



# Synergy Group

Low carbon 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

## 2020/21

Interim Report

中期報告





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# CORPORATE INFORMATION

(As at 22 December 2020)

## 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. Lo Chu Wing

## AUTHORISED REPRESENTATIVES

Mr. Wong Man Fai Mansfield  
Mr. Lo Chu Wing

## REGISTERED OFFICE IN THE 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 THE 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 22 December 2020)

## 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 ("**Stock Exchange**"))

## COMPANY WEBSITE

[www.synergy-group.com](http://www.synergy-group.com)

## INVESTOR ENQUIRY HOTLINE

Tel: (852) 2121 8033

## INVESTOR ENQUIRY EMAIL ADDRESS

[info@synergy-group.com](mailto:info@synergy-group.com)

# FINANCIAL HIGHLIGHTS

	<b>Six months ended 30 September</b>	
	<b>2020 HK\$'000 (Unaudited)</b>	2019* HK\$'000 (Unaudited)
<b>Revenue</b>	<b>17,243</b>	115,075
Leasing services of energy saving systems	<b>4,960</b>	6,821
Trading of energy saving products	<b>12,283</b>	88,989
Consultancy service	-	19,265
<b>Gross profit</b>	<b>4,486</b>	66,317
EBITDA (note 1)	<b>(56,304)</b>	56,423
EBIT (note 1)	<b>(59,306)</b>	50,325
<b>(Loss)/profit attributable to owners of the Company</b>	<b>(76,104)</b>	32,934
Basic (loss)/earnings per share (HK cents)	<b>(13.4)</b>	6.0
Diluted (loss)/earnings per share (HK cents)	<b>(13.4)</b>	6.0
<b>Adjusted (loss)/profit attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses</b> (note 2)	<b>(19,714)</b>	36,788
Basic (loss)/earnings per share (HK cents)	<b>(3.5)</b>	6.7
Diluted (loss)/earnings per share (HK cents)	<b>(3.5)</b>	6.7
	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
<b>Total assets</b>	<b>589,849</b>	650,588
<b>Total liabilities</b>	<b>332,572</b>	335,506
<b>Net assets</b>	<b>257,277</b>	315,082

\* The Group disposed of its 51.87% equity interest in Negawatt Utility Group Holdings Limited ("NU") during the year ended 31 March 2020. The business of Building AI (artificial intelligence) SaaS, which was carried out by NU, has been re-presented as discontinued operations in the comparative unaudited condensed consolidated statement of comprehensive income for the six months ended 30 September 2019.

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 (loss)/profit after excluding some major extraordinary or non-operating income and expenses as defined by the Group's management, the details of which can be referred to page 8 of this report.

# FINANCIAL HIGHLIGHTS

- The Group's revenue decreased by 85.1% from approximately HK\$115.1 million for the six months ended 30 September 2019 to approximately HK\$17.2 million for the six months ended 30 September 2020.
- The Group's gross profit decreased by 93.2% from approximately HK\$66.3 million for the six months ended 30 September 2019 to approximately HK\$4.5 million for the six months ended 30 September 2020.
- The Group's profit attributable to the owners of the Company amounted to approximately HK\$32.9 million for the six months ended 30 September 2019 while loss attributable to the owners of the Company amounted to approximately HK\$76.1 million for the six months ended 30 September 2020.
- Excluding some major extraordinary or non-operating income and expenses, the Group's adjusted profit attributable to the owners of the Company amounted to approximately HK\$36.8 million for the six months ended 30 September 2019 while adjusted loss attributable to the owners of the Company amounted to approximately HK\$19.7 million for the six months ended 30 September 2020.
- Basic or diluted earnings per share was approximately HK6.0 cents for the six months ended 30 September 2019 while basic or diluted loss per share was approximately HK13.4 cents for the six months ended 30 September 2020. Adjusted basic or diluted earnings per share calculated with reference to adjusted profit was approximately HK6.7 cents for the six months ended 30 September 2019 while adjusted basic or diluted loss per share calculated with reference to adjusted loss was approximately HK3.5 cents for the six months ended 30 September 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The total revenue of the Group was approximately HK\$17.2 million for the six months ended 30 September 2020, representing an 85.1% decrease as compared to that for the six months ended 30 September 2019. The decrease in revenue was mainly attributable to (i) the decrease in revenue in the trading of energy saving products segment by 86.2% due to the drop in customer demand and the delays in delivery of products as the customers and the distributors were adversely affected by the outbreak of COVID-19, the global financial conditions, and the negative economic effects from the escalating uncertainty in the international trade policy during the period; (ii) the decrease in revenue in the consultancy service segment by 100% due to the relevant travel restrictions which hindered the Group's provision of consultancy services in the PRC during the period. Gross profit margin decreased from approximately 57.6% for the six months ended 30 September 2019 to approximately 26.0% for the six months ended 30 September 2020. The decrease was mainly due to less sales in the consultancy segment which had a relatively higher gross profit margin than the leasing and trading segments.

Other income and gains for the six months ended 30 September 2020 of approximately HK\$17.0 million mainly included net foreign exchange gain of approximately HK\$14.2 million and the government grants of Enterprise Support Scheme of approximately HK\$1.4 million, while the other income and gains for the six months ended 30 September 2019 of approximately HK\$3.1 million included net foreign exchange gain of approximately HK\$2.4 million. The increase was mainly due to the increase in unrealised foreign exchange gain derived from the revaluation of balances in foreign currencies mainly as a result of the appreciation of Indonesian rupiah against Hong Kong dollar as at the period end date.

## Selling and distribution costs

The Group's selling and distribution costs for the six months ended 30 September 2020 amounted to approximately HK\$1.9 million, representing a decrease of approximately 32.1% from approximately HK\$2.8 million for the six months ended 30 September 2019. The decrease was mainly due to the effect of (i) the decrease of sales commission; and (ii) the decrease of marketing fee due to less marketing activities engaged during the six months ended 30 September 2020.

## Administrative expenses

The Group's administrative expenses for the six months ended 30 September 2020 amounted to approximately HK\$12.1 million, representing a decrease of approximately 18.2% from approximately HK\$14.8 million for the six months ended 30 September 2019. The decrease was mainly due to a decrease of amortisation of intangible assets of approximately HK\$2.2 million since the amortisation of intangible assets came to an end during the six months ended 30 September 2020.

