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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)

(Stock Code: 1539)

DISCLOSEABLE TRANSACTION
FINANCE LEASE IN RELATION TO PROVISION OF ENERGY SAVING AND
MANAGEMENT SOLUTIONS

From 1 February 2016 to 1 November 2016, Synergy Lighting, an indirect wholly-owned subsidiary of the Company, and the Indonesia Company entered into the Indonesia Company Energy Saving Arrangement, which included a series of EMCs with a total contract sum of approximately HK\$96,449,000, pursuant to which Synergy Lighting shall provide energy saving and management solutions to certain premises in Indonesia.

As one or more of the applicable percentage ratios in respect of the Indonesia Company Energy Saving Arrangement on an aggregate basis is more than 5% but are all less than 25%, the Indonesia Company Energy Saving Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the time of entering into the Indonesia Company Energy Saving Arrangement, the Company considered that, from the business perspective, the EMCs entered into by our Group, including but not limited to the Indonesia Company Energy Saving Arrangement, were not typical finance leases under Rule 14.04(1)(c) of the Listing Rules as the Group's provision of energy saving and management solutions to its customers, including but not limited to the Indonesia Company, by entering into the relevant EMCs and receiving monthly payments is different in business nature from typical finance lease business in the market which involves financial planning and provision of financial assistance to the lessee who has financing needs. Therefore, the Company initially assessed that the EMCs entered into by our Group, including but not limited to the Indonesia Company Energy Saving Arrangement, were not typical finance leases under Rule 14.04(1)(c) of the Listing Rules and should also be exempt from the requirements of Chapter 14 of the Listing Rules pursuant to Rule 14.04(1)(g) of the Listing Rules.

However, as advised by the Exchange, since the EMCs entered into by the Group for the year ended 31 March 2017, including but not limited to the Indonesia Company Energy Saving Arrangement, were finance leases under Hong Kong Financial Reporting Standards (HKFRS), the relevant EMCs, including but not limited to the Indonesia Company Energy Saving Arrangement, constituted “finance leases” as defined under Rule 14.04(1)(c) of the Listing Rules. Therefore, the relevant EMCs, including but not limited to the Indonesia Company Energy Saving Arrangement, are not exempt from the requirements of Chapter 14 of the Listing Rules.

Due to the above-mentioned difference in the understanding and interpretation of the term of “finance lease” in the relevant Listing Rules at the time of entering into the Indonesia Company Energy Saving Arrangement, the Company failed to notify the Stock Exchange and make an announcement in relation to the Indonesia Company Energy Saving Arrangement as required under Chapter 14 of the Listing Rules, which constitutes non-compliance with Rule 14.34 of the Listing Rules.

For the EMCs to be entered into by the Group in the future, the Company has designated specified staff to review the contract sum of the EMCs and check whether such EMCs will be subject to the requirement under, among others, Chapter 14 of the Listing Rules on both the individual EMC basis and on the aggregate basis (i.e. aggregate contract sum of the EMCs with a particular customer) before entering into of the relevant EMCs.

INDONESIA COMPANY ENERGY SAVING ARRANGEMENT

The Indonesia Company Energy Saving Arrangement consisted of 81 individual EMCs with a total contract sum of approximately HK\$96,449,000 entered into between Synergy Lighting and Indonesia Company during the period from 1 February 2016 to 1 November 2016.

The principal terms of the EMCs under the Indonesia Company Energy Saving Arrangement are as follows:

- Date:** During the period from 1 February 2016 to 1 November 2016
- Parties:**
- (1) Synergy Lighting, an indirect wholly owned subsidiary of the Company (provider of the energy saving and management solutions)
 - (2) Indonesia Company (user of energy saving and management solutions)

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, the Indonesia Company and its ultimate beneficial owners are Independent Third Parties.

- Term:** 7 years from the commencement date of the relevant EMCs

Subject matter: Synergy Lighting shall provide energy saving and management solutions which include delivering and installing such number of electricity saving lamps in the specified premises in Indonesia as stated in the individual EMC.

Synergy Lighting shall also, on the request of the Indonesia Company, carry out performance review to verify the power consumption of the lamps installed at the premises.

Fee: The monthly service fees of the EMCs payable by the Indonesia Company to Synergy Lighting were determined after arm's length negotiations between our Group and the Indonesia Company with reference to the electricity charge saving per month of designated premises multiplied by an agreed sharing ratio.

