258**	45,303
Prepayments	**2,578**	1,224
Other receivables	**35**	–
	18,871	46,527

Note:

Deposits mainly represented the deposits paid to suppliers for purchase of goods.

23. DUE FROM/TO ASSOCIATES/A RELATED COMPANY/DIRECTORS

(a) Amounts due from associates of approximately HK$16,485,000 as at 31 March 2018 (2017: HK$14,002,000) represented the net non-trading outstanding balances with Kedah Synergy (2017: Synergy Cooling Group and Kedah Synergy) which were unsecured, interest-free and repayable on demand. As at 31 March 2017, included in the amounts due from associates is the advance to Synergy Cooling HK of approximately HK$8,570,000 which was unsecured, interest-bearing at 5.0% per annum and repayable on demand.

(b) Amount due to a related company of HK$28,000 as at 31 March 2018 (2017: HK$56,000) represented the outstanding payables of computer software consultancy service to a related company as detailed in note 36(a)(iv), wholly owned by Mr. Mansfield Wong. The balances were unsecured, interest free, and repayable on demand.

(c) Amounts due to directors of approximately HK$4,697,000 as at 31 March 2018 (2017: Nil) were unsecured, interest-free and repayable on demand.

24. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	Note	**2018** **HK$'000**	2017 HK$'000
Cash and bank balances		**39,523**	55,965
Less: Pledged bank deposits	(a)	**(2,500)**	(2,500)
Cash and cash equivalents		**37,023**	53,465

Notes:

(a) Bank deposits have been pledged to a bank as securities for banking facilities of HK$15,000,000 (2017: HK$15,000,000) granted to the Group. As at 31 March 2018, there were bank loan balances of approximately HK$15,000,000 (2017: HK$15,000,000), as set out in note 27.

(b) As at 31 March 2018, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$810,000 (2017: HK$4,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies:

	2018 **HK$'000**	2017 HK$'000
US$	**7,588**	5
RM	**40**	10

The Group's cash at banks earns interest at floating rates based on daily bank deposit rates.

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25. TRADE PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**21,708**	12,754
Classified as:		
Non-current liabilities	**11,197**	7,054
Current liabilities	**10,511**	5,700
	21,708	12,754

Ageing analysis of the Group's trade payables is as follows:

	2018 HK$'000	2017 HK$'000
0 to 30 days	**8,653**	4,932
31 to 90 days	**1,079**	1,480
91 to 180 days	**3,374**	406
Over 180 days	**8,602**	5,936
	21,708	12,754

The Group generally made purchase with various terms, operating on cash on delivery or payment in advance terms, except for a supplier who has granted a settlement schedule of up to 60 months to the Group. As such, the fair value of the consideration attributable to the supplier is determined by discounting the nominal amount of all future payments.

Included in trade payables are the following amounts denominated in currencies other than the functional currencies:

	2018 HK$'000	2017 HK$'000
US$	**795**	453
RMB	**17,413**	7,273

26. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Notes	2018 HK$'000	2017 HK$'000
Current liabilities:			
Accruals		6,936	9,963
Other payables	(a)	27,425	11,949
Warranty provision	(b)	1,786	1,930
Deposits received	(c)	12,937	504
		49,084	24,346
Non-current liabilities:			
Deposits received		3,724	54

Notes:

(a) Included in the other payables is the consideration payable for the investment in Invinity of approximately HK$12,400,000 which will be paid when certain milestones are met (note 17).

(b) The movements in the warranty provision are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of the year	1,930	1,068
Provision for the year	601	1,373
Unused amounts reversed	(705)	(154)
Amounts utilised	(36)	(359)
Exchange realignment	(4)	2
At end of the year	1,786	1,930

The Group records its warranty liability at the time of sales rendered based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty provision is reviewed yearly to verify it properly reflects the outstanding obligation over the warranty period.

(c) Included in the deposits received are the trade deposits received from Kedah Synergy Group amounted to approximately HK$8,250,000 (2017: Nil).