## Finance costs

The Group's finance costs were approximately HK\$32.5 million for the six months ended 30 September 2020, representing an increase of approximately 286.9% from approximately HK\$8.4 million for the six months ended 30 September 2019. The increase was mainly due to (i) a default interest of approximately HK\$17.3 million on a note that was overdue and remained unsettled as at 30 September 2020; and (ii) an increase in annual interest rate from 10% to 25% for an extension on another note that caused the interest amount to increase by approximately HK\$3.8 million from approximately HK\$2.5 million for the six months ended 30 September 2019 to approximately HK\$6.3 million for the six months ended 30 September 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other expenses

The Group's other expenses increased to approximately HK\$71.0 million for the six months ended 30 September 2020 from approximately HK\$6.5 million for the six months ended 30 September 2019. The increase was mainly due to the loss on modification of financial assets of approximately HK\$65.5 million for the period, which was mainly due to the discount offered to one of the customers of the Group affected by the outbreak of COVID-19 in return for early settlement of outstanding payments.

## Income tax credit/expense

The Group's income tax credit for the six months ended 30 September 2020 was approximately HK\$15.0 million while the Group's income tax expense for the six months ended 30 September 2019 was approximately HK\$3.9 million.

## Share of results of associates

The Group's share of results of associates for the six months ended 30 September 2020 was approximately HK\$4.2 million, decreased from approximately HK\$4.9 million for the six months ended 30 September 2019. The decrease was mainly due to the slow-down in the installation of the customised LED products in the retail outlets of a major retailer in South Africa due to their internal operation decision.

## EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA decreased from approximately HK\$56.4 million for the six months ended 30 September 2019 to negative EBITDA of approximately HK\$56.3 million for the six months ended 30 September 2020. The Group's EBIT decreased from approximately HK\$50.3 million for the six months ended 30 September 2019 to negative EBIT of approximately HK\$59.3 million for the six months ended 30 September 2020.

## Loss/Profit for the period attributable to the owners of the Company

As a result of the foregoing, the Group's loss attributable to the owners of the Company was approximately HK\$76.1 million for the six months ended 30 September 2020 while profit attributable to the owners of the Company was approximately HK\$32.9 million for the six months ended 30 September 2019. Excluding some major extraordinary or non-operating income and expenses, adjusted loss attributable to the owners of the Company was approximately HK\$19.7 million for the six months ended 30 September 2020 while adjusted profit attributable to the owners of the Company was approximately HK\$36.8 million for the six months ended 30 September 2019.



# MANAGEMENT DISCUSSION AND ANALYSIS

The following table reconciles adjusted (loss)/profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses as defined by the Group's management for the periods presented to (loss)/profit attributable to the owners of the Company for the periods indicated:

	<b>Six months ended 30 September</b>	
	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
(Loss)/profit for the period attributable to the owners of the Company	<b>(76,104)</b>	32,934
Add major extraordinary or non-operating expenses:		
Amortisation of intangible assets (included in administrative expenses)	<b>361</b>	1,746
Provision for impairment loss on financial assets, net of deferred tax	<b>4,561</b>	4,088
Loss on modification of financial assets	<b>65,507</b>	-
Share-based payment expenses in respect of share options	<b>142</b>	373
	<b>(5,533)</b>	39,141
Less major extraordinary or non-operating income:		
Net foreign exchange gain	<b>(14,181)</b>	(2,353)
Adjusted (loss)/profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses	<b>(19,714)</b>	36,788

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its business with internally generated cash flows and bank and other borrowings. As at 30 September 2020, current assets of the Group amounted to approximately HK\$356.7 million, representing a decrease of 8.8% compared to HK\$391.3 million as at 31 March 2020. Current assets mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK\$1.4 million (31 March 2020: approximately HK\$11.9 million), trade receivables of approximately HK\$306.8 million (31 March 2020: approximately HK\$328.7 million), and amount due from an associate of approximately HK\$19.0 million (31 March 2020: approximately HK\$21.0 million). As at 30 September 2020, the Group's current liabilities mainly comprised borrowings of approximately HK\$87.4 million (31 March 2020: approximately HK\$102.0 million), notes payable of HK\$76.6 million (31 March 2020: HK\$80.0 million), trade payables of approximately HK\$11.2 million (31 March 2020: approximately HK\$11.1 million) and accruals, other payables and deposits received of approximately HK\$113.2 million (31 March 2020: approximately HK\$90.5 million). The Group's current ratio decreased from approximately 1.3 times as at 31 March 2020 to approximately 1.2 times as at 30 September 2020. 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 2020 was approximately HK\$164.0 million (31 March 2020: approximately HK\$184.6 million), of which approximately HK\$40.8 million (31 March 2020: approximately HK\$57.3 million) was due to banks, approximately HK\$46.6 million (31 March 2020: approximately HK\$44.7 million) was due to independent third parties, and notes payable of approximately HK\$76.6 million (31 March 2020: approximately HK\$82.6 million). As at 30 September 2020, notes payable of HK\$54.0 million and borrowings of HK\$48.6 million have been due with

reference to the terms and repayment schedule of the relevant agreements, and remain unsettled. The directors of the Company are in the progress with best efforts to improve the Group's liquidity and financial position, and have been taking proactive steps to discuss and negotiate with the relevant noteholder for the renewal of or extension for repayment schedule of its existing notes payable and also to look for additional funding sources.

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2020.

## GUARANTEES

The Group had no material guarantees as at 30 September 2020.

## ASSOCIATED COMPANY

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 2020 was approximately HK\$25.8 million (for the six months ended 30 September 2019: approximately HK\$35.0 million). The net profit attributable to the shareholders of KSL Group for the six months ended 30 September 2020 was approximately HK\$8.8 million, decreased by approximately HK\$1.6 million as compared to the six months ended 30 September 2019, as the installation of the customised LED products in the retail outlets of a major retailer in South Africa had been slowed down by the customer due to their internal operation decision during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

Saved as disclosed above, there were no other significant investments held, and other plans for material investments or capital assets during the six months ended 30 September 2020.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had 47 full-time employees (as at 31 March 2020: 52 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 Scheme (“**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.

## FOREIGN CURRENCY EXPOSURE

The Group’s revenue and expenses are mainly in Hong Kong dollar which is the functional currency of most of the entities making up the Group. As it is expected that there will be a continuously increase in revenue from overseas market, 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 does not adopt any foreign currency hedging measure as at the date of this report. However, the group will monitor its foreign exchange exposure and will consider hedging the foreign currency exposure should the need arises.

## GEARING RATIO

As at 30 September 2020, the gearing ratio of the Group, which is calculated on the basis of the amount of total debts divided by the total equity, was 85.2%, which was relatively stable compared to the 77.7% as at 31 March 2020.

## DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: Nil).

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE OUTLOOK

The Group expects the operating environment in the near future to remain challenging. The instability in the global economy and political environment is increasing with the rising global tensions and intensifying climate risks. The sanctions that the US has put on China has given rise to uncertainty in China's economic development and new challenges at macroeconomic level. On the other hand, there is intensified competition with other energy service companies with an increasing number of competitors in the Asia-Pacific region. Although the environment remains difficult and unstable, countries across the globe are determined to take active and prudent efforts to resolve the global energy crisis and problems posed by climate change.

The Group will strive to maintain its performance in its core business to generate recurring and stable income while undertaking business expansion to accelerate the Group's growth.

# CORPORATE GOVERNANCE

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

As at 30 September 2020, 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 the shares and underlying shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares <sup>(Note 1)</sup>	Approximate percentage of issued share capital <sup>(Note 3)</sup>
WONG Man Fai Mansfield <sup>(Note 2)</sup>	Interest in controlled corporation	53,249,204 (S)	8.07%
	Beneficial owner	5,500,000 (L) <sup>(Note 4)</sup>	0.83%
LAM Arthur	Beneficial owner	37,514,437 (S)	5.68%
		5,500,000 (L) <sup>(Note 4)</sup>	0.83%
CHEUNG Yick Hung Jackie	Beneficial owner	150,000 (L) <sup>(Note 5)</sup>	0.02%
CHUNG Koon Yan	Beneficial owner	50,000 (L) <sup>(Note 4)</sup>	0.01%
WONG Chi Ying Anthony	Beneficial owner	50,000 (L) <sup>(Note 4)</sup>	0.01%

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 2020 was 660,000,000.
- These shares represented the underlying shares under the options granted by the Company on 2 April 2020 pursuant to the Share Option Scheme.
- These shares represented 50,000 underlying shares under the options granted by the Company on 2 April 2020 pursuant to the Share Option Scheme and 100,000 shares beneficially owned by Mr. CHEUNG Yick Hung Jackie.

# CORPORATE GOVERNANCE

Save as disclosed above, as at 30 September 2020, 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.

## 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 2020, the persons/entities (other than the Directors or chief executives of our Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of our Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group were as follows:

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

Name of Shareholder	Nature of interest and capacity	Number of Shares <sup>(Note 1)</sup>	Approximate percentage of issued share capital <sup>(Note 3)</sup>
Abundance Development Limited <sup>(Note 2)</sup>	Beneficial owner	53,249,204 (S)	8.07%
Ms. CAI Linda Xin Xin <sup>(Note 2)</sup>	Interest of spouse	53,249,204 (S)	8.07%
		5,500,000 (L)	0.83%
Central Huijin Investment Ltd <sup>(Note 4)</sup>	Interest of controlled corporation	110,651,641 (L)	16.77%
China Construction Bank Corporation <sup>(Note 4)</sup>	Interest of controlled corporation	110,651,641 (L)	16.77%
CCB International Group Holdings Limited <sup>(Note 4)</sup>	Interest of controlled corporation	110,651,641 (L)	16.77%
CCB Financial Holdings Limited <sup>(Note 4)</sup>	Interest of controlled corporation	110,651,641 (L)	16.77%
CCB International (Holdings) Limited <sup>(Note 4)</sup>	Interest of controlled corporation	110,651,641 (L)	16.77%
CCBI Investments Limited <sup>(Note 4)</sup>	Interest of controlled corporation	110,651,641 (L)	16.77%
Wan Tai Investments Limited <sup>(Note 4)</sup>	Person having a security interest in shares	110,651,641 (L)	16.77%

# CORPORATE GOVERNANCE

## Notes:

1. The letters "L" and "S" denote the person's/entity'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 CCB 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 57.11% shares in turn owned by Central Huijin Investment Ltd..
5. The total number of issued shares of the Company as at 30 September 2020 was 660,000,000.

Save as disclosed above, as at 30 September 2020, 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 2019/2020 Annual Report.

# CORPORATE GOVERNANCE

The following tables discloses movements in the Company's share options during the six months ended 30 September 2020:

Grantees	Date of grant	Exercise period	Exercise price	Number of share options					Outstanding as at 30 September 2020
				Outstanding as at 1 April 2020	Granted during the period	Exercised during the period	Lapsed/ forfeited during the period	Cancelled during the period	
<b>Directors</b>									
Mr. WONG Man Fai Mansfield	2 April 2020	2 April 2020 to 1 April 2022	HK\$0.290 per share	-	5,500,000	-	-	-	5,500,000
Mr. LAM Arthur	2 April 2020	2 April 2020 to 1 April 2022	HK\$0.290 per share	-	5,500,000	-	-	-	5,500,000
Mr. CHUNG Koon Yan	2 April 2020	2 April 2020 to 1 April 2021	HK\$0.290 per share	-	25,000	-	-	-	25,000
		2 July 2021 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 October 2021 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 January 2022 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 April 2022 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
Mr. CHEUNG Yick Hung Jackie	2 April 2020	2 April 2020 to 1 April 2021	HK\$0.290 per share	-	25,000	-	-	-	25,000
		2 July 2021 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 October 2021 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 January 2022 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 April 2022 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
Mr. WONG Chi Ying Anthony	2 April 2020	2 April 2020 to 1 April 2021	HK\$0.290 per share	-	25,000	-	-	-	25,000
		2 July 2021 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 October 2021 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 January 2022 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250
		2 April 2022 to 1 April 2023	HK\$0.290 per share	-	6,250	-	-	-	6,250



# CORPORATE GOVERNANCE

Grantees	Date of grant	Exercise period	Exercise price	Number of share options					
				Outstanding as at 1 April 2020	Granted during the period	Exercised during the period	Lapsed/ forfeited during the period	Cancelled during the period	Outstanding as at 30 September 2020
<b>Employees</b>									
Employees in aggregate	19 April 2018	19 April 2018 to 18 April 2020	HK\$1.268 per share	3,072,600	-	-	3,072,600	-	-
	19 April 2018	19 April 2018 to 18 April 2021	HK\$1.268 per share	1,650,000	-	-	-	-	1,650,000
	2 April 2020	2 April 2020 to 1 April 2022	HK\$0.290 per share	-	16,510,000	-	5,500,000	-	11,010,000
	2 April 2020	2 April 2020 to 1 April 2021	HK\$0.290 per share	-	4,450,000	-	-	-	4,450,000
	2 April 2020	2 July 2021 to 1 April 2023	HK\$0.290 per share	-	1,112,500	-	-	-	1,112,500
	2 April 2020	2 October 2021 to 1 April 2023	HK\$0.290 per share	-	1,112,500	-	-	-	1,112,500
	2 April 2020	2 January 2022 to 1 April 2023	HK\$0.290 per share	-	1,112,500	-	-	-	1,112,500
	2 April 2020	2 April 2022 to 1 April 2023	HK\$0.290 per share	-	1,112,500	-	-	-	1,112,500
				4,722,600	36,560,000	-	8,572,600	-	32,710,000

