



Synergy Group

Green tech economy : our new economy

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

2019/20

Interim Report 中期報告



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CORPORATE INFORMATION

[As at 17 December 2019]

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 17 December 2019)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
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 (Listed on the Main Board of the Hong Kong Stock
Exchange)

COMPANY WEBSITE

www.synergy-group.com

INVESTOR ENQUIRY HOTLINE

Tel: (852) 2121 8033

INVESTOR ENQUIRY EMAIL ADDRESS

info@synergy-group.com

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	116,418	171,073
Leasing services of energy saving systems	6,821	7,561
Trading of energy saving products	88,989	141,183
Consultancy service	19,265	21,788
Building AI (artificial intelligence) SaaS (Software-as-a-Service)	1,343	541
Gross profit	64,809	74,832
EBITDA (note 1)	53,402	96,741
EBIT (note 1)	47,029	91,441
Profit attributable to the owners of the Company	32,934	75,926
Basic earnings per share (HK cents)	6.0	13.8
Diluted earnings per share (HK cents)	6.0	13.7
Adjusted profit attributable to the owners of the Company excluding some major extraordinary income and expenses (note 2)	37,395	34,890
Adjusted basic earnings per share (HK cents) (note 2)	6.8	6.4
Adjusted diluted earnings per share (HK cents) (note 2)	6.8	6.3
	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000
Total assets	799,043	777,569
Total liabilities	335,584	346,672
Net assets	463,459	430,897

Note 1: 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.

Note 2: Amounts are calculated based on adjusted profit after excluding some major extraordinary income and expenses as defined by the Group's management. Details of which can be referred to the paragraph headed "Profit for the period attributable to the owners of the Company" under the section headed "Management Discussion and Analysis" of this report.

FINANCIAL HIGHLIGHTS

- The Group's revenue decreased by 31.9% from approximately HK\$171.1 million for the six months ended 30 September 2018 to approximately HK\$116.4 million for the six months ended 30 September 2019.
- The Group's gross profit decreased by 13.4% from approximately HK\$74.8 million for the six months ended 30 September 2018 to approximately HK\$64.8 million for the six months ended 30 September 2019.
- The Group's profit attributable to the owners of the Company decreased by 56.6% from approximately HK\$75.9 million for the six months ended 30 September 2018 to approximately HK\$32.9 million for the six months ended 30 September 2019.
- The Group's adjusted profit attributable to the owners of the Company excluding some major extraordinary income and expenses increased by 7.2% from approximately HK\$34.9 million for the six months ended 30 September 2018 to approximately HK\$37.4 million for the six months ended 30 September 2019.
- Basic earnings per share decreased by 56.5% from approximately HK13.8 cents for the six months ended 30 September 2018 to approximately HK6.0 cents for the six months ended 30 September 2019. Diluted earnings per share decreased by 56.2% from approximately HK13.7 cents for the six months ended 30 September 2018 to approximately HK6.0 cents for the six months ended 30 September 2019. Adjusted basic earnings per share calculated with reference to the adjusted profit increased by 6.3% from approximately HK6.4 cents for the six months ended 30 September 2018 to approximately HK6.8 cents for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Synergy Group Holdings International Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**” or “**our Group**”) have been engaging in the energy saving and environmental protection industry since 2008. We are now one of the leading energy management contract providers in Hong Kong, with an integrated platform for providing solutions ranging from technologies and product customisation, investment, development and implementation, to operation and maintenance in the field of renewable energy, energy saving and management.

For the six months ended 30 September 2019, the Group recorded a total revenue of approximately HK\$116.4 million, representing a decrease of 31.9% as compared to approximately HK\$171.1 million for the six months ended 30 September 2018. For the six months ended 30 September 2019, profit attributable to the owners of the Company amounted to approximately HK\$32.9 million, representing a decrease of 56.6% as compared to the corresponding amount of approximately HK\$75.9 million for the six months ended 30 September 2018.

Revenue generated from our trading segment decreased by 37.0% from approximately HK\$141.2 million for the six months ended 30 September 2018 to approximately HK\$89.0 million for the six months ended 30 September 2019 mainly due to the escalating uncertainty in the international trade environment and the global financial conditions as well as weakening economy. The Group decided to tighten the credit limit with some of the existing customers in view of their existing significant amounts of receivables. Revenue generated from our leasing service segment decreased by 9.8% from approximately HK\$7.6 million for the six months ended 30 September 2018 to approximately HK\$6.8 million for the six months ended 30 September 2019, while revenue generated from our consultancy service segment decreased by 11.6% from approximately HK\$21.8 million for the six months ended 30 September 2018 to approximately HK\$19.3 million for the six months ended 30 September 2019 due to the decrease in demand of consultancy services by our customer during the period as a result of the economic slowdown in Mainland China. Revenue generated from our new segment Building AI (artificial intelligence) SaaS (Software-as-a-Service) increased by 148.2% from HK\$0.5 million for the six months ended 30 September 2018 to HK\$1.3 million for the six months ended 30 September 2019. Details of segment information are set out in Note 3 to the unaudited condensed consolidated financial statements in this report.

The Group will continue to reinforce our energy saving lighting and cooling services, while diversifying our business portfolio into renewable and energy storage sector so as to achieve sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total revenue of the Group was approximately HK\$116.4 million for the six months ended 30 September 2019, representing a 31.9% decrease as compared to that for the six months ended 30 September 2018. Such decrease was due to the tighter credit limit with some of the existing customers in view of their existing significant amounts of receivables and the escalating uncertainty in the international trade environment and the global financial conditions as well as weakening economy. Gross profit margin increased from 43.7% for the six months ended 30 September 2018 to 55.7% for the six months ended 30 September 2019. The increase was mainly due to the decrease in sales to an associate for its business in South Africa of smaller margin, while the Group benefits from the sharing of profit earned by the associate according to our shareholding proportion.

Other income and gains decreased from approximately HK\$47.7 million for the six months ended 30 September 2018 to approximately HK\$0.8 million for the six months ended 30 September 2019. This was mainly attributable to the absence of the gain on deemed disposal of associates of approximately HK\$47.2 million for the six months ended 30 September 2019.

Selling and distribution costs

The Group's selling and distribution costs for the six months ended 30 September 2019 were approximately HK\$2.8 million, representing a decrease of 11.0% from approximately HK\$3.1 million for the six months ended 30 September 2018. The decrease was mainly due to the decrease in marketing expenses and sample expenses.