Included in accruals and other payables are the following amounts denominated in currencies other than the functional currencies:

	2018 HK$'000	2017 HK$'000
RMB	108	45
RM	776	535
IDR	10,499	13,079
US$	12,400	–

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27. BORROWINGS

	Notes	2018 HK$'000	2017 HK$'000
Secured and guaranteed bank loans:			
Amounts repayable within one year		**32,586**	49,592
Amounts repayable after one year but contain a repayable on demand clause		**–**	47,375
Unsecured and guaranteed bank loans:			
Amounts repayable within one year		**30,000**	7,693
Unsecured and guaranteed other loans:			
Amounts repayable within one year		**10,356**	2,541
Amounts repayable after one year but contain a repayable on demand clause	(b)	**18,750**	–
Current liabilities		**91,692**	107,201
Secured and guaranteed bank loans:			
Amounts repayable in second to fifth year	(a)	**58,833**	–
Unsecured and guaranteed other loans:			
Amounts repayable in second to fifth year		**1,983**	4,591
Non-current liabilities		**60,816**	4,591
Total borrowings		**152,508**	111,792

Notes:

(a) The bank loans classified as non-current liabilities of approximately HK$58,833,000 as at 31 March 2018 (2017: Nil) represented bank loans scheduled for repayment after 31 March 2019. The related credit facilities agreements contain a clause that provides the bank with overriding right to demand repayment at any time after the committed period. The committed period will end on 30 April 2019 and accordingly, the bank loans were classified as non-current liabilities as at 31 March 2018.

(b) The Group entered into a loan agreement with an independent third party which gives the independent third party the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations.

(c) As at 31 March 2018, the Group's interest-bearing borrowings bore effective interest rate ranging from 1.53% to 6.61% per annum (2017: 2.70% to 6.49%).

27. BORROWINGS (CONTINUED)

Notes: (Continued)

(d) As at 31 March 2018, the bank loans are secured by the pledge of bank deposits of approximately HK$2,500,000 (2017: HK$2,500,000) (note 24), finance lease receivables of approximately HK$69,410,000 (2017: HK$80,607,000) (note 19) under the Assignment, trade receivables of approximately HK$207,364,000 (2017: HK$78,924,000) (note 21) under the Assignment and available-for-sale investments of approximately HK$10,089,000 (2017: Nil) (note 18). The bank loans and other loans are also under the corporate guarantees from the Company and/or Synergy Group Worldwide Limited ("Synergy Worldwide"), a subsidiary of the Company.

(e) The Group's credit facilities amounted to approximately HK$194,759,000 (2017: HK$124,210,000), of which approximately HK$181,959,000 have been utilised as at 31 March 2018 (2017: HK$111,410,000).

Based on the schedule repayment dates set out in the bank loan and other loan agreements, the borrowings are repayable as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**72,942**	59,826
In the second year	**27,621**	15,387
In the third to fifth year	**51,945**	36,579
More than five years	**–**	–
	152,508	111,792

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28. FINANCE LEASE OBLIGATIONS

The Group leases energy saving products under finance leases. The Group's finance lease obligations are as follows:

	Minimum lease payments		Present values of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,769**	–	**1,542**	–
In the second to fifth years, inclusive	**2,099**	–	**1,972**	–
	3,868	–	**3,514**	–
Less: Future finance charges	**(354)**	–	**n/a**	n/a
Present value of minimum lease payments	**3,514**	–	**3,514**	–
Analysed for reporting purposes as:				
– Current liabilities			**1,542**	–
– Non-current liabilities			**1,972**	–
			3,514	–

The effective interest rates of the Group's finance leases are ranging from 8% to 12% per annum. Finance lease obligations are secured over the leased assets. No contingent rent arrangements were made during the years ended 31 March 2018 and 2017.

29. NOTES PAYABLE

	Notes	**2018**	2017
		HK$'000	HK$'000
HK$80,000,000 9% notes	(a)	**80,000**	–
HK$50,000,000 10% notes	(b)	**50,000**	50,000
		130,000	50,000
Classified as:			
Non-current liabilities		**50,000**	50,000
Current liabilities		**80,000**	–
		130,000	50,000

29. NOTES PAYABLE (CONTINUED)

Notes:

(a) During the year, the Company issued secured guaranteed notes with a principal amount of HK$80,000,000 at 9% per annum with a term of 12 months extendable to up to 36 months at the noteholder's discretion (the "9% Notes"). The 9% Notes are secured by personal guarantees by Mr. Mansfield Wong and Mr. Arthur Lam and charges over shares in the Company beneficially owned by Mr. Mansfield Wong, Mr. Arthur Lam and an independent third party.

The details of the redemption of the 9% Notes are as follows:

(i) Redemption at maturity

Unless previously redeemed or purchased and cancelled, the Company shall redeem all the outstanding 9% Notes held by a noteholder on the maturity date at an amount equal to the aggregate of (i) the aggregate principal amount of such outstanding 9% Notes held by the noteholder, (ii) any accrued but unpaid interest (including any default interest) on such outstanding 9% Notes and (iii) all other outstanding amounts under the transaction documents of the 9% Notes.