## PLACING OF SHARES

On 21 August 2020, the Company entered into a placing agreement (the "**Placing Agreement**") with ChaoShang Securities Limited (the "**Placing Agent**"), pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best efforts basis, not less than six placees who and whose ultimate beneficial owners shall be independent third parties of the Company to subscribe for up to 110,000,000 placing shares at the placing price of HK\$0.166 per placing share (the "**Placing**"). On 21 August 2020, being the date of the Placing Agreement, the closing price of the shares of the Company was HK\$0.195 per share as quoted on the Stock Exchange. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the placees and their respective ultimate beneficial owners are independent third parties of the Company. The completion of the Placing took place on 2 September 2020.

The net proceeds from the Placing were intended to be used for repayment of the Company's borrowings. Please refer to the announcements of the Company dated 21 August 2020 and 2 September 2020 for details of the Placing.

The net proceeds, after deduction of all relevant expenses (including the placing commission and legal expenses) incidental to the Placing of approximately HK\$0.6 million, were approximately HK\$17.7 million. The net placing price was approximately HK\$0.161 per share. As at the date of this report, the Company has utilised all of the net proceeds from the Placing to repay its borrowings as intended.

# CORPORATE GOVERNANCE

## 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 2020.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 30 September 2020, 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 2020.

## 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 2020, 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 2020 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 Koon Yan 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 2020 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 adequate disclosures had 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 13.19 AND 13.21 OF THE LISTING RULES

As disclosed in the announcements of the Company dated 12 August 2020 and 6 November 2020, a statutory demand was issued to the Company due to a default in payment in relation to the issuance of the note (the “**CCBI Note**”) to the noteholder, Wan Tai Investments Limited, an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited. Under the statutory demand, the Company was demanded to pay the amount of approximately HK\$80,514,000. As at the date of this report, the Group has repaid HK\$5,000,000 under the CCBI Note.

As disclosed in the announcement of the Company dated 29 September 2020, a statutory demand was issued to the Company due to a default in payment in relation to certain banking facilities (the “**HSBC Facilities**”) provided by The Hongkong and Shanghai Banking Corporation Limited. The Company has provided certain corporate guarantees for its subsidiary under the HSBC Facilities. Under the statutory demand, the Company was demanded to pay the amount of approximately HK\$36,080,581.25. As at the date of this report, the Group has repaid approximately HK\$5.5 million under the HSBC Facilities.

As disclosed in the announcement of the Company dated 16 October 2020, two statutory demands were issued to the Company due to the defaults in payment in relation to the issuance of the deeds of settlement (the “**Deeds of Settlement**”) to two companies incorporated in the British Virgin Islands. Under the statutory demands, the Company was demanded to pay the amount of approximately HK\$28,642,361.11 and HK\$21,962,083.33 respectively.

As disclosed in the announcement of the Company dated 6 November 2020, a statutory demand was issued to the Company due to a default in payment in relation to a loan (the “**Hitachi Loan**”) provided by Hitachi Capital (Hong Kong) Limited. The Company has provided a guarantee for its subsidiary under the Hitachi Loan. Under the statutory demand, the Company was demanded to pay the amount of approximately HK\$12,481,617.92.

As at the date of this report, the Directors are taking proactive steps to discuss and negotiate for the renewal of or extension for repayment schedule in relation to the remaining outstanding amount of the above borrowings.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

## 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 2020 together with the comparative figures for the corresponding period in 2019 as follows:

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Revenue	4(a)	17,243	115,075
Cost of sales		(12,757)	(48,758)
<b>Gross profit</b>		<b>4,486</b>	66,317
Other income and gains	4(b)	17,030	3,091
Administrative expenses		(12,117)	(14,780)
Selling and distribution costs		(1,910)	(2,768)
Finance costs	5	(32,450)	(8,445)
Other expenses		(70,982)	(6,457)
Share of results of associates		4,187	4,922
<b>(Loss)/profit before income tax</b>	6	<b>(91,756)</b>	41,880
Income tax credit/(expense)	8	15,001	(3,897)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(76,755)</b>	37,983
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	7	-	(3,304)
<b>(Loss)/profit for the period</b>		<b>(76,755)</b>	34,679
<b>Other comprehensive income for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
- Exchange difference arising on translation of financial statements of foreign operations		1,181	(2,350)
- Share of other comprehensive income of associates		(84)	(140)
<b>Other comprehensive income for the period, net of tax</b>		<b>1,097</b>	(2,490)
<b>Total comprehensive income for the period</b>		<b>(75,658)</b>	32,189

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		<b>(76,104)</b>	32,934
Non-controlling interests		<b>(651)</b>	1,745
		<b>(76,755)</b>	34,679
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(75,070)</b>	30,488
Non-controlling interests		<b>(588)</b>	1,701
		<b>(75,658)</b>	32,189
<b>(Loss)/earnings per share attributable to owners of the Company from continuing and discontinued operations</b>			
Basic (HK cents)	10	<b>(13.4)</b>	6.0
Diluted (HK cents)	10	<b>(13.4)</b>	6.0
<b>From continuing operations</b>			
Basic (HK cents)	10	<b>(13.4)</b>	6.4
Diluted (HK cents)	10	<b>(13.4)</b>	6.4
<b>From discontinued operations</b>			
Basic (HK cents)	10	<b>N/A</b>	(0.4)
Diluted (HK cents)	10	<b>N/A</b>	(0.4)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	16,813	18,652
Intangible assets		-	577
Goodwill		34,584	34,584
Interests in associates		52,496	48,393
Equity investment at fair value through profit or loss		49,000	49,000
Other financial assets at fair value through profit or loss		-	10,772
Trade receivables	12	36,816	57,697
Finance lease receivables		18,175	29,192
Deposits and other receivables		148	144
Deferred tax assets		25,102	10,251
		<b>233,134</b>	259,262
<b>Current assets</b>			
Inventories		773	900
Trade receivables	12	306,808	328,697
Finance lease receivables		10,493	12,977
Deposits, prepayments and other receivables		18,280	15,879
Due from an associate		19,008	21,003
Pledged bank deposits		-	2,500
Cash and cash equivalents		1,353	9,370
		<b>356,715</b>	391,326
<b>Current liabilities</b>			
Trade payables	13	11,203	11,099
Contract liabilities		2,620	4,495
Accruals, other payables and deposits received	14	113,168	90,545
Borrowings	15	87,403	102,010
Lease liabilities		1,083	1,969
Notes payable	16	76,600	80,000
Due to a related company		784	616
Due to directors		10,735	10,605
Provision for taxation		2,598	2,748
		<b>306,194</b>	304,087
<b>Net current assets</b>		<b>50,521</b>	87,239
<b>Total assets less current liabilities</b>		<b>283,655</b>	346,501