Administrative expenses

The Group's administrative expenses for the six months ended 30 September 2019 were approximately HK\$14.2 million, representing a decrease of 63.0% from approximately HK\$38.5 million for the six months ended 30 September 2018. The decrease was mainly due to (i) the absence of foreign exchange loss of approximately HK\$17.5 million derived from the revaluation of balances in foreign currencies mainly as a result of the relatively stable movements of Indonesian Rupiah against Hong Kong dollar during the six months ended 30 September 2019; and (ii) the decrease in share-based payment expenses during the six months ended 30 September 2019 as a result of the share options granted by the Company in April 2018.

Finance costs

The Group's finance costs remained stable at approximately HK\$8.5 million for the six months ended 30 September 2019. As at 30 September 2019, the total outstanding borrowings and notes payable of the Group was approximately HK\$232.2 million (31 March 2019: approximately HK\$254.3 million).

Other expenses

The Group's other expenses increased from approximately HK\$1.3 million for the six months ended 30 September 2018 to approximately HK\$6.5 million for the six months ended 30 September 2019. The increase was mainly due to the increase in the provision of impairment losses of trade receivables for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

The Group's income tax expense decreased from approximately HK\$7.7 million for the six months ended 30 September 2018 to approximately HK\$3.9 million for the six months ended 30 September 2019, which was mainly due to the decrease in taxable income.

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA decreased from approximately HK\$96.7 million for the six months ended 30 September 2018 to approximately HK\$53.4 million for the six months ended 30 September 2019. The Group's EBIT decreased from approximately HK\$91.4 million for the six months ended 30 September 2018 to approximately HK\$47.0 million for the six months ended 30 September 2019.

Profit for the period attributable to the owners of the Company

As a result of the foregoing, our profit attributable to the owners of the Company decreased by 56.6% from approximately HK\$75.9 million for the six months ended 30 September 2018 to approximately HK\$32.9 million for the six months ended 30 September 2019.

Excluding some major extraordinary income and expenses, the adjusted profit attributable to the owners of the Company increased by 7.2% from approximately HK\$34.9 million for the six months ended 30 September 2018 to approximately HK\$37.4 million for the six months ended 30 September 2019. The following table reconciles the adjusted profit attributable to the owners of the Company excluding some major extraordinary income and expenses as defined by the Group's management for the periods presented to the profit attributable to the owners of the Company for the periods indicated:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period attributable to the owners of the Company	32,934	75,926
Add major extraordinary expenses:		
Provision for expected credit loss on financial assets, net of deferred tax	4,088	1,151
Share-based payment expenses in respect of share options	373	5,053
	37,395	82,130
Less major extraordinary income:		
Gain on deemed disposal of Invinity	-	(47,240)
Adjusted profit attributable to the owners of the Company excluding some major extraordinary income and expenses	37,395	34,890

MANAGEMENT DISCUSSION AND ANALYSIS

Basic earnings per share and diluted earnings per share calculated with reference to the adjusted profit attributable to the owners of the Company excluding some major extraordinary income and expenses are as follows:

	Six months ended 30 September	
	2019	2018
Adjusted basic earnings per share (HK cents)	6.8	6.4
Adjusted diluted earnings per share (HK cents)	6.8	6.3

Potential investors should be aware that this adjusted profit attributable to the owners of the Company excluding some major extraordinary income and expenses presented in this report may not be comparable to similar titled measures reported by other companies due to differences in the components of the calculations.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its business with internally generated cash flows and bank and other borrowings. As at 30 September 2019, current assets of the Group amounted to approximately HK\$445.7 million, representing an increase of 6.9% from approximately HK\$417.0 million as at 31 March 2019. The current assets mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK\$20.8 million (31 March 2019: approximately HK\$28.9 million) and trade receivables of approximately HK\$383.3 million (31 March 2019: approximately HK\$322.2 million).

As at 30 September 2019, the Group's current liabilities mainly comprised borrowings of approximately HK\$50.8 million (31 March 2019: approximately HK\$65.1 million), notes payable of HK\$142.6 million (31 March 2019: HK\$140.0 million), trade payables of approximately HK\$19.8 million (31 March 2019: approximately HK\$11.4 million) and accruals, other payables and deposits received of approximately HK\$42.0 million (31 March 2019: approximately HK\$34.6 million).

The Group's current ratio increased from approximately 1.5 times as at 31 March 2019 to approximately 1.6 times as at 30 September 2019. The Group has sufficient working capital to meet its 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 30 September 2019 was approximately HK\$232.2 million (31 March 2019: approximately HK\$254.3 million), of which approximately HK\$73.9 million (31 March 2019: approximately HK\$93.6 million) was due to banks, approximately HK\$15.7 million (31 March 2019: approximately HK\$20.7 million) was due to independent third parties, and notes payable of HK\$142.6 million (31 March 2019: HK\$140.0 million). The decrease was mainly due to the repayment of existing loans during the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2019, the Group's equity attributable to the owners of the Company was approximately HK\$462.5 million, representing an increase of 7.2% from approximately HK\$431.6 million as at 31 March 2019.

As at 30 September 2019, a time deposit of HK\$2.5 million was pledged as a security for the bank facilities (31 March 2019: 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 30 September 2019.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2019.

ASSOCIATED COMPANY AND OTHER SIGNIFICANT INVESTMENTS HELD

Kedah Synergy Limited ("**KSL**"), together with its subsidiaries (the "**KSL Group**"), are associated companies of the Group which was owned as to 47.5% by the Group. KSL Group is principally engaged in the business of energy saving management in South Africa.

The revenue of KSL Group for the six months ended 30 September 2019 was approximately HK\$35.0 million (for the six months ended 30 September 2018: approximately HK\$78.5 million). The net profit attributable to the shareholders of KSL Group for the six months ended 30 September 2019 was approximately HK\$10.4 million (for the six months ended 30 September 2018: approximately HK\$26.0 million).

In September 2018, Synergy Group Worldwide Limited ("**Synergy Worldwide**") lost significant influence over Invinity Energy Group Limited ("**Invinity**", together with its subsidiaries, the "**Invinity Group**"), accordingly the Group's equity interest in Invinity was accounted for as an equity investment of the Group at fair value through profit or loss (the "**Equity Investment**") under the relevant accounting principle.

The fair value of the Equity Investment was approximately HK\$71,000,000 as at 30 September 2019, representing approximately 8.9% of the Group's total assets as at 30 September 2019. The Invinity Group is principally engaged in investing in mining and processing assets including exploration, development, mining and extraction as well as production and financing of various vanadium products and battery-grade vanadium electrolyte to support the vanadium flow batteries energy storage industry. No dividend from Invinity was received by the Group and no dividend income from Invinity was recognised during the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the determination of the fair value of the Equity Investment as at 30 September 2019, the Group has engaged an independent valuer to assist the Company in the relevant calculation of the fair value. Discounted cash flow method under the income approach is used in the valuation. The fair value was arrived at based on the present value of all future economic benefits generated and attributable to the shareholders by applying an appropriate discount rate and discount for lack of marketability. The discount rate adopted is the weighted average cost of capital which comprises the cost of equity and the cost of debt, taking into account an appropriate debt-to-equity ratio: (i) the cost of equity was derived using the Capital Asset Pricing Model, which assumes that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for any risks other than systematic risks; (ii) the cost of debt was referenced to the actual and expected interest rates of the loans of Invinity Group; and (iii) the debt-to-equity ratio was referenced to the average capital structure of the comparable companies. A discounted cash flow calculation was adopted in the relevant valuation of fair value of the Equity Investment. The discounted cash flow calculation has taken into account factors such as the capacity of the reserve of vanadium-containing ore, which is expected to be utilised under a 10-year production plan. The forecasted annual production volume used in the valuation had drawn reference to the designated processing capacity of the production facilities. In the calculation of the future economic benefits, the price of the commodity was one of the inputs, which the valuer had studied and considered the expected market trend and historical patterns of the price obtained from the available market sources. The Directors adopt the commodity price in the valuation as at 30 September 2019 with reference to the historical price pattern and other industry parameters observed in both the domestic and international markets. In addition, the Company has made reference to the cost and budget mechanism for the production/processing plan prepared by the management of Invinity.

The table below sets out the comparison in key inputs used in the valuation of Invinity Group as at 30 September 2019 and 31 March 2019:

	Valuation as at 30 September 2019	Valuation as at 31 March 2019
Weighted average cost of capital	11%	14%
Discount for lack of marketability	35%	35%
Commodity price ^(note)	Ranging from RMB134,000/ tonne to RMB169,000/ tonne	Ranging from RMB185,000/ tonne to RMB234,000/ tonne

Note: The commodity price was made reference to the expected market trend, historical patterns of the price obtained from the available market sources and other industry parameters observed in both the domestic and international markets. Annual growth rate on commodity price of 2.5% (31 March 2019: 2.5%) was adopted over the valuation period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors have no further plans in relation to further investments regarding the Equity Investment.

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 six months ended 30 September 2019.

GUARANTEES

On 23 May 2019, the Company, Synergy Worldwide and Synergy Lighting Limited ("**Synergy Lighting**") (together as "**Guarantors**") entered into a guarantee agreement with a bank, pursuant to which the Guarantors guaranteed to pay the secured indebtedness of an amount of HK\$40,000,000 in respect of the debt due and owing to the bank by Kedah Synergy Hong Kong Limited ("**Kedah Synergy HK**") (a wholly owned subsidiary of KSL). For details, please refer to our announcements dated 24 May 2019 and 31 May 2019. Save as disclosed above, the Group had no other material guarantees as at 30 September 2019.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2019, the Group had 74 full-time employees (as of 30 September 2018: 59 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 (i.e. the employer) and its employees make monthly contributions to the scheme at 5% of the employees' monthly 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. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The Group also operates a number of defined contribution retirement schemes outside Hong Kong in accordance with local statutory requirements. The assets of these schemes are generally held in separate administered funds and are generally funded by payments from employees and by the relevant group companies.

The Company has adopted a share option scheme as an incentive to its Directors and eligible employees of the Group, details of which are set out in the paragraph headed "Share Option Scheme" in the section headed "Management Discussion and Analysis" in our 2018/2019 Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

The Group's revenue and expenses are mainly in Hong Kong dollars, which is the functional currency of most of the entities making up the Group. As it is expected that there will be a continuous increase in revenue from overseas markets, 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, the Group has decided not to adopt any foreign currency hedging measures as at the date of this report. However, the Group will monitor its foreign exchange exposure and will consider adopting hedging measures should the need arise.

GEARING RATIO

As at 30 September 2019, the gearing ratio of the Group was 50.1% (31 March 2019: 59.7%), which is calculated on the basis of the amount of total debts divided by the total equity. The decrease was mainly due to the repayment of existing loans during the six months ended 30 September 2019.

DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: Nil).

FUTURE OUTLOOK

Looking ahead, it is a common view that the China-US trade dispute will not be favourable to the global economy, especially for Hong Kong and China markets. It is expected that some of the companies will have increasing needs to cut costs, resulting in possible delays or withdrawals in their investments in energy saving products and services. It is also expected that there will be consolidations in the energy saving products and services industry, eliminating some of the smaller and less competitive companies, which will directly and indirectly increase our Group's market share in the industry, especially in our leasing services segment.

In order to prepare for the upcoming challenging business environment and to capture potential business opportunities, we will (i) consolidate and incorporate the building management and energy saving platform services of our newly acquired subsidiary, Negawatt Utility Group Holdings Limited, with our conventional lighting and cooling energy saving solutions, to provide comprehensive "online software + offline hardware" products and services to our clients; (ii) devote more resources to explore high quality suppliers who have lost market share due to the China-US trade dispute but would provide us with high quality products at competitive prices; and (iii) negotiate to form strategic alliance with reputable leasing and financial institutions to provide more flexible financing to our Group or to our clients for supporting the transformation to use energy saving equipment and artificial intelligence building management service providers.

We believe in the coming year, the more competitive companies could consolidate and strengthen its position in the market. The consolidation of the industry will provide many investment and merger and acquisition opportunities. Our Group will keep looking for acquisition and partnership opportunities to further fuel our growing momentum.

CORPORATE GOVERNANCE

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

As at 30 September 2019, 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:

Interests or short positions in shares and underlying shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares ^(Note 1)	Approximate percentage of issued share capital ^(Note 3)
Mr. Wong Man Fai Mansfield ^(Note 2)	Interest in controlled corporation	53,249,204 (S)	9.68%
Mr. Lam Arthur	Beneficial owner	2,050,000 (L)	0.37%
		35,464,437 (S)	6.45%
Mr. Cheung Yick Hung Jackie	Beneficial owner	100,000 (L)	0.02%

Notes:

- The letters "L" and "S" denote the person's long position and short position in such shares respectively.
- 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.
- The total number of issued shares of the Company as at 30 September 2019 was 550,000,000.