(ii) Company's early redemption rights

The Company may request to redeem the outstanding 9% Notes in full, but not in part, held by a noteholder, at the end of the first six months after the issue date, and thereafter, at the end of each three-month period but before the maturity date at an amount equal to the aggregate of (i) the aggregate principal amount of the outstanding 9% Notes held by the noteholder, (ii) any accrued but unpaid interest (including any default interest) on such outstanding 9% Notes, (iii) an amount that would yield an internal rate of return of 12% on the aggregate principal amount of the 9% Notes held by the noteholder from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company to the noteholder and (iv) all other outstanding amounts under the transaction documents of the 9% Notes.

(iii) Noteholder's redemption rights

Should any of the event of default set out in the agreement of the 9% Notes has occurred, the holder of the 9% Notes may require the Company to redeem all or a portion of the 9% Notes at an amount equal to the aggregate of (i) the relevant aggregate principal amount of the outgoing 9% Notes held by the noteholder, (ii) any accrued but unpaid interest (including any default interest) on the outgoing 9% Notes, (iii) an amount that would yield an internal rate of return of 18% on the relevant aggregate principal amount of the outgoing 9% Notes held by the noteholder calculated from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company to the noteholder and (iv) all other outstanding amounts under the transaction documents of the 9% Notes.

In the opinion of the directors, the economic characteristics and risks of the Company's early redemption rights and the noteholder's redemption rights are not closely related to the host debt contract of the 9% Notes. The Company's early redemption rights and the noteholder's redemption rights are not recognised in the consolidated financial statements as the directors had assessed the fair values of the Company's early redemption rights and the noteholder's redemption rights and considered the fair values are insignificant.

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29. NOTES PAYABLE (CONTINUED)

Notes: (Continued)

(b) During the year ended 31 March 2017, the Company issued redeemable senior notes with an aggregate principal amount of HK$50,000,000 at 10% per annum with a term of 36 months (the "10% Notes").

The details of the redemption of the 10% Notes are as follows:

(i) Redemption at maturity

Unless previously redeemed, purchased and cancelled, the Company shall pay to each holder of the 10% Notes on the maturity date of the 10% Notes an aggregate price of (i) the outstanding principal amount on the maturity date of the 10% Notes, (ii) all accrued and unpaid interest and unpaid default interest of the 10% Notes (if any) and (iii) all other outstanding amounts payable by the Company to the holder of such 10% Notes.

(ii) Company's early redemption rights

The Company shall have the right to redeem the 10% Notes, in whole or in part, at any time during the period between the expiration of the first month from the issue date and the last day immediately preceding the maturity date in an amount equivalent to the sum of (i) 100% of the outstanding principal of the 10% Notes to be redeemed, (ii) all accrued but unpaid interest up to the redemption date and default interest (if any), and (iii) all other outstanding amounts payable by the Company to the holder of such 10% Notes.

(iii) Noteholder's redemption rights

Should any of the event of default set out in the agreement of the 10% Notes occurs and is continuing, the holder of the 10% Notes may exercise a redemption right to demand the 10% Notes held by such holder to become due and payable immediately, in whole or in part, in an amount equivalent to the sum of (i) the outstanding principal amount of the 10% Notes, (ii) such amount as would result in an internal rate of return of 16% per annum on the outstanding principal amount of the 10% Notes (inclusive of all interest and the default interest payable by the Company).

In the opinion of the directors, the economic characteristics and risks of the Company's early redemption rights are closely related to the host debt contract of the 10% Notes. Therefore, the Company does not account for the Company's early redemption rights separately.

In the opinion of the directors, the economic characteristics and risks of the noteholder's redemption rights are not closely related to the host debt contract of the 10% Notes. The noteholder's redemption rights are not recognised in the consolidated financial statements as the directors had assessed the fair values of the noteholder's redemption rights and considered the fair value is insignificant.

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30. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Issued and fully paid:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	500,000,000	5,000

Subsequent to the reporting date on 4 April 2018, the Company issued 50,000,000 shares by way of placing at HK$1.09 each. Details of the placing are set out in the Company's announcement dated 4 April 2018.

31. RESERVES

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

Share premium

The share premium represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Capital reserves

Capital reserves represent the capital contributions made by a shareholder of Synergy Worldwide before a group reorganisation completed during the year ended 31 March 2015.

Merger reserve

Merger reserve of the Group represented the difference between the nominal value of the Company's shares issued, pursuant to the reorganisation and the nominal value of the aggregate share capital and the share premium of a subsidiary.

