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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue | 278,137 | 256,607 |
| Leasing services of energy saving systems | 8,550 | 97,198 |
| Trading of energy saving products | 242,937 | 137,440 |
| Consultancy service | 26,650 | 21,969 |
| Gross profit | 147,729 | 124,975 |
| EBITDA (<i>note</i>) | 159,418 | 91,811 |
| EBIT (<i>note</i>) | 158,354 | 90,752 |
| Profit attributable to the owners of the Company | 125,704 | 74,072 |
| Basic earnings per share (<i>HK cents</i>) | 25.1 | 14.8 |
| Total assets | 707,626 | 409,782 |
| Total liabilities | 377,724 | 204,072 |
| Net assets | 329,902 | 205,710 |

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

- The Group's revenue increased by 8.4% from HK\$256.6 million for the year ended 31 March 2017 to HK\$278.1 million for the year ended 31 March 2018.
- The Group's gross profit increased by 18.2% from HK\$125.0 million for the year ended 31 March 2017 to HK\$147.7 million for the year ended 31 March 2018.
- The Group's profit attributable to the owners of the Company increased by 69.7% from HK\$74.1 million for the year ended 31 March 2017 to HK\$125.7 million for the year ended 31 March 2018.
- Basic earnings per share increased by 69.6% from HK14.8 cents for the year ended 31 March 2017 to HK25.1 cents for the year ended 31 March 2018.

ANNUAL 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 audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the year ended 31 March 2018 together with the comparative audited figures for the prior year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

| | Notes | 2018 HK\$'000 | 2017 HK\$'000 |
|--|-------|------------------|------------------|
| Revenue | 5(a) | 278,137 | 256,607 |
| Cost of sales | | (130,408) | (131,632) |
| Gross profit | | 147,729 | 124,975 |
| Other income and gains | 5(b) | 28,038 | 1,411 |
| Administrative expenses | | (27,700) | (22,279) |
| Selling and distribution costs | | (6,854) | (6,364) |
| Finance costs | 6 | (12,969) | (2,220) |
| Other expenses | | (925) | (2,054) |
| Share of results of associates | | 18,066 | (4,937) |
| Profit before income tax | 7 | 145,385 | 88,532 |
| Income tax expense | 8(a) | (19,830) | (14,460) |
| Profit for the year | | 125,555 | 74,072 |
| Other comprehensive income for the year | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Change in fair value of available-for-sale investments | | (1,434) | – |
| Exchange difference arising on translation of financial statements of foreign operations | | 3,585 | (610) |
| Share of other comprehensive income of an associate | | (3) | 12 |
| Other comprehensive income for the year, net of tax | | 2,148 | (598) |
| Total comprehensive income for the year | | 127,703 | 73,474 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 125,704 | 74,072 |
| Non-controlling interests | | (149) | – |
| | | 125,555 | 74,072 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 127,852 | 73,474 |
| Non-controlling interests | | (149) | – |
| | | 127,703 | 73,474 |
| Earnings per share for profit attributable to the owners of the Company during the year | | | |
| – Basic (HK cents) | 10 | 25.1 | 14.8 |

Details of the proposed dividend for the year are disclosed in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

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

| | <i>Notes</i> | 2018 HK\$'000 | 2017 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Non-current liabilities | | | |
| Trade payables | <i>12</i> | 11,197 | 7,054 |
| Deposits received | | 3,724 | 54 |
| Borrowings | | 60,816 | 4,591 |
| Finance lease obligations | | 1,972 | – |
| Notes payable | | 50,000 | 50,000 |
| | | <u>127,709</u> | <u>61,699</u> |
| Net assets | | <u>329,902</u> | <u>205,710</u> |
| EQUITY | | | |
| Share capital | | 5,000 | 5,000 |
| Reserves | | 328,562 | 200,710 |
| | | <u>333,562</u> | <u>205,710</u> |
| Equity attributable to the owners of the Company | | 333,562 | 205,710 |
| Non-controlling interests | | (3,660) | – |
| | | <u>329,902</u> | <u>205,710</u> |
| Total equity | | <u>329,902</u> | <u>205,710</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

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

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

Amendments to HKAS 7 – Disclosure Initiative

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

The adoption of the above amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows.

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

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

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

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2019
- ³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

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

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

HKFRS 9 – Financial Instruments

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

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

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

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

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

HKFRS 16 – Leases

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION

(a) Basis of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SEGMENT INFORMATION

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

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

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

| | Leasing service of energy saving systems HK\$'000 | Trading of energy saving products HK\$'000 | Consultancy service HK\$'000 | Total HK\$'000 |
|--|--|---|---|---------------------------|
| Year ended 31 March 2018 | | | | |
| Revenue from external customers | 8,550 | 242,937 | 26,650 | 278,137 |
| Reportable segment profit | 4,294 | 113,665 | 25,219 | 143,178 |
| Capital expenditure | 108 | – | – | 108 |
| Depreciation | 331 | – | – | 331 |
| As at 31 March 2018 | | | | |
| Reportable segment assets | 105,328 | 305,247 | 48,822 | 459,397 |
| Reportable segment liabilities | 8,461 | 43,506 | 11 | 51,978 |
| Year ended 31 March 2017 | | | | |
| Revenue from external customers | 97,198 | 137,440 | 21,969 | 256,607 |
| Reportable segment profit | 42,091 | 58,362 | 20,453 | 120,906 |
| Capital expenditure | 108 | – | – | 108 |
| Depreciation | 903 | – | – | 903 |
| As at 31 March 2017 | | | | |
| Reportable segment assets | 106,991 | 179,665 | 32,052 | 318,708 |
| Reportable segment liabilities | 11,133 | 17,926 | 70 | 29,129 |

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

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

Note: Unallocated corporate income mainly includes gain on step acquisition (note 5(b)).

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Reportable segment assets | 459,397 | 318,708 |
| Intangible assets | 11,653 | – |
| Goodwill | 92,794 | – |
| Interests in associates | 73,462 | 19,325 |
| Available-for-sale investments | 10,089 | – |
| Pledged bank deposits | 2,500 | 2,500 |
| Cash and cash equivalents | 37,023 | 53,465 |
| Due from associates | 16,485 | 14,002 |
| Deferred tax assets | 97 | 52 |
| Other corporate assets | 4,126 | 1,730 |
| | <hr/> | <hr/> |
| Group assets | 707,626 | 409,782 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
| Reportable segment liabilities | 51,978 | 29,129 |
| Borrowings | 152,508 | 111,792 |
| Finance lease obligations | 3,514 | – |
| Notes payable | 130,000 | 50,000 |
| Provision for taxation | 12,461 | 5,070 |
| Due to a related company | 28 | 56 |
| Due to directors | 4,697 | – |
| Other corporate liabilities (<i>note</i>) | 22,538 | 8,025 |
| | <hr/> | <hr/> |
| Group liabilities | 377,724 | 204,072 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

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

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

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

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

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

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

| | Revenue from external customers | |
|--------------------------|--|-----------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Customer A [#] | 145,679 | 149,435 |
| Customer B ^{##} | 32,225 | 31,845 |
| Customer C ^{##} | 30,195 | n/a |

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

^{##} Attributable to segment of trading of energy saving products

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

5. REVENUE AND OTHER INCOME AND GAINS

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|-----------------------------------|--------------------------------|-------------------------|
| Leasing service income | 8,550 | 97,198 |
| Trading of energy saving products | 242,937 | 137,440 |
| Consultancy service income | 26,650 | 21,969 |
| | 278,137 | 256,607 |

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

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

6. FINANCE COSTS

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

7. PROFIT BEFORE INCOME TAX

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

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

8. INCOME TAX EXPENSE

(a) Income tax

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--------------------|--------------------------------|-------------------------|
| Current tax | | |
| – Tax for the year | 19,875 | 14,630 |
| Deferred tax | | |
| – Current year | (45) | (170) |
| Income tax expense | 19,830 | 14,460 |

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

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

(b) Deferred tax

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

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

9. DIVIDENDS

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

10. EARNINGS PER SHARE

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Earnings | | |
| Profit attributable to the owners of the Company | <u>125,704</u> | <u>74,072</u> |
| | 2018 <i>'000</i> | 2017 <i>'000</i> |
| Number of shares | | |
| Weighted average number of shares | <u>500,000</u> | <u>500,000</u> |

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

11. TRADE RECEIVABLES

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

Note: The Group has offered settlement term to a customer attributed to the segment of trading of energy saving products, interest-bearing of 5% per annum with settlement schedule in 84 months (“84-months Credit Term”). As such, the fair value of the consideration attributable to the customer is determined by discounting the nominal amount of all future receipts using an imputed rate of interest of 5% per annum. During the year ended 31 March 2018, the settlement term offered to that customer was revised to 365 days (the “New Credit Term”) for the sales after the change. The classification of the recorded trade receivables before the New Credit Term negotiated still followed the 84-months Credit Term.

The Group’s trading terms with its customers are mainly on credit. Generally, the credit period is ranging from cash on delivery to 365 days, except for a customer who has been granted a 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:

| | 2018 <i>HK\$’000</i> | 2017 <i>HK\$’000</i> |
|-----------------|--------------------------------|-------------------------|
| 0 to 30 days | 72,022 | 38,084 |
| 31 to 90 days | 21,165 | 31,756 |
| 91 to 180 days | 30,456 | 45,107 |
| 181 to 365 days | 132,511 | 37,064 |
| Over 365 days | 79,197 | 21,185 |
| | <u>335,351</u> | <u>173,196</u> |

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

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

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

| | 2018 <i>HK\$’000</i> | 2017 <i>HK\$’000</i> |
|---------------------------------------|--------------------------------|-------------------------|
| At beginning of the year | 1,190 | – |
| Impairment loss recognised | – | 1,190 |
| Written off against trade receivables | (1,190) | – |
| | <u>–</u> | <u>1,190</u> |

At each reporting date, the Group's trade receivables are individually determined for impairment testing. At 31 March 2018, the Group's trade receivables that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. Impairment losses in respect of trade receivables are recorded using allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. During the year, the Group has determined no trade receivables (2017: HK\$1,190,000) were individually impaired and trade receivables of approximately HK\$3,000 (2017: Nil) (note 7) as irrecoverable and written off.

As at 31 March 2018, trade receivables of approximately HK\$207,364,000 (2017: HK\$78,924,000) were subject to an assignment pursuant to which the Group has assigned receivables of a customer to a bank to secure banking facilities of HK\$100,000,000 (2017: HK\$100,000,000) granted to the Group.

12. TRADE PAYABLES

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

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

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

The Group generally made purchase with various terms, operating on cash on delivery or payment in advance terms, except for a supplier who has granted a settlement schedule of up to 60 months to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Other expenses

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

Income tax expense

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

Share of results of associates

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

EBITDA/EBIT

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

Profit attributable to the owners of the Company

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

Liquidity, Financial Resources and Capital Structure

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

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

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

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

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

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

Contingent Liabilities

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

Guarantees

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

Associated Company

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

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

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

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

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

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

Foreign Currency Exposure

The Group’s revenue and expenses are mainly in Hong Kong dollar which is the functional currency of most of the entities making up the Group. As it is expected that there will be an increase in revenue from overseas markets such as Indonesia and Malaysia, the Directors believe that the Group will be exposed to foreign exchange risk due to exchange rate fluctuations. After considering the current and future exchange rate level and the foreign currency market for Indonesia and Malaysia, the Group does not adopt any foreign currency hedging measure as at the date of this announcement. 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 31 March 2018, the gearing ratio of the Group was 86.7% (31 March 2017: 78.7%), which is calculated on the basis of the amount of total debts divided by the total equity. Such increase was due to the new bank and other borrowings and note payable that were drawn down during the year ended 31 March 2018.

Dividend

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

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

Subsequent Events

Subsequent to the year ended 31 March 2018, on 4 April 2018, the Company completed the placing of 50,000,000 new ordinary shares of HK\$0.01 each at a placing price of HK\$1.09 per placing share to not less than six places. The net proceeds, after deduction of all relevant expenses (including but not limited to the placing commission, legal expenses and disbursements) incidental to the placing of approximately HK\$1.6 million, are approximately HK\$52.9 million. Details of the placing are set out in the announcement of the Company dated 4 April 2018.

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

Future Outlook

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

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

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

Purchase, Sale and Redemption of the Company's Listed Securities

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

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 of the Listing Rules.

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

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

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 year ended 31 March 2018 and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

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

The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as reviewing the efficiency and effectiveness of the Group’s operations, external audit and of risk management and internal control systems.

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) is scheduled to be held on Tuesday, 18 September 2018. A notice convening the AGM and other relevant documents will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

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

PRE-EMPTIVE RIGHTS

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.synergy-group.com). The annual report of the Company for the year ended 31 March 2018 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 29 June 2018

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.