Save as disclosed above, as at 30 September 2019, 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.

CORPORATE GOVERNANCE

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

So far as our Directors are aware, as at 30 September 2019, 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 shares and underlying shares of the Company

Name of Shareholder	Nature of interest and capacity	Number of Shares ^(Note 1)	Approximate percentage of issued share capital ^(Note 5)
Abundance Development Limited ^(Note 2)	Beneficial owner	53,249,204 (S)	9.68%
Ms. Cai Linda Xin Xin ^(Note 3)	Interest of spouse	53,249,204 (S)	9.68%
Central Huijin Investment Ltd. ^(Note 4)	Interest of controlled corporation	110,001,641 (L)	20.00%
China Construction Bank Corporation ^(Note 4)	Interest of controlled corporation	110,001,641 (L)	20.00%
CCB International Group Holdings Limited ^(Note 4)	Interest of controlled corporation	110,001,641 (L)	20.00%
CCB Financial Holdings Limited ^(Note 4)	Interest of controlled corporation	110,001,641 (L)	20.00%
CCB International (Holdings) Limited ^(Note 4)	Interest of controlled corporation	110,001,641 (L)	20.00%
CCBI Investments Limited ^(Note 4)	Interest of controlled corporation	110,001,641 (L)	20.00%
Wan Tai Investments Limited ^(Note 4)	Person having a security interest in shares	110,001,641 (L)	20.00%

CORPORATE GOVERNANCE

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. 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 Financial 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 57.31% of its shareholding are in turn controlled by Central Huijin Investment Ltd..
5. The total number of issued shares of the Company as at 30 September 2019 was 550,000,000.

Save as disclosed above, as at 30 September 2019, 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) ("**Share Option Scheme**"). Under the Share Option Scheme, the Board may in its absolute discretion grant options to directors or employees (whether full-time or part-time) of our Company and its subsidiaries and associated companies (the "**Qualified Participants**") to subscribe for its shares. The purpose of the Share Option Scheme is to enable the Company to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of our Company and its 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. Details of which are set out in the paragraph headed "Share Option Scheme" in the section headed "Management Discussion and Analysis" in our 2018/2019 Annual Report.

CORPORATE GOVERNANCE

The following tables discloses movements in the Company's share options during the six months ended 30 September 2019:

Grantees	Date of grant	Exercise period	Exercise price	Number of share options					Outstanding as at 30 September 2019
				Outstanding as at 1 April 2019	Granted during the period	Exercised during the period	Lapsed/forfeited during the period	Cancelled during the period	
Directors									
Mr. Wong Man Fai Mansfield	19 April 2018	19 April 2018 to 18 April 2019	HK\$1.268 per share	5,500,000	-	-	5,500,000	-	-
Mr. Lam Arthur	19 April 2018	19 April 2018 to 18 April 2019	HK\$1.268 per share	5,500,000	-	-	5,500,000	-	-
Mr. Chung Koon Yan	19 April 2018	19 April 2018 to 18 April 2019	HK\$1.268 per share	50,000	-	-	50,000	-	-
Mr. Cheung Yick Hung Jackie	19 April 2018	19 April 2018 to 18 April 2019	HK\$1.268 per share	50,000	-	-	50,000	-	-
Dr. Wong Chi Ying Anthony	19 April 2018	19 April 2018 to 18 April 2019	HK\$1.268 per share	50,000	-	-	50,000	-	-
Employees									
Employees in aggregate	19 April 2018	19 April 2018 to 18 April 2019	HK\$1.268 per share	5,500,000	-	-	5,500,000	-	-
	19 April 2018	19 April 2019 to 18 April 2020	HK\$1.268 per share	3,206,200	-	-	46,700	-	3,159,500
	19 April 2018	19 April 2020 to 18 April 2021	HK\$1.268 per share	1,650,000	-	-	-	-	1,650,000
				21,506,200	-	-	16,696,700	-	4,809,500

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 six months ended 30 September 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 30 September 2019, 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 six months ended 30 September 2019.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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 (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules, together with compliance with the relevant code provisions.

The Board is of the view that, throughout the six months ended 30 September 2019, 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 below:

The roles of Chairman of the Board and Chief Executive Officer of the Company have been performed by Mr. WONG Man Fai Mansfield. Although under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual, the combination of the roles of chairman and chief executive officer by Mr. WONG Man Fai Mansfield was considered to be in the best interests of the Company and its shareholders as a whole. Mr. WONG has been leading the Group as the Chief Executive Officer and one of its subsidiaries since 2009, thus, the Board believes that the combined roles of Mr. WONG promotes better leadership for both the Board and management and enables more focused development of business strategies and implementation of objectives and policies. The balance between power and authority is maintained by the openness and cooperative spirit of the senior management and the Board, which comprise 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. The Board will review the management structure regularly and consider separating the roles of chairman and chief executive, if and when appropriate.

CORPORATE GOVERNANCE

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 for Securities Transactions by Directors of Listed Issuers (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 six months ended 30 September 2019 and up to the date of this report.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Board (the “**Audit Committee**”) was established 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 the date of this report, 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 unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2019 contained in this report had not been audited by the Company’s auditor, but were reviewed by the Audit Committee, which was of the opinion that the preparation of such interim financial information complied with the applicable accounting standards and requirements and the Listing Rules, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

COMPLIANCE DISCLOSURES AND OTHER MATTERS

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

DISCLOSURES PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

Based on the disclosure obligations under Rules 13.20 and 13.22 of the Listing Rules, the financial assistance, which was made by Synergy Worldwide by way of the advancement of shareholder's loans to KSL, and the guarantee provided by the Company, Synergy Worldwide and Synergy Lighting (together as "Guarantors") to United Overseas Bank Limited ("Bank") in respect of the debt due and owing to the Bank by Kedah Synergy HK, continued to exist as at 30 September 2019. The financial assistance and guarantee, in aggregate, represent approximately 6.3% under the assets ratio of the Company as defined under Rule 14.07(1) of the Listing Rules.