Available-for-sale investment revaluation reserve

Gains/losses arising on recognising financial assets classified as available-for-sale at fair value.

Foreign exchange reserves

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

Retained profits

Cumulative net gains and losses recognised in profit or loss.

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31. RESERVES (CONTINUED)

Company

	Share premium HK$'000	Contributed surplus HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	34,749	3,236	(4,336)	33,649
Loss for the year and total comprehensive income for the year	–	–	(8,691)	(8,691)
At 31 March 2017 and 1 April 2017	**34,749**	**3,236**	**(13,027)**	**24,958**
Loss for the year and total comprehensive income for the year	**–**	**–**	**(12,591)**	**(12,591)**
At 31 March 2018	**34,749**	**3,236**	**(25,618)**	**12,367**

Note:

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to a group reorganisation completed during the year ended 31 March 2015.

32. OPERATING LEASE ARRANGEMENT

(a) As lessor

As at 31 March 2018, future minimum lease rental receivables under non-cancellable operating leases of the Group in respect of energy saving systems are as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**9,299**	544
Within second to fifth year	**25,882**	298
Over fifth year	**2,984**	–
	38,165	842

The Group leases energy saving systems under operating leases. The leases run for an initial period of 2 to 7 years. In addition to the minimum lease payments, the Group is entitled to receive contingent rents based on the actual saved energy amount less the guaranteed saved energy amount multiplied by pre-determined charged formula mutually agreed with lessees as stated in the relevant agreements. During the year, the Group received contingent rents recognised as leasing service income amounting to approximately HK$124,000 (2017: Nil).

32. OPERATING LEASE ARRANGEMENT (CONTINUED)

(b) As lessee

As at 31 March 2018, future minimum rental payables under non-cancellable operating leases of the Group in respect of offices, warehouses and an office equipment are as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**1,118**	1,576
Within second to fifth year	**187**	603
	1,305	2,179

The Group leases offices, warehouses and an office equipment under operating leases. The leases run for an initial period of 1 to 5 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

33. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY

On 20 March 2018, the Group entered into a sale and purchase agreement with a shareholder of Synergy Cooling (the "Vendor"), pursuant to which the Group conditionally agreed to purchase and Vendor conditionally agreed to sell 13.20% equity interest in Synergy Cooling at a consideration of HK$23,804,000 (the "Step Acquisition"). Synergy Cooling and its subsidiaries are engaged in energy management businesses in Hong Kong and overseas markets. The Step Acquisition was made to further strengthen the Group's market positioning to be a one-stop energy saving solutions provider.

The Step Acquisition was completed on 20 March 2018 (the "Completion Date"). As at Completion Date, Synergy Cooling has become a 63.04% owned subsidiary of the Company. In accordance with HKFRSs, the Group continued to share the results of Synergy Cooling under the equity method of accounting during the period from 1 April 2017 to the Completion Date.

As at Completion Date, the Group remeasured the fair value of its previously held equity interest in Synergy Cooling at the Completion Date and recognised a gain of approximately HK$26,438,000 on the remeasurement of the Group's pre-existing interest in Synergy Cooling to acquisition date fair value which has been recognised to the profit or loss and presented as "Gain on step acquisition" under "Other income and gains" in the consolidated statement of comprehensive income.

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33. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY (CONTINUED)

Details of the carrying value and fair value of the Group's previously held equity interest in Synergy Cooling at the Completion Date are summarised as follows:

	HK$'000
Fair value of previously held equity interest	63,000
Interest in Synergy Cooling before the Step Acquisition	(36,562)
Gain on step acquisition	26,438

The fair value of identifiable assets and liabilities of Synergy Cooling as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	29,569
Intangible assets	12,000
Inventories	190
Trade receivables	3,494
Deposits, prepayments and other receivables	930
Cash and cash equivalents	818
Trade payables	(342)
Accruals, other payables and deposits received	(9,699)
Borrowings	(239)
Finance lease obligations	(3,514)
Due to directors	(4,697)
Due to the Group	(38,011)
Total identifiable net liabilities at fair value	(9,501)
Non-controlling interests	3,511
Total identifiable net liabilities at fair value attributable to the Group	(5,990)
Goodwill	92,794
	86,804
Satisfied by:	
Cash consideration	23,804
Fair value of previously held equity interest	63,000
	86,804

33. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY (CONTINUED)

The fair value of trade receivables amounted to approximately HK$3,494,000. The gross amount of trade receivables is approximately HK$3,494,000. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of approximately HK$92,794,000, which is not deductible for tax purposes, mainly represents the control premium paid, skills and technical talent of Synergy Cooling's workforce and the expected synergies to be achieved from integrating Synergy Cooling into the Group's existing businesses and future market development. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group has elected to measure the non-controlling interests in Synergy Cooling at its proportionate share of the acquired net identifiable liabilities. The amount of the non-controlling interests at the acquisition date amounted to approximately HK$3,511,000.