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Trade payables	13	14,611	16,317
Deposits received		4,785	5,254
Bonds payable		2,000	2,000
Financial liabilities at fair value through profit or loss		3,716	3,597
Lease liabilities		1,266	1,651
Notes payable		–	2,600
		<b>26,378</b>	31,419
<b>Net assets</b>			
		<b>257,277</b>	315,082
<b>EQUITY</b>			
Share capital	17	6,600	5,500
Reserves		256,205	314,522
<b>Equity attributable to owners of the Company</b>			
		<b>262,805</b>	320,022
Non-controlling interests		(5,528)	(4,940)
<b>Total equity</b>			
		<b>257,277</b>	315,082



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company									
	Share capital	Share premium*	Share option reserve*	Capital reserves*	Merger reserve*	Foreign exchange reserves*	Retained profits*	Subtotal	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2020 (Audited)</b>	<b>5,500</b>	<b>87,160</b>	<b>2,263</b>	<b>7,388</b>	<b>12,183</b>	<b>(2,349)</b>	<b>207,877</b>	<b>320,022</b>	<b>(4,940)</b>	<b>315,082</b>
Issue of shares	1,100	17,160	-	-	-	-	-	18,260	-	18,260
Transaction costs on issue of shares	-	(549)	-	-	-	-	-	(549)	-	(549)
Equity-settled share option arrangements	-	-	142	-	-	-	-	142	-	142
Release of share option reserve upon forfeiture or lapse of share options	-	-	(1,251)	-	-	-	1,251	-	-	-
Loss for the period	-	-	-	-	-	-	(76,104)	(76,104)	(651)	(76,755)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	1,118	-	1,118	63	1,181
Share of other comprehensive income of associates	-	-	-	-	-	(84)	-	(84)	-	(84)
Total comprehensive income for the period	-	-	-	-	-	1,034	(76,104)	(75,070)	(588)	(75,658)
<b>At 30 September 2020 (Unaudited)</b>	<b>6,600</b>	<b>103,771</b>	<b>1,154</b>	<b>7,388</b>	<b>12,183</b>	<b>(1,315)</b>	<b>133,024</b>	<b>262,805</b>	<b>(5,528)</b>	<b>257,277</b>
<b>At 1 April 2019 (Audited)</b>	<b>5,500</b>	<b>87,160</b>	<b>5,949</b>	<b>13,934</b>	<b>12,183</b>	<b>434</b>	<b>306,443</b>	<b>431,603</b>	<b>(706)</b>	<b>430,897</b>
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 associates	-	-	-	-	-	(140)	-	(140)	-	(140)
Total comprehensive income for the period	-	-	-	-	-	(2,446)	32,934	30,488	1,701	32,189
<b>At 30 September 2019 (Unaudited)</b>	<b>5,500</b>	<b>87,160</b>	<b>6,322</b>	<b>13,934</b>	<b>12,183</b>	<b>(2,012)</b>	<b>339,377</b>	<b>462,464</b>	<b>995</b>	<b>463,459</b>

\* These reserve accounts comprise the consolidated reserves of HK\$256,205,000 in the consolidated statement of financial position as at 30 September 2020 (31 March 2020: HK\$314,522,000).

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	<b>Six months ended 30 September</b>	
	<b>2020 HK\$'000 (Unaudited)</b>	2019 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax		
Continuing operations	<b>(91,756)</b>	41,880
Discontinued operations	-	(3,304)
Adjustments for:		
Interest income	<b>(293)</b>	(196)
Interest expense	<b>31,990</b>	8,349
Amortisation of intangible assets	<b>577</b>	2,770
Depreciation of property, plant and equipment	<b>2,425</b>	3,603
Equity-settled share option expense	<b>142</b>	373
Fair value gains on other financial assets at fair value through profit or loss	<b>(156)</b>	(171)
Loss on disposals of property, plant and equipment	<b>61</b>	4
Loss on modification of financial assets	<b>65,507</b>	-
Premium and other charges on life insurance policies	<b>66</b>	-
Provision for impairment loss of financial assets	<b>5,415</b>	4,959
Share of results of associates	<b>(4,187)</b>	(4,922)
(Reversal of warranty provision)/warranty provision, net	<b>(122)</b>	101
Operating profit before working capital changes	<b>9,669</b>	53,446
Decrease/(increase) in inventories	<b>127</b>	(553)
Increase in trade receivables	<b>(18,434)</b>	(63,646)
Decrease in finance lease receivables	<b>3,781</b>	6,124
(Increase)/decrease in deposits, prepayments and other receivables	<b>(2,193)</b>	6,381
(Decrease)/increase in trade payables	<b>(1,602)</b>	9,017
Increase in amount due to a related company	<b>168</b>	168
Decrease in contract liabilities	<b>(1,875)</b>	(830)
(Decrease)/increase in accruals, other payables and deposits received	<b>(3,066)</b>	7,784
Cash (used in)/generated from operations	<b>(13,425)</b>	17,891
Income tax paid	-	(11,907)
<b>Net cash (used in)/generated from operating activities</b>	<b>(13,425)</b>	5,984

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	<b>Six months ended 30 September</b>	
	<b>2020 HK\$'000 (Unaudited)</b>	<b>2019 HK\$'000 (Unaudited)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(12)	(1,088)
Proceeds from disposal of other financial assets at fair value through profit or loss	10,928	-
Repayments from associates	1,995	19,971
Interest received	11	196
Decrease in pledged bank deposits	2,500	-
<b>Net cash generated from investing activities</b>	<b>15,422</b>	<b>19,079</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	18,260	-
Payments for share issue expenses	(549)	-
Interest paid on other payables	(3,224)	-
Interest paid on borrowings	(3,336)	(2,077)
Interest paid on notes	-	(6,111)
Interest element on lease payments	(88)	(161)
Capital element of lease payments	(1,469)	(1,931)
Proceeds from borrowings	10,463	-
Repayment of borrowings	(25,070)	(24,761)
Proceeds from issue of notes	-	2,600
Repayment of notes	(6,000)	-
Advances from directors	1,621	250
Repayments of advances from directors	(1,491)	(100)
<b>Net cash used in financing activities</b>	<b>(10,883)</b>	<b>(32,291)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,886)</b>	<b>(7,228)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>9,370</b>	<b>26,440</b>
<b>Effect of foreign exchange rate changes</b>	<b>869</b>	<b>(924)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,353</b>	<b>18,288</b>

# 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 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 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 2020 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 2020, as disclosed in the annual financial statements for the year ended 31 March 2020. The adoption of these new and revised HKFRSs does not have a significant impact on the Group's results and financial position.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 March 2020.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### (a) Basis of compliance (Continued)

The Group has not applied the following new/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	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds Before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>1</sup>
Annual Improvements Project	Annual Improvements 2018-2020 Cycle <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> 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 continue to be permitted.