Details of the financial assistance and guarantee as at 30 September 2019 were set out below:

Name of associated companies	Group's attributable interests	Advancement of shareholder's loans	Provision of guarantee	Total financial assistance made available by the Group
KSL and its wholly owned subsidiary	47.5%	HK\$10,382,000 <small>(Note 1)</small>	HK\$40,000,000 <small>(Note 2)</small>	HK\$50,382,000

Notes:

- The advancement of shareholder's loans provided by Synergy Worldwide had been used to provide working capital for KSL for its business operation. The outstanding shareholder's loans is interest-free, unsecured, and has no defined term and is repayable upon the demand of Synergy Worldwide at any time.
- In May 2019, a guarantee agreement was entered into between the Guarantors and the Bank, pursuant to which the Guarantors guaranteed to pay the secured indebtedness of an amount of HK\$40,000,000 in respect of the facilities of up to the amount of HK\$66,000,000 provided by the Bank (as lender) to Kedah Synergy HK (as borrower) and interest and all costs and expenses relating to the liability due owing or incurred to the Bank, for the purpose of working capital need.

CORPORATE GOVERNANCE

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies (as defined in the Listing Rules) with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 September 2019 are presented as follows:

	Combined statement of financial position HK\$'000	Group's attributable interests HK\$'000
Non-current assets	205	97
Current assets	138,086	65,591
Current liabilities	82,670	39,268
Total assets less current liabilities	55,621	26,420
Non-current liabilities	–	–
Net assets/liabilities	55,621	26,420

By order of the Board
Synergy Group Holdings International Limited
Wong Man Fai Mansfield
*Chairman, Chief Executive Officer and
 Executive Director*

Hong Kong, 29 November 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Synergy Group Holdings International Limited 滙能集團控股國際有限公司 (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the six months ended 30 September 2019 together with the comparative figures for the corresponding period in 2018 as follows:

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4(a)	116,418	171,073
Cost of sales		(51,609)	(96,241)
Gross profit		64,809	74,832
Other income and gains	4(b)	750	47,735
Administrative expenses		(14,227)	(38,489)
Selling and distribution costs		(2,768)	(3,109)
Finance costs	5	(8,453)	(8,884)
Other expenses		(6,457)	(1,328)
Share of results of associates		4,922	11,800
Profit before income tax	6	38,576	82,557
Income tax expense	7	(3,897)	(7,651)
Profit for the period		34,679	74,906
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		(2,350)	(3,244)
Share of other comprehensive income of an associate		(140)	23
Other comprehensive income for the period, net of tax		(2,490)	(3,221)
Total comprehensive income for the period		32,189	71,685

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		32,934	75,926
Non-controlling interests		1,745	(1,020)
		34,679	74,906
Total comprehensive income for the period attributable to:			
Owners of the Company		30,488	72,690
Non-controlling interests		1,701	(1,005)
		32,189	71,685
Earnings per share for profit attributable to owners of the Company during the period			
– Basic (HK cents)	9	6.0	13.8
– Diluted (HK cents)	9	6.0	13.7

Details of the proposed dividend for the period are disclosed in note 8.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	28,338	28,329
Intangible assets		3,345	6,115
Goodwill		67,582	67,582
Interests in associates		51,013	46,231
Equity investment at fair value through profit or loss		71,000	71,000
Other financial assets at fair value through profit or loss		10,607	10,436
Trade receivables	11	81,364	83,776
Finance lease receivables		37,582	44,063
Deposits and other receivables		–	1,206
Deferred tax assets		2,541	1,871
		353,372	360,609
Current assets			
Inventories		1,010	457
Trade receivables	11	383,320	322,221
Finance lease receivables		12,964	12,607
Deposits, prepayments and other receivables		17,207	22,382
Due from an associate		10,382	30,353
Pledged bank deposits		2,500	2,500
Cash and cash equivalents		18,288	26,440
		445,671	416,960
Current liabilities			
Trade payables	12	19,804	11,437
Contract liabilities		8,874	9,704
Accruals, other payables and deposits received		41,972	34,579
Borrowings	13	50,834	65,055
Finance lease obligations		–	1,471
Lease liabilities		3,203	–
Notes payable		142,600	140,000
Due to a related company		448	280
Due to directors		4,750	4,600
Provision for taxation		6,514	13,854
		278,999	280,980
Net current assets		166,672	135,980
Total assets less current liabilities		520,044	496,589

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
Non-current liabilities			
Trade payables	12	9,984	9,334
Deposits received		6,116	5,624
Borrowings	13	38,748	49,288
Finance lease obligations		–	1,446
Lease liabilities		1,737	–
		56,585	65,692
Net assets			
		463,459	430,897
EQUITY			
Share capital		5,500	5,500
Reserves		456,964	426,103
Equity attributable to the owners of the Company			
		462,464	431,603
Non-controlling interests		995	(706)
Total equity			
		463,459	430,897

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium* HK\$'000	Share option reserve* HK\$'000	Capital reserves* HK\$'000	Merger reserve* HK\$'000	Available-for-sale investment revaluation reserve* HK\$'000	Foreign exchange reserves* HK\$'000	Retained profits* HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	5,500	87,160	5,949	13,934	12,183	-	434	306,443	431,603	(706)	430,897
Equity-settled share option arrangements	-	-	373	-	-	-	-	-	373	-	373
Profit for the period	-	-	-	-	-	-	-	32,934	32,934	1,745	34,679
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(2,306)	-	(2,306)	(44)	(2,350)
Share of other comprehensive income of an associate	-	-	-	-	-	-	(140)	-	(140)	-	(140)
Total comprehensive income for the period	-	-	-	-	-	-	(2,446)	32,934	30,488	1,701	32,189
At 30 September 2019 (unaudited)	5,500	87,160	6,322	13,934	12,183	-	(2,012)	339,377	462,464	995	463,459
At 31 March 2018 (audited)											
as originally presented											
Initial application of HKFRS 9	5,000	34,749	-	7,388	12,183	(1,434)	2,920	272,756	333,562	(3,660)	329,902
Other comprehensive income	-	-	-	-	-	1,434	-	(10,867)	(9,433)	(86)	(9,469)
Adjusted balance at 1 April 2018	5,000	34,749	-	7,388	12,183	-	2,920	261,889	324,129	(3,696)	320,433
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	387	387
Issue of shares, net of share issue expenses	500	52,411	-	-	-	-	-	-	52,911	-	52,911
Equity-settled share option arrangements	-	-	5,053	-	-	-	-	-	5,053	-	5,053
Profit for the period	-	-	-	-	-	-	-	75,926	75,926	(1,020)	74,906
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(3,259)	-	(3,259)	15	(3,244)
Share of other comprehensive income of an associate	-	-	-	-	-	-	23	-	23	-	23
Total comprehensive income for the period	-	-	-	-	-	-	(3,236)	75,926	72,690	(1,005)	71,685
At 30 September 2018 (unaudited)	5,500	87,160	5,053	7,388	12,183	-	(3,16)	337,815	454,783	(4,314)	450,469