An analysis of the cash flows in respect of the Step Acquisition of Synergy Cooling is as follows:

	HK$'000
Cash consideration paid	23,804
Cash and cash equivalents acquired	(818)
Net cash outflows arising from the Step Acquisition	22,986

Since the Completion Date, Synergy Cooling has contributed revenue of approximately HK$474,000 to Group's revenue and loss of approximately HK$305,000 to Group's profit. If the acquisition had occurred on 1 April 2017, the Group's revenue and profit would have been approximately HK$282,331,000 and HK$115,937,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2017, nor is it intended to be a projection of future performance.

The acquisition-related costs of approximately HK$70,000 have been expensed and are included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 **HK$'000**	2017 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	**7,386**	7,386
Current assets		
Prepayments	**225**	209
Due from subsidiaries	**144,362**	77,117
	144,587	77,326
Current liabilities		
Accruals and other payables	**4,606**	4,754
Notes payable	**80,000**	–
	84,606	4,754
Net current assets	**59,981**	72,572
Total assets less current liabilities	**67,367**	79,958
Non-current liabilities		
Notes payable	**50,000**	50,000
Net assets	**17,367**	29,958
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**5,000**	5,000
Reserves	**12,367**	24,958
Total equity	**17,367**	29,958

On behalf of the Board

Wong Man Fai Mansfield
Director

Lam Arthur
Director

NOTES TO THE FINANCIAL STATEMENTS

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35. INTERESTS IN SUBSIDIARIES

Details of subsidiaries as at 31 March 2018 are as follows:

Company name	Place and date of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Synergy Worldwide	BVI 8 August 2008	US$22,608	100%	–	Investment holding	Hong Kong
Synergy Lighting Limited	Hong Kong 3 December 2008	HK$100	–	100%	Leasing, consultancy services and trading of energy saving products	Hong Kong
Synergy Energy Saving Company Limited	Malaysia 17 October 2016	US$1	–	100%	Trading of energy saving products	Malaysia
Synergy Energy Efficiency Technology (China) Company Limited	Hong Kong 2 March 2017	HK$100	–	100%	Investment holding	Hong Kong
廣州先能馳節能科技有限公司*	PRC 27 June 2017	RMB1,000,000	–	100%	Trading of energy saving products and provision of energy management systems solutions	PRC
深圳先能馳節能科技有限公司**	PRC 28 March 2018	RMB10,000,000	–	100%	Inactive	PRC

NOTES TO THE FINANCIAL STATEMENTS

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35. INTERESTS IN SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Synergy Group Investment Holding (Saudi Arabia) Limited	BVI 31 October 2017	US$10,000	–	100%	Investment holding	Hong Kong
Synergy Investment Holding (Saudi Arabia) Limited	Hong Kong 9 November 2017	HK$10,000	–	100%	Inactive	Hong Kong
Synergy Cooling	BVI 1 April 2011	US$18,400	–	63.04%	Investment holding	Hong Kong
Synergy Cooling HK	Hong Kong 21 April 2011	HK$1	–	63.04%	Leasing and maintenance services of cooling systems	Hong Kong
Synergy Cooling Management (Malaysia) Limited	BVI 11 November 2013	US$100	–	63.04%	Investment holding	Hong Kong
Synergy ESCO (Malaysia)	Malaysia 17 April 2014	RM 750,000	–	63.04%	Provision of energy management systems solutions	Malaysia
Synergy Cooling ESCO (HK) Limited	Hong Kong 11 June 2014	HK$1	–	63.04%	Provision of energy management systems solutions	Hong Kong

* Registered as a wholly foreign-owned enterprise under the laws of the PRC

** Registered as a limited liability company under the laws of the PRC

NOTES TO THE FINANCIAL STATEMENTS

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36. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these financial statements, the Group had the following material related party transactions during the year:

	Notes	**2018 HK$'000**	2017 HK$'000
Leasing service income from related companies	(i)	**–**	651
Leasing service income from an associate	(ii)	**1,089**	8,991
Sales to associates	(iii)	**18,976**	1,507
Computer software consultancy service fees paid to a related company	(iv)	**336**	336
Rental expenses paid to a related company	(v)	**230**	230
Management service income received from an associate	(vi)	**–**	900
Interest income charged to an associate	(vii)	**453**	349
Subcontracting fees paid to an associate	(viii)	**204**	408

Notes:

(i) The total leasing service income amounted to approximately HK$651,000 during the year ended 31 March 2017 was contributed from related companies, in which Mr. Alastair Lam's close relatives are the major shareholders and the key management personnel. The transactions with the related companies were negotiated and carried out in the ordinary course of business and at terms agreed between the parties. These companies ceased to be related companies of the Group since Mr. Alastair Lam resigned as the non-executive director of the Company with effect from 19 December 2016.