The Group is in the process of assessing the potential impact of the above new/revised HKFRSs upon initial application but is not yet in a position to state whether the above new/revised HKFRSs will have a significant impact on the Group's results and financial position.

### (b) Basis of measurement

These unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values.

### (c) 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 reported internally and is regularly reviewed by the executive directors, being the chief operating decision maker, based on the following segments:

- (1) Provision of leasing service of energy saving systems;
- (2) Trading of energy saving products; and
- (3) Provision of consultancy service on leasing service of energy saving systems (“**Consultancy service**”).

In February 2020, the Group completed the disposal of the business of provision of artificial intelligence (AI) technology services (“**Building AI SaaS**”). In accordance with HKFRS 5, the segment of Building AI SaaS for the six months ended 30 September 2019 is presented as discontinued operations in these unaudited condensed consolidated financial statements.

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	Total HK\$'000
<b>Six months ended 30 September 2020 (Unaudited)</b>				
<b>Revenue from external customers</b>	<b>4,960</b>	<b>12,283</b>	-	<b>17,243</b>
<b>Reportable segment loss</b>	<b>(1,784)</b>	<b>(60,598)</b>	<b>(4,364)</b>	<b>(66,746)</b>
<b>Capital expenditure</b>	-	-	-	-
<b>Depreciation</b>	<b>1,493</b>	-	-	<b>1,493</b>
<b>Six months ended 30 September 2019 (Unaudited)</b>				
Revenue from external customers	6,821	88,989	19,265	115,075
Reportable segment profit	3,919	38,826	18,390	61,135
Capital expenditure	-	-	-	-
Depreciation	2,170	-	-	2,170

# 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	Total HK\$'000
<b>As at 30 September 2020 (Unaudited)</b>				
Reportable segment assets	55,713	307,278	31,045	394,036
Reportable segment liabilities	13,068	29,167	17	42,252
As at 31 March 2020 (Audited)				
Reportable segment assets	68,090	352,699	35,291	456,080
Reportable segment liabilities	12,004	33,948	32	45,984

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Reportable segment (loss)/profit	(66,746)	61,135
Unallocated corporate income (note)	16,809	2,782
Unallocated corporate expenses (note)	(13,556)	(18,514)
Finance costs	(32,450)	(8,445)
Share of results of associates	4,187	4,922
(Loss)/profit before income tax from continuing operations	(91,756)	41,880

Note: Unallocated corporate income mainly includes net foreign exchange gain. Unallocated corporate expenses mainly include amortisation of intangible assets, depreciation of right-of-use assets, legal and professional fees, salaries and other staff costs.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENT INFORMATION (Continued)

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Reportable segment assets from continuing operations	<b>394,036</b>	456,080
Intangible assets	-	577
Goodwill	<b>34,584</b>	34,584
Interests in associates	<b>52,496</b>	48,393
Equity investment at fair value through profit or loss ("FVTPL")	<b>49,000</b>	49,000
Other financial assets at FVTPL	-	10,772
Deferred tax assets	<b>25,102</b>	10,251
Due from an associate	<b>19,008</b>	21,003
Pledged bank deposits	-	2,500
Cash and cash equivalents	<b>1,353</b>	9,370
Other corporate assets	<b>14,270</b>	8,058
Group assets	<b>589,849</b>	650,588
Reportable segment liabilities from continuing operations	<b>42,252</b>	45,984
Settlement payables	<b>47,125</b>	51,125
Borrowings	<b>87,403</b>	102,010
Lease liabilities	<b>2,349</b>	3,620
Notes payable	<b>76,600</b>	82,600
Due to a related company	<b>784</b>	616
Due to directors	<b>10,735</b>	10,605
Provision for taxation	<b>2,598</b>	2,748
Bonds payable	<b>2,000</b>	2,000
Financial liabilities at FVTPL	<b>3,716</b>	3,597
Other corporate liabilities (note)	<b>57,010</b>	30,601
Group liabilities	<b>332,572</b>	335,506

Note: Other corporate liabilities mainly include consideration payable for the investment in InVinity Energy Group Limited ("InVinity"), interest payable, and accruals and other payables for 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:

	<b>Revenue from external customers (including continuing and discontinued operations) Six months ended 30 September</b>	
	<b>2020 HK\$'000 (Unaudited)</b>	2019 HK\$'000 (Unaudited)
Hong Kong (domiciled)	<b>10,288</b>	35,149
Australia	-	26,204
Indonesia	<b>3,052</b>	4,065
Japan	-	17,647
Malaysia	<b>3,890</b>	32,991
Other overseas locations	<b>13</b>	362
	<b>17,243</b>	116,418

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

	<b>Specified non-current assets</b>	
	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
Hong Kong (domiciled)	<b>87,669</b>	84,853
Malaysia	<b>16,224</b>	17,353
	<b>103,893</b>	102,206

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 (including continuing and discontinued operations). Revenue derived from these customers are as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A #	N/A	17,647
Customer B ##	N/A	19,265
Customer C #	9,574	14,374
Customer D #	N/A	12,633
Customer E #	N/A	17,255
Customer F #	N/A	15,270
Customer G ###	3,052	N/A

\* Attributable to segment of trading of energy saving products

\*\* Attributable to segment of Consultancy service

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

N/A Transactions did not exceed 10% of the Group's revenue

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. REVENUE AND OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
<b>Revenue from contracts with customer within the scope of HKFRS 15</b>		
Trading of energy saving products	12,283	88,989
Consultancy service income	-	19,265
	<b>12,283</b>	108,254
<b>Revenue from other sources</b>		
Leasing service income	4,960	6,821
	<b>17,243</b>	115,075
<b>Timing of revenue recognition</b>		
At a point in time	<b>12,283</b>	108,254