* These reserve accounts comprise the consolidated reserves of approximately HK\$456,964,000 in the condensed consolidated statement of financial position as at 30 September 2019 (31 March 2019: HK\$426,103,000)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from operating activities			
Profit before income tax		38,576	82,557
Adjustments for:			
Interest income	4(b)	(196)	(24)
Interest expense	5	8,349	8,834
Amortisation of intangible assets	6	2,770	2,770
Bad debts written off	6	-	5
Depreciation of property, plant and equipment	6	3,603	2,530
Losses on disposals of property, plant and equipment	6	4	126
Gain on deemed disposal of associates	4(b)	-	(47,240)
Fair value gains on other financial assets at fair value through profit or loss	4(b)	(171)	(186)
Provision for impairment loss of financial assets	6	4,959	1,151
Share of results of associates		(4,922)	(11,800)
Equity-settled share option expense	6	373	5,053
Warranty provision, net of reversal	6	101	573
Operating profit before working capital changes		53,446	44,349
(Increase)/decrease in inventories		(553)	5,706
Increase in trade receivables		(63,646)	(58,154)
Decrease in finance lease receivables		6,124	10,530
Decrease/(increase) in deposits, prepayments and other receivables		6,381	(4,203)
Decrease/(increase) in amount due from an associate		19,971	(12,208)
Increase in trade payables		9,017	6,134
Increase in amount due to a related company		168	84
Increase/(decrease) in contract liabilities, accruals, other payables and deposits received		6,954	(3,359)
Cash generated from/(used in) operations		37,862	(11,121)
Income tax paid		(11,907)	(3,140)
Net cash generated from/(used in) operating activities		25,955	(14,261)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(1,088)	(1,565)
Acquisition of a subsidiary, net of cash acquired		-	(181)
Interest received		196	24
Net cash used in investing activities		(892)	(1,722)
Cash flows from financing activities			
Net proceeds from issue of shares		-	52,911
Repayment of capital element of lease liabilities/finance lease obligations		(1,931)	(1,046)
Interest paid		(8,349)	(8,834)
Proceed from borrowings		-	12,800
Repayment of borrowings		(24,761)	(34,560)
Proceed from issue of notes		2,600	-
Advance from a director		250	-
Repayment of advance from a director		(100)	-
Net cash (used in)/generated from financing activities		(32,291)	21,271
Net (decrease)/increase in cash and cash equivalents		(7,228)	5,288
Cash and cash equivalents at beginning of the period		26,440	37,023
Effect of exchange rate changes, net		(924)	(1,140)
Cash and cash equivalents at end of the period		18,288	41,171

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. The Group is principally engaged in the provision of leasing services of energy saving systems, consultancy service and artificial intelligence technology services, and trading of energy saving products.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of compliance

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2019 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the annual period beginning on 1 April 2019, as disclosed in the annual financial statements for the year ended 31 March 2019.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 March 2019.

(b) Change in accounting policies

The impact of the adoption of HKFRS 16 Leases have been summarised in below.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change in accounting policies (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented for the six months ended 30 September 2018 and for the year ended 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,202
Amount included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	5,890
Total right-of-use assets recognised at 1 April 2019 included in property, plant and equipment	9,092

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 April 2019:

	HK\$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 March 2019	3,288
Less: short term leases for which lease terms end within 31 March 2020	[249]
Less: discounted using the lessee's incremental borrowing rate at the date of initial application	[115]
Add: leases included in extension option which the Group considers reasonably certain to exercise	278
Add: Finance leases obligations as of 31 March 2019	2,917
Total lease liabilities as of 1 April 2019	6,119
Of which are:	
Current	3,265
Non-current	2,854
Total lease liabilities as of 1 April 2019	6,119

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 April 2019 was 3.6%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change in accounting policies (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following tables summarised the impact of the adoption of HKFRS 16 on the condensed consolidated statement of financial position as of 1 April 2019 as follows:

	Carrying amount as at 31 March 2019 HK\$'000	Reclassification of HKFRS 16 HK\$'000	Contract capitalisation of HKFRS 16 HK\$'000	Carrying amount as at 1 April 2019 HK\$'000
Assets:				
Property, plant and equipment	28,329	-	3,202	31,531
Liabilities:				
Finance lease obligation (current)	1,471	(1,471)	-	-
Lease liabilities (current)	-	1,471	1,794	3,265
Finance lease obligation (non-current)	1,446	(1,446)	-	-
Lease liabilities (non-current)	-	1,446	1,408	2,854

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change in accounting policies (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the condensed consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected to recognise right-of-use assets and lease liabilities for low-value assets and not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change in accounting policies (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before 1 April 2019. There were no onerous contracts that would have required a significant adjustment to the right-of-use assets at the date of initial application on 1 April 2019. The comparative information presented for the six months ended 30 September 2018 and for the year ended 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change in accounting policies (Continued)

(v) Transition (Continued)

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

For leases previously classified as finance leases under HKAS 17, the Group recognised the carrying amount of the lease assets and finance lease obligations immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application of HKFRS 16.

Saved as disclosed above, the adoption of these new and revised HKFRSs does not have significant impact on the Group's financial performance and financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change in accounting policies (Continued)

The Group has not applied the following new and revised HKFRSs, potentially relevant to the Group, that have been issued but are not yet effective, in these unaudited condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial performance and financial position.

(c) Basis of measurement

These unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for equity investment at fair value through profit or loss and other financial assets at fair value through profit or loss which are measured at fair values.

(d) Functional and presentation currency

These unaudited condensed consolidated 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, financial information relating to these operations is being 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 services of energy saving systems;
- (2) trading of energy saving products;
- (3) provision of consultancy services on leasing service of energy saving systems (“**Consultancy service**”); and
- (4) provision of artificial intelligence (AI) technology services, which offers a one-stop Building Operating System (BOS) for comprehensive building data acquisition, real-time monitoring, energy and environment optimisation through big data analytics and machine learning for building digital transformation (“**Building AI SaaS**”).