(ii) The total leasing service income amounted to approximately HK$1,089,000 during the year (2017: HK$8,991,000) was contributed from Synergy ESCO (Malaysia). The transactions with Synergy ESCO (Malaysia) were negotiated and carried out in the ordinary course of business and at terms agreed between parties. The trade receivables due from Synergy ESCO (Malaysia) as at 31 March 2017 amounted to approximately HK$807,000. Synergy ESCO (Malaysia) ceased to be an associate of the Group since the Step Acquisition completed on 20 March 2018 (note 33).

(iii) The total sales of goods amounted to approximately HK$17,015,000 during the year (2017: HK$1,507,000) was contributed from Kedah Synergy Group. The transactions with Kedah Synergy Group were negotiated and carried out in the ordinary course of business and at terms agreed between the parties. There were no trade receivables due from Kedah Synergy Group as at 31 March 2018 (2017: HK$1,468,000).

The total sales of goods amounted to approximately HK$1,961,000 during the year (2017: Nil) was contributed from Synergy ESCO (Malaysia). The transactions with Synergy ESCO (Malaysia) were negotiated and carried out in the ordinary course of business and at terms agreed between the parties. Synergy ESCO (Malaysia) ceased to be an associate of the Group since the Step Acquisition completed on 20 March 2018 (note 33).

NOTES TO THE FINANCIAL STATEMENTS

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36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

Notes: (Continued)

(iv) The Group has paid computer software consultancy service fees of HK$336,000 during the year (2017: HK$336,000) to a related company, which is wholly owned by Mr. Mansfield Wong. The transactions with the related company were negotiated and carried out in the ordinary course of business and at terms agreed between parties. The non-trading outstanding balances due to this related company as at 31 March 2018 and 2017 are detailed in note 23(b).

(v) The Group has paid rental expenses of approximately HK$230,000 during the year (2017: HK$230,000) to a related company, in which Mr. Arthur Lam's close relative is a shareholder. The transactions with the related company were negotiated and carried out in the ordinary course of business and at terms agreed between parties.

(vi) The Group has received management service income of HK$900,000 from an associate, Synergy Cooling HK, during the year ended 31 March 2017. The transactions with Synergy Cooling HK were negotiated and carried out in the ordinary course of business and at terms agreed between the parties. Synergy Cooling HK ceased to be an associate of the Group since the Step Acquisition completed on 20 March 2018 (note 33).

(vii) The Group has charged interest income of approximately HK$453,000 to an associate, Synergy Cooling HK, during the year (2017: HK$349,000). The transactions with Synergy Cooling HK were negotiated and carried out in the ordinary course of business and at terms agreed between the parties. Synergy Cooling HK ceased to be an associate of the Group since the Step Acquisition completed on 20 March 2018 (note 33).

(viii) The Group has paid subcontracting fees of approximately HK$204,000 during the year (2017: HK$408,000) to an associate, Synergy Cooling HK. The transactions with Synergy Cooling HK were negotiated and carried out in the ordinary course of business and at terms agreed between the parties. Synergy Cooling HK ceased to be an associate of the Group since the Step Acquisition completed on 20 March 2018 (note 33).

(b) Other related party transactions

Mr. Mansfield Wong and Mr. Arthur Lam provided personal guarantees and charges over shares in the Company beneficially owned by them as security of the 9% Notes as detailed in note 29.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2018 **HK$'000**	2017 HK$'000
Short-term employee benefits	**4,200**	3,994

NOTES TO THE FINANCIAL STATEMENTS

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group has transferred certain inventories to construction in progress with net book amount amounting to approximately HK$61,000 (2017: HK$307,000) upon the change of usage of energy saving products acquired.

(ii) During the year, the Group has transferred certain construction in progress and energy saving systems to inventories with aggregate net book amount amounting to approximately HK$3,000 (2017: HK$9,000) upon the change of usage of energy saving products acquired.