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Interest income		
- From bank deposits	11	18
- From other financial assets at FVTPL	66	-
- From other receivables	199	147
- From advance to non-controlling interests	17	25
	<b>293</b>	190
Fair value gains on other financial assets at FVTPL	156	171
Government grants	1,402	-
Management income	758	-
Net foreign exchange gain	14,181	2,352
Others	240	378
	<b>17,030</b>	3,091

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Interest on financial liabilities carried at amortised cost		
– Interest on other payables	6,334	–
– Interest on borrowings	4,378	2,077
– Interest on notes payable	20,909	6,111
– Interest on bonds payable	83	–
– Interest on lease liabilities	88	153
	31,792	8,341
Interest on financial liabilities at FVTPL	198	–
Transaction costs on bank borrowings and notes	460	104
	32,450	8,445

## 6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Amortisation of intangible assets (included in administrative expenses)	577	2,770
Cost of inventories sold	9,725	43,956
Depreciation of property, plant and equipment		
– Owned	1,525	1,932
– Right-of-use assets	900	1,396
	2,425	3,328
Employee benefit expenses		
– Salaries and welfare	8,589	9,807
– Equity-settled share option expense	142	373
– Defined contributions	456	594
	9,187	10,774
Loss on disposals of property, plant and equipment	61	4
Loss on modification of financial assets	65,507	–
Net foreign exchange gain	(14,181)	(2,352)
Provision for impairment loss of financial assets	5,415	4,959
(Reversal of warranty provision)/warranty provision, net	(122)	101

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. DISCONTINUED OPERATIONS

In February 2020, the Group completed the disposal of 51.87% equity interest in Negawatt Utility Group Holdings Limited (“**NU**”) to an independent third party. The principal activity of NU is Building AI SaaS business, which represented the separated line of major business and is classified as discontinued operations. For the purpose of presenting discontinued operation, the comparative unaudited condensed consolidated statement of comprehensive income and the related notes have been re-presented.

The results of the Building AI SaaS business for the six months ended 30 September 2019 are as follows:

	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Revenue	1,343
Cost of sales	(2,851)
Gross loss	(1,508)
Other income and gains	11
Administrative expenses	(1,799)
Finance costs	(8)
Loss before income tax	(3,304)
Income tax expense	-
Loss for the period from discontinued operations	(3,304)
Cash flows used in operating activities	(2,718)
Cash flows used in investing activities	(1,367)
Cash flows used in financing activities	(961)
Net cash outflow	(5,046)

Employee benefit expense of discontinued Building AI SaaS business for the six months ended 30 September 2019 of HK\$2,497,000 included salaries and welfare of HK\$2,391,000 and defined contribution of HK\$106,000.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense in the unaudited condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Continuing operations HK\$'000 (Unaudited)	Discontinued operations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Continuing operations HK\$'000 (Unaudited)	Discontinued operations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Current tax						
- Current period	-	-	-	4,567	-	4,567
- Over-provision in respect of prior years	(150)	-	(150)	-	-	-
Deferred tax						
- Current period	(15,090)	-	(15,090)	(670)	-	(670)
- Under-provision in respect of prior year	239	-	239	-	-	-
Income tax (credit)/expense	(15,001)	-	(15,001)	3,897	-	3,897

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 (six months ended 30 September 2019: HK\$2,000,000) of qualified entity's assessable profit is calculated at 8.25% (six months ended 30 September 2019: 8.25%), which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2019/20.

Provision for the EIT in the People's Republic of China (the "PRC") is calculated based on a statutory tax rate 25% (six months ended 30 September 2019: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

Provision for income tax in respect of a subsidiary incorporated in Labuan in Malaysia is calculated based on 3% of its net profits (six months ended 30 September 2019: lump sum income taxation charge of Malaysian Ringgit 20,000). 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.

## 9. DIVIDENDS

No dividend has been paid or declared by the Company during each of the six months ended 30 September 2020 and 2019.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to owners of the Company		
– Continuing operations	<b>(76,104)</b>	34,936
– Discontinued operations	-	(2,002)
(Loss)/profit from continuing operations and discontinued operations	<b>(76,104)</b>	32,934

	Six months ended 30 September	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	<b>567,432</b>	550,000
Effect of dilutive potential ordinary shares		
– Share options	-	-
Weighted average number of shares for the purpose of diluted earnings per share	<b>567,432</b>	550,000

For the six months ended 30 September 2020, basic loss per share is the same as diluted loss per share. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment at cost of HK\$107,000 (six months ended 30 September 2019: HK\$1,088,000), and disposed of items of property, plant and equipment with an aggregate net book value of HK\$61,000 (six months ended 30 September 2019: HK\$4,000).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. TRADE RECEIVABLES

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
Trade receivables	<b>410,604</b>	447,169
Less: Provision for impairment loss	<b>(66,980)</b>	(60,775)
Trade receivables, net	<b>343,624</b>	386,394
Classified as:		
Non-current assets	<b>36,816</b>	57,697
Current assets	<b>306,808</b>	328,697
	<b>343,624</b>	386,394

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 schedule 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:

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
0 to 30 days	<b>3,493</b>	3,497
31 to 90 days	<b>3,000</b>	6,933
91 to 180 days	<b>6,903</b>	5,818
181 to 365 days	<b>10,370</b>	93,578
Over 365 days	<b>319,858</b>	276,568
	<b>343,624</b>	386,394

The Group assigned certain receivables of a customer to a bank to secure banking facilities granted to the Group (the "Assignment"). As at 30 September 2020, trade receivables of HK\$105,363,000 (31 March 2020: HK\$137,845,000) were subject to the Assignment.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. TRADE PAYABLES

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
Trade payables	<b>25,814</b>	27,416
Classified as:		
Non-current liabilities	<b>14,611</b>	16,317
Current liabilities	<b>11,203</b>	11,099
	<b>25,814</b>	27,416

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

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
0 to 30 days	<b>268</b>	110
31 to 90 days	<b>53</b>	63
91 to 180 days	<b>547</b>	318
181 to 365 days	<b>321</b>	12,526
Over 365 days	<b>24,625</b>	14,399
	<b>25,814</b>	27,416

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

## 14. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

In 2017, the Company issued certain notes to two companies (the "Creditors"), and subsequently entered into a deed of settlement with each of the Creditors (collectively, "Deeds of Settlement") in respect of the notes on 22 July 2020. As at 30 September 2020, the carrying amount of the settlement payable was HK\$47,125,000 (31 March 2020: HK\$51,125,000). Subsequent to the reporting date, the Company received the statutory demands from the legal representatives acting on behalf of each of the Creditors, demanding payment from the Company for its indebtedness under each of the Deeds of Settlement within 21 days from 14 October 2020, the date of service of the statutory demands, failing which each of the Creditors may present a winding up petition against the Company. Further details are set out in the Company's announcement dated 16 October 2020.