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

	Leasing services of energy saving systems HK\$'000	Trading of energy saving products HK\$'000	Consultancy service HK\$'000	Building AI SaaS HK\$'000	Total HK\$'000
Six months ended 30 September 2019 (unaudited)					
Revenue from external customers	6,821	88,989	19,265	1,343	116,418
Reportable segment profit/(loss)	3,919	38,826	18,390	(1,508)	59,627
Capital expenditure	-	-	-	384	384
Depreciation	2,170	-	-	125	2,295
Six months ended 30 September 2018 (unaudited)					
Revenue from external customers	7,561	141,183	21,788	541	171,073
Reportable segment profit/(loss)	4,093	48,448	20,355	(144)	72,752
Capital expenditure	1,381	-	-	-	1,381
Depreciation	2,082	-	-	-	2,082

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

	Leasing services of energy saving systems HK\$'000	Trading of energy saving products HK\$'000	Consultancy service HK\$'000	Building AI SaaS HK\$'000	Total HK\$'000
As at 30 September 2019 (unaudited)					
Reportable segment assets	89,261	415,786	46,943	425	552,415
Reportable segment liabilities	12,012	46,424	15	100	58,551
As at 31 March 2019 (audited)					
Reportable segment assets	94,331	371,523	43,298	362	509,514
Reportable segment liabilities	10,615	36,395	26	33	47,069

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Reportable segment profit	59,627	72,752
Unallocated corporate income (note)	441	47,450
Unallocated corporate expenses (note)	(17,961)	(40,561)
Finance costs	(8,453)	(8,884)
Share of results of associates	4,922	11,800
Profit before income tax	38,576	82,557

Note:

Unallocated corporate income mainly includes gain on deemed disposal of associates during the six months ended 30 September 2018.

Unallocated corporate expenses mainly include amortisation of intangible assets, legal and professional fees, salaries, equity-settled share option expense and other administrative expenses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
Reportable segment assets	552,415	509,514
Intangible assets	3,345	6,115
Goodwill	67,582	67,582
Interests in associates	51,013	46,231
Equity investment at fair value through profit or loss	71,000	71,000
Other financial assets at fair value through profit or loss	10,607	10,436
Pledged bank deposits	2,500	2,500
Cash and cash equivalents	18,288	26,440
Due from an associate	10,382	30,353
Deferred tax assets	2,541	1,871
Other corporate assets	9,370	5,527
Group assets	799,043	777,569

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
Reportable segment liabilities	58,551	47,069
Borrowings	89,582	114,343
Finance lease obligations	–	2,917
Lease liabilities	4,940	–
Notes payable	142,600	140,000
Provision for taxation	6,514	13,854
Due to a related company	448	280
Due to directors	4,750	4,600
Other corporate liabilities (note)	28,199	23,609
Group liabilities	335,584	346,672

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong (domiciled)	35,149	58,671
Australia	26,204	39,151
Indonesia	4,065	6,682
Japan	17,647	18,902
Malaysia	32,991	28,592
Singapore	–	12,974
Others	362	6,101
	116,418	171,073

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):

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
	Hong Kong (domiciled)	124,561
Malaysia	25,717	27,554
	150,278	148,463

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".

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A [#]	17,647	18,902
Customer B [#]	n/a	17,800
Customer C [#]	19,265	21,788
Customer D [#]	14,374	35,258
Customer E [#]	12,633	23,901
Customer F [#]	17,255	21,351
Customer G [#]	15,270	n/a

[#] Attributable to segment of Consultancy service

[#] Attributable to segment of trading of energy saving products

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

4. REVENUE AND OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Leasing service income	6,821	7,561
Trading of energy saving products income	88,989	141,183
Consultancy service income	19,265	21,788
Building AI SaaS income	1,343	541
	116,418	171,073

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND OTHER INCOME AND GAINS (Continued)

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income		
– from bank deposits	24	12
– from other receivables	147	–
– from advance to non-controlling interests	25	–
– others	–	12
	196	24
Fair value gains on other financial assets		
at fair value through profit or loss	171	186
Gain on deemed disposal of associates (note)	–	47,240
Others	383	285
	750	47,735

Note: During the year ended 31 March 2018, Invinity Energy Group Limited ("Invinity", together with its subsidiaries, the "Invinity Group") 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 ("Subscription in Invinity").

Since the completion of the Subscription in Invinity in March 2018, as part of the understanding among the Group and other shareholders of Invinity, the Group had participated in determining the overall policies and objectives of Invinity Group and had also been involved in its business planning and decision-making processes in operating and financial aspects. Invinity Group had been seeking for the most effective way to manage and operate the business, such as streamlining and shortening the decision making process. After careful consideration, on 26 September 2018, the Group would not have involvement of the board of directors of Invinity, and the Group has not been participating in the management and policy-making processes of Invinity Group since then. Accordingly, the Group lost significant influence in Invinity. The Group continues to hold approximately 23.65% equity interest in Invinity. Since the Group no longer has significant influence over Invinity Group, Invinity Group has been ceased to be associates of the Group from 26 September 2018 (the "Deemed Disposal") and a gain of approximately HK\$47,240,000 recognised upon the Deemed Disposal, being the difference between the fair value of HK\$90,000,000 and the carrying amount of the approximately 23.65% retained equity interest in Invinity as at 26 September 2018 (i.e. approximately HK\$42,760,000, respectively after sharing approximately HK\$449,000 loss from associates for the period from 1 April 2018 to 25 September 2018). As such, the Group's equity interest in Invinity was accounted for as an equity investment of the Group at FVTPL.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	2,077	2,543
Interest on notes payable	6,111	6,165
Interest on finance leases	–	126
Interest on lease liabilities	161	–
	8,349	8,834
Transaction costs on borrowings and notes payable	104	50
	8,453	8,884

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Amortisation of intangible assets (included in administrative expenses)	2,770	2,770
Cost of inventories sold	44,401	90,479
Depreciation of property, plant and equipment		
– owned	2,057	2,107
– held under finance leases	–	423
– right-of-use assets	1,546	–
	3,603	2,530
Employee benefit expenses		
– salaries and welfare	12,198	9,703
– equity-settled share option expense	373	5,053
– defined contributions	700	533
	13,271	15,289
Warranty provision, net of reversal	101	573
Bad debts written off	–	5
Provision for impairment loss of financial assets	4,959	1,151
Losses on disposals of property, plant and equipment	4	126
Net foreign exchange (gain)/loss	(2,352)	17,484
Minimum lease payments under operating leases in respect of offices, a warehouse and an office equipment	–	1,144

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax		
– Tax for the period	4,567	7,718
Deferred tax		
– Current period	(670)	(67)
Income tax expense	3,897	7,651

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

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.