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HK$'000	Finance lease obligations HK$'000	Notes payable HK$'000
At 1 April 2017	111,792	–	50,000
Changes from financing cash flows:			
Interest paid on borrowings	(4,425)	–	–
Interest paid on notes	–	–	(7,456)
Interest element on finance lease payments	–	(49)	–
Proceed from borrowings	70,774	–	–
Repayment of borrowings	(30,297)	–	–
Proceeds from issue of notes	–	–	80,000
Total changes from financing cash flows	36,052	(49)	72,544
Other changes:			
Amounts recognised on step acquisition (note 33)	239	3,514	–
Interest expense	4,425	49	7,456
Total other changes	4,664	3,563	7,456
At 31 March 2018	152,508	3,514	130,000

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38. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") adopted by the Company was approved by its shareholder on 5 March 2015 and amended on 26 October 2016.

Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 5 March 2015. Under the Share Option Scheme, the directors may in its absolute discretion offer to grant to any qualified participant an option to subscribe for the number of shares at an exercise price determined by the directors, being at least the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company. The offer of a grant of options may be accepted within 20 business days from the date of the offer. HK$1.00 is payable by any qualified participant to the Company on acceptance of the option offer as consideration for the grant. Qualified participants include any director or employee (whether full time or part time) of the Company and its subsidiaries and associated companies (as defined under Hong Kong Companies Ordinance, Cap. 622).

The options granted may be exercised in whole or in part by the grantees. The exercise period of the options granted shall be a period of time to be notified by the directors to grantees, which the directors may in its absolute discretion determine, save that such period shall not be more than 10 years commencing on the date of the offer of grant.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share options schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to the Company's shareholders' approval in a general meeting.

The maximum number of shares in respect of which options may be granted under this Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the listing date of the Company's shares, being 50,000,000 shares.

No share options were granted under the Share Option Scheme during the year (2017: Nil). As at 31 March 2018, there were no outstanding options granted under the Share Option Scheme (2017: Nil).

Subsequent to the reporting date on 19 April 2018, the Company has granted a total of 21,532,400 share options to subscribe for an aggregate of 21,532,400 ordinary shares of HK$0.01 each in the capital of the Company, comprising (i) 11,150,000 share options to five directors; and (ii) 10,382,400 share options to certain qualified participants, being employees of the Group, subject to acceptance of such grantees of the share options under the Share Option Scheme (the "Grant"). Details of the Grant are set out in the Company's announcement dated 19 April 2018.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings, finance lease obligations and notes payables. Borrowings, finance lease obligations and notes issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The interest rates of the Group's borrowings, finance lease obligations and notes payable are disclosed in notes 27, 28 and 29, respectively. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

The following table details the interest rate profile of the Group's borrowings, finance lease obligations and notes payable at the end of the reporting period.

	2018		2017	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Floating rate borrowings	**1.53% to 4.49%**	**147,669**	2.70% to 3.00%	104,661
Fixed rate borrowings	**4.65% to 6.61%**	**4,839**	4.65% to 6.49%	7,131
Fixed rate finance lease obligations	**8% to 12%**	**3,514**	–	–
Fixed rate notes payable	**9% to 10%**	**130,000**	10%	50,000
		286,022		161,792

At 31 March 2018, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's results for the year by approximately HK$738,000 (2017: HK$523,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings, finance lease obligations and notes payable in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for year ended 31 March 2017.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. As at 31 March 2018, the Group's assets and liabilities denominated in currencies other than functional currencies are disclosed in notes 18, 19, 21, 24, 25 and 26. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is mainly exposed to the foreign currency risk of RMB, US$, RM and IDR. As HK$ is pegged to US$, the Group does not expect any significant movement in the US$/HK$ exchange rate and this is excluded from the sensitivity analysis below as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at the reporting dates.

The following table details the Group's sensitivity of the Group's results for the year in regards to a 5% appreciation in the underlying functional currencies against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's best assessment of the reasonably possible change in foreign exchange rates. A 5% depreciation in the underlying functional currencies against the relevant foreign currencies would have the same but opposite magnitude on the Group's results for the year.

	2018 **HK$'000**	2017 HK$'000
RMB	**(1,086)**	(1,397)
RM	**1**	(763)
IDR	**(13,647)**	(7,977)
HK$	**–**	(73)

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk. The analysis is performed on the same basis for the year ended 31 March 2017.