## 15. BORROWINGS

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Secured and guaranteed bank loans			
- Amounts repayable within one year	(a), (c)	40,813	22,136
- Amounts repayable after one year but contain a repayable on demand clause		-	35,184
Secured and guaranteed other loans			
- Amounts repayable within one year		33,560	19,490
- Amounts repayable after one year but contain a repayable on demand clause	(e)	-	6,617
Unsecured and guaranteed other loans			
- Amounts repayable within one year	(c), (d)	13,030	13,427
- Amounts repayable after one year but contain a repayable on demand clause	(e)	-	5,156
Current liabilities		87,403	102,010
Total borrowings		87,403	102,010

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. BORROWINGS (Continued)

Notes:

- (a) In relation to the bank loan whose carrying amount was HK\$35,863,000 as at 30 September 2020, the Company received two statutory demands from the legal adviser acting on behalf of the bank, demanding payment from the Group for its indebtedness under certain banking facilities and the related corporate guarantees provided in favour of the bank, the first statutory demand demanded payment within 21 days from 19 August 2020 and the second statutory demand demanded payment within 21 days from 23 September 2020, those two dates being the dates of service of the respective statutory demand, failing which the bank may present a winding up petition against the Company. Further details are set out in the Company's announcements dated 2 September 2020 and 29 September 2020.
- (b) As at 30 September 2020, the bank loans were secured by finance lease receivables of HK\$23,487,000 (31 March 2020: HK\$36,088,000) and trade receivables of HK\$105,363,000 (31 March 2020: HK\$137,845,000) under the Assignment. As at 31 March 2020, the bank loans were further secured by the pledge of bank deposits of HK\$2,500,000 and other financial assets at FVTPL of HK\$10,772,000. Borrowings were also under the corporate guarantees from the Company and/or Synergy Group Worldwide Limited, a subsidiary of the Company.
- (c) As at 30 September 2020, bank loans of HK\$35,863,000 (31 March 2020: Nil) and other loans of HK\$12,734,000 (31 March 2020: HK\$674,000) were overdue.
- (d) Subsequent to the reporting date, in relation to the other loan whose carrying amount was HK\$12,461,000 as at 30 September 2020, the Company received a statutory demand from the legal adviser acting on behalf of the lender, demanding payment from the Company for its indebtedness under a corporate guarantee provided in favour of the lender within 21 days from 27 October 2020, the date of service of the statutory demand, failing which the lender may present a winding up petition against the Company. Further details are set out in the Company's announcement dated 6 November 2020.
- (e) 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.

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

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
Within one year	<b>87,403</b>	55,053
In the second year	-	33,606
In the third to fifth years	-	13,351
	<b>87,403</b>	102,010

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. NOTES PAYABLE

In relation to the note payable whose carrying amount was HK\$54,000,000 (31 March 2020: HK\$60,000,000) and which has been overdue as at 30 September 2020, the Company received a statutory demand from the legal adviser acting on behalf of the noteholder, demanding payment from the Company for its indebtedness under the note within 21 days from 7 August 2020, the date of service of the statutory demand, failing which the noteholder may present a winding up petition against the Company. Further details are set out in the Company's announcements dated 12 August 2020 and 6 November 2020.

## 17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Issued and fully paid ordinary shares:		
At 1 April 2019, 31 March 2020 and 1 April 2020	550,000,000	5,500
Issue of shares by placing (note)	110,000,000	1,100
At 30 September 2020 (Unaudited)	660,000,000	6,600

Note: On 2 September 2020, the Company issued 110,000,000 shares by way of placing at HK\$0.166 each. Net proceeds of HK\$17,711,000 were raised, comprising share capital of HK\$1,100,000 and share premium of HK\$17,160,000, net of share issue expenses of HK\$549,000.

## 18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sales of goods to associates	905	14,374
Computer software consultancy service fees paid to a related company	168	168
Rental expenses paid to a related company	102	122
Management income from a related company (note)	758	-

Note: Management income was received on a cost reimbursement basis for general administrative services provided by the Group to a related company, in which Mr. Arthur Lam is a director.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18. RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personnel

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term employee benefits	2,455	2,898
Equity-settled share option expense	58	-
	<b>2,513</b>	2,898

## 19. 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 values 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).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS (Continued)

### Fair value measurement (Continued)

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)	<b>Fair value hierarchy</b>
<b>Equity investment at FVTPL</b>			
Unlisted equity investment	<b>49,000</b>	49,000	Level 3
<b>Other financial assets at FVTPL</b>			
Investment in life insurance policy	-	10,772	Level 2
<b>Financial liabilities at FVTPL</b>			
Redeemable preference shares	<b>(3,716)</b>	(3,597)	Level 3

There were no transfers between different levels during the period.

### Information about level 2 fair value measurements

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

### 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:

<b>Description</b>	<b>Valuation technique</b>	<b>Significant unobservable input</b>	<b>Range</b>	<b>Sensitivity of fair value to the input</b>
Unlisted equity investment	Discounted cash flow method	Weighted average cost of capital ("WACC")	14%	A 5% increase (decrease) in WACC would result in decrease (increase) in fair value by HK\$2,000,000
		Discount for lack of marketability	35%	A 5% increase (decrease) in discount for lack of marketability would result in decrease (increase) in fair value by HK\$1,000,000

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS (Continued)

### Information about level 3 fair value measurements (Continued)

Reconciliation for unlisted equity instrument carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
At beginning of the period/year	<b>49,000</b>	71,000
Fair value change	-	(22,000)
At end of the period/year	<b>49,000</b>	49,000

Fair value change of unlisted equity investment at FVTPL was recognised in other expenses on the face of the unaudited condensed consolidated statement of comprehensive income.

## 20. SIGNIFICANT EVENT DURING THE PERIOD

The outbreak of the Novel Coronavirus (“**COVID-19**”) since early 2020 has resulted in significant decrease in commercial activities in various locations where the Group operates and negatively affected the Group’s business operations for the six months ended 30 September 2020.

In preparing these unaudited condensed consolidated financial statements, the Group has taken into account the increased risks caused by the COVID-19 on impairment of the Group’s financial and non-financial assets when assessing asset impairment including trade receivables, finance lease receivables, goodwill and equity investment at FVTPL.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there are no other matters that would result in a significant adverse impact on the Group’s results and financial position as at the reporting date as a result of the COVID-19.

## 21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or extended to conform with the current period’s presentation.



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