8. DIVIDENDS

No dividend has been paid or declared by the Company during each of the six months ended 30 September 2019 and 2018.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company and the weighted average number of shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company and the weighted average number of shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE (Continued)

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings		
Profit attributable to owners of the Company	32,934	75,926

	Six months ended 30 September	
	2019 '000 (Unaudited)	2018 '000 (Unaudited)
Number of shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	550,000	549,176
Effect of dilution – weighted average number of ordinary shares: Share options	-	3,395
Weighted average number of shares in issue during the period used in the diluted earnings per share calculation	550,000	552,571

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment at costs of approximately HK\$1,088,000 (six months ended 30 September 2018: approximately HK\$1,565,000).

Items of property, plant and equipment with an aggregate net book value of approximately HK\$4,000 (six months ended 30 September 2018: approximately HK\$126,000) were disposed of by the Group during the six months ended 30 September 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade receivables	480,728	417,032
Less: Provision for impairment loss	(16,044)	(11,035)
Trade receivables, net	464,684	405,997
Classified as:		
Non-current assets (note)	81,364	83,776
Current assets	383,320	322,221
	464,684	405,997

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. 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.

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, 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:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
0 to 30 days	58,784	4,024
31 to 90 days	40,569	8,080
91 to 180 days	10,103	55,701
181 to 365 days	59,159	128,712
Over 365 days	296,069	209,480
	464,684	405,997

The Group assigned receivables of a customer to a bank to secure banking facilities of HK\$100,000,000 granted to the Group (the "Assignment"). As at 30 September 2019, trade receivables of approximately HK\$182,161,000 (31 March 2019: approximately HK\$192,645,000) were subject to the Assignment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE PAYABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade payables	29,788	20,771
Classified as:		
Non-current liabilities	9,984	9,334
Current liabilities	19,804	11,437
	29,788	20,771

Based on goods receipts date, ageing analysis of the Group's trade payables is as follows:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
0 to 30 days	13,466	862
31 to 90 days	126	751
91 to 180 days	1,200	114
181 to 365 days	1,086	4,785
Over 365 days	13,910	14,259
	29,788	20,771

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BORROWINGS

	Notes	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
Secured and guaranteed bank loans: Amounts repayable within one year		32,160	34,323
Unsecured and guaranteed bank loans: Amounts repayable within one year		3,000	10,000
Unsecured and guaranteed other loans: Amounts repayable within one year		8,174	9,482
Amounts repayable after one year but contain a repayable on demand clause	(b)	7,500	11,250
Current liabilities		50,834	65,055
Secured and guaranteed bank loans: Amounts repayable in second to fifth year	(a)	38,748	49,288
Non-current liabilities		38,748	49,288
Total borrowings		89,582	114,343

Notes:

- (a) The bank loans classified as non-current liabilities of approximately HK\$38,748,000 as at 30 September 2019 (31 March 2019: HK\$49,288,000) represented bank loans scheduled for repayment after 30 September 2020 (31 March 2019: 31 March 2020). 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 in October 2020 and accordingly, the bank loans were classified as non-current liabilities as at 30 September 2019.
- (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 30 September 2019, the bank loans were secured by the pledge of bank deposits of HK\$2,500,000 (31 March 2019: HK\$2,500,000), finance lease receivables of approximately HK\$48,973,000 (31 March 2019: approximately HK\$54,829,000) under the Assignment, trade receivables of approximately HK\$182,161,000 (31 March 2019: approximately HK\$192,645,000) under the Assignment and other financial assets at fair value through profit or loss of approximately HK\$10,607,000 (31 March 2019: approximately HK\$10,436,000). The bank loans and other loans are also under the corporate guarantees from the Company and/or Synergy Group Worldwide Limited, a subsidiary of the Company.
- (d) The Group's credit facilities are amounting to approximately HK\$173,274,000 (31 March 2019: approximately HK\$173,274,000), of which all have been utilised at 30 September 2019 (31 March 2019: approximately HK\$173,274,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BORROWINGS (Continued)

Based on the schedule repayment dates set out in the bank loan and other loan agreements and ignore the effect of any repayment on demand clause, the borrowings are repayable as follows:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)
Within one year	43,334	53,805
In the second year	27,375	28,589
In the third to fifth year	18,873	31,949
	89,582	114,343

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Issued and fully paid ordinary shares:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	550,000,000	5,500

15. RELATED PARTY TRANSACTIONS

(a) The Group had the following material related party transactions during the period:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Sales to associates (note)	14,374	35,258
Computer software consultancy service fees paid to a related company	168	168
Rental expenses paid to a related company	-	116

Note: The total sales of goods for the six months ended 30 September 2019 amounted to approximately HK\$14,374,000 (six months ended 30 September 2018: approximately HK\$35,258,000) was contributed from Kedah Synergy Hong Kong Limited. The transactions with associates were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

Except for the above, the nature and terms of the above related party transactions have not changed and were disclosed in the Group's audited consolidated financial statements for the year ended 31 March 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term employee benefits	2,898	2,898
Equity-settled share option expense	-	4,470
Total compensation paid to key management personnel	2,898	7,368

16. FINANCIAL INSTRUMENTS

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).

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (audited)	Fair value hierarchy
Equity investment at fair value through profit or loss			
Unlisted equity investment	71,000	71,000	Level 3
Other financial assets at fair value through profit or loss			
Investments in life insurance policy	10,607	10,436	Level 2

There were no transfers between different levels during the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

Information about level 2 fair value measurements

The fair value of investments in life insurance policy is determined based on the cash value as stated in the cash surrender value statement issued by the insurer.

Information about level 3 fair value measurements

The fair value of the unlisted equity investment in Invinity is estimated using a discounted cash flow method.

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements:

Description	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Discounted cash flow method	Weighted average cost of capital (WACC)	11%	5% increase (decrease) in WACC would result in decrease (increase) in fair value by approximately HK\$3.0 million
		Discount for lack of marketability	35%	5% increase (decrease) in discount for lack of marketability would result in decrease (increase) in fair value by approximately HK\$2.0 million

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	HK\$'000
At 1 April 2019	71,000
Fair value adjustment	–
At 30 September 2019	71,000

Fair value adjustment of unlisted equity investment at fair value through profit or loss was recognised in the line item "other expenses" on the face of the condensed consolidated statement of comprehensive income.

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