Credit risk

The Group enters into trading transaction with the recognised and reputable third parties. Before accepting any new lease contract, the Group assesses the credit quality of each potential leasee and might demand certain customers to place deposits with the Group at the time the lease arrangement is entered into. In addition, the Group monitors and controls the trade receivables regularly to mitigate the risk of significant exposure from bad debts, reviews the recoverable amount of each individual trade receivables at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral from customers.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The Group has concentration risk upon finance lease receivables and trade receivables through provision of leasing service of energy saving systems and trading of energy saving products contributing from an overseas customer in Indonesia (the "Indonesian Customer") during the year.

The Group's revenue derived from the Indonesian Customer, amounted to approximately HK$145,679,000 (2017: HK$149,435,000) which accounted for approximately 52% (2017: 58%) of the Group's total revenue for the year. The corresponding aggregate amount of finance lease receivables and trade receivables amounted to approximately HK$276,774,000 as at 31 March 2018 (2017: HK$159,531,000).

The Group closely monitors the credit risk on individual customers based on their credit worthiness, assessments on the customer's past payments history and current ability to pay and take into account information specific to customers as well as pertaining to the economic environment in which the customers operate.

Credit risk in cash and cash equivalents is mitigated as cash is deposited in bank of high credit rating.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

The maturity profile of the Group's financial liabilities, based on the contractual undiscounted payments, are as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 6 months or on demand HK$'000	Within 6-12 months HK$'000	Within 1-2 years HK$'000	Within 2-3 years HK$'000	Over 3 years HK$'000
At 31 March 2018							
Trade payables	21,708	21,708	8,182	2,329	3,491	3,426	4,280
Accruals and other payables	26,451	26,451	26,451	–	–	–	–
Borrowings	152,508	159,688	60,698	15,419	29,774	27,280	26,517
Finance lease obligations	3,514	3,868	989	780	1,476	623	–
Notes payable	130,000	144,813	6,100	83,713	55,000	–	–
Due to a related company	28	28	28	–	–	–	–
Due to directors	4,697	4,697	4,697	–	–	–	–
	338,906	361,253	107,145	102,241	89,741	31,329	30,797

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 6 months or on demand HK$'000	Within 6-12 months HK$'000	Within 1-2 years HK$'000	Within 2-3 years HK$'000	Over 3 years HK$'000
At 31 March 2017							
Trade payables	12,754	12,754	4,249	1,451	1,928	1,928	3,198
Accruals and other payables	15,147	15,147	15,147	–	–	–	–
Borrowings	111,792	116,844	50,465	11,540	16,800	16,035	22,004
Notes payable	50,000	65,000	2,500	2,500	5,000	55,000	–
Due to a related company	56	56	56	–	–	–	–
	189,749	209,801	72,417	15,491	23,728	72,963	25,202

Fair value measurement

The fair values of the Group's current portion of financial assets and liabilities measured at amortised cost are not materially different from their carrying amounts because of the immediate or short term maturity. The fair value of the non-current portion of financial assets and liabilities measured at amortised cost are not disclosed because the values are not materially different from their carrying amounts.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2018 HK$'000	2017 HK$'000	Fair value hierarchy
Available-for-sale investments			
Investment in life insurance policy	**10,089**	–	Level 2

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value measurement (Continued)

Information about level 2 fair value measurements

The fair value of investment in life insurance policy is determined based on the cash value as stated in the cash surrender value statement issued by the insurer.

There were no transfers between different levels during the year.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments are as follows:

Financial assets

	2018 **HK$'000**	2017 HK$'000
Available-for-sale financial assets	**10,089**	–
Loans and receivables		
Trade receivables	**335,351**	173,196
Finance lease receivables	**70,344**	96,787
Other receivables	**35**	–
Due from associates	**16,485**	14,002
Pledged bank deposits	**2,500**	2,500
Cash and cash equivalents	**37,023**	53,465
	461,738	339,950

Financial liabilities

	2018 **HK$'000**	2017 HK$'000
At amortised cost		
Trade payables	**21,708**	12,754
Accruals and other payables	**26,451**	15,147
Borrowings	**152,508**	111,792
Finance lease obligations	**3,514**	–
Notes payable	**130,000**	50,000
Due to a related company	**28**	56
Due to directors	**4,697**	–
	338,906	189,749

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41. CAPITAL MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings, finance lease obligations and notes payable less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratio at the end of reporting period was as follows:

	2018	2017
	HK$'000	HK$'000
Borrowings	**152,508**	111,792
Finance lease obligations	**3,514**	–
Notes payable	**130,000**	50,000
Less: Cash and cash equivalents	**(37,023)**	(53,465)
Net debt	**248,999**	108,327
Total equity	**329,902**	205,710
Net debt to equity ratio	**75%**	53%

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