



Synergy Group's FY2018/19 Interim Results
Revenue Up by 26.6% to HK\$171.1 Million
Net Profit Surges by 75.8% to HK\$75.9 Million

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**Continues to Solidify Energy-saving and Energy Management Business with
Diversification into Building Digitalisation via Artificial Intelligence,
Investments in Renewable Energy and Energy Storage via Vanadium Flow Battery**

(Hong Kong, 3 December 2018) – **Synergy Group Holdings International Limited** (“Synergy Group” or the “Company”, together with its subsidiaries, the “Group”; stock code: 1539), a leading energy-saving and energy management solutions provider, just announced its unaudited condensed consolidated interim results for the six months ended 30 September 2018 (“1HFY2019” or the “Period”).

The Group’s revenue was approximately HK\$171.1 million for the six months ended 30 September 2018, representing an increase of 26.6% as compared to that for the six months ended 30 September 2017. The increase was mainly attributed to the well performance of the Group’s overall energy-saving business, particularly in the development of the overseas markets. Consequently, the Group’s gross profit recorded a 5.5% increase to approximately HK\$74.8 million (1HFY2018: approximately HK\$70.9 million). EBITDA also increased significantly by 68.4% to approximately HK\$96.7 million (1HFY2018: approximately HK\$57.5 million) with improved EBITDA margin to 56.5% (1HFY2018: 42.5%).

Profit attributable to owners of the Company surged by 75.8% to approximately HK\$75.9 million (1HFY2018: approximately HK\$43.2 million). The increase in net profit was mainly attributable to the increase in gain on deemed disposal of associates (i.