Ownership of the electricity saving lamps: During the term of the relevant EMCs, Synergy Lighting shall at all times retain the ownership of the electricity saving lamps.

The ownership of electricity saving lamps provided under the EMCs will be transferred to the Indonesia Company upon expiry of the relevant EMCs.

REASONS AND BENEFITS FOR ENTERING INTO THE AGREEMENTS

The individual EMCs comprising the Indonesia Company Energy Saving Arrangement were entered into by our Group during its ordinary course of business as part of its leasing service business segment. Entering into the Indonesia Company Energy Saving Arrangement is beneficial for the Company to increase the income of its leasing service business and is consistent with the Company's business development strategy.

The Directors are of the view that the terms under the Indonesia Company Energy Saving Arrangement are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION OF PARTIES

Information of our Group

The Group is one of the leading integrated energy saving solutions providers based in Hong Kong, specialising in lighting solutions. The Group is principally engaged in (i) provision of leasing service of lighting systems; (ii) trading of lighting products; and (iii) provision of Consultancy Service.

Information of the Indonesia Company

The Indonesia Company is a subsidiary of a holding company in Indonesia which, together with its subsidiaries ("**Indonesia Company Group**"), is principally engaged in the businesses of manpower services, trading, technology and the provision of energy saving solutions in Indonesia.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Indonesia Company Energy Saving Arrangement on an aggregate basis is more than 5% but are all less than 25%, the Indonesia Company Energy Saving Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the time of entering into the Indonesia Company Energy Saving Arrangement, the Company considered that, from the business perspective, the EMCs entered into by our Group, including but not limited to the Indonesia Company Energy Saving Arrangement, were not typical finance leases under Rule 14.04(1)(c) of the Listing Rules as the Group's provision of energy saving and management solutions to its customers, including but not limited to the Indonesia Company, by entering into the relevant EMCs and receiving monthly payments is different in business nature from typical finance lease business in the market which involves financial planning and provision of financial assistance to the lessee who has financing needs. Therefore, the Company initially assessed that the EMCs entered into by our Group, including but not limited to the Indonesia Company Energy Saving Arrangement, were not typical finance leases under Rule 14.04(1)(c) of the Listing Rules and should also be exempt from the requirements of Chapter 14 of the Listing Rules pursuant to Rule 14.04(1)(g) of the Listing Rules.

However, as advised by the Exchange, since the EMCs entered into by the Group for the year ended 31 March 2017, including but not limited to the Indonesia Company Energy Saving Arrangement, were finance leases under Hong Kong Financial Reporting Standards (HKFRS), the relevant EMCs, including but not limited to the Indonesia Company Energy Saving Arrangement, constituted "finance leases" as defined under Rule 14.04(1)(c) of the Listing Rules. Therefore, the relevant EMCs, including but not limited to the Indonesia Company Energy Saving Arrangement, are not exempt from the requirements of Chapter 14 of the Listing Rules.

Due to the above-mentioned difference in the understanding and interpretation of the term of "finance lease" in the relevant Listing Rules at the time of entering into the Indonesia Company Energy Saving Arrangement, the Company failed to notify the Stock Exchange and make an announcement in relation to the Indonesia Company Energy Saving Arrangement as required under Chapter 14 of the Listing Rules, which constitutes non-compliance with Rule 14.34 of the Listing Rules.

For the EMCs to be entered into by the Group in the future, the Company has designated specified staff to review the contract sum of the EMCs and check whether such EMCs will be subject to the requirement under, among others, Chapter 14 of the Listing Rules on both the individual EMC basis and on the aggregate basis (i.e. aggregate contract sum of the EMCs with a particular customer) before entering into of the relevant EMCs.

DEFINITIONS

In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:

"Board" the board of Directors

"Company" Synergy Group Holdings International Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange

“Director(s)”	the director(s) of the Company
“EMC(s)”	energy management contract(s)
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any member company of the Group, the Directors, chief executives and substantial shareholders of the Company and its subsidiaries and their respective associates
“Indonesia Company”	a company incorporated in Indonesia with limited liability
“Indonesia Company Energy Saving Arrangement”	the EMCs entered into between our Group and the Indonesia Company from 1 February 2016 to 1 November 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Synergy Lighting”	Synergy Lighting Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

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

Hong Kong, 22 August 2017

As at the date of this announcement, the executive Directors are Mr. Wong Man Fai Mansfield and Mr. Lam Arthur; and the independent non-executive Directors are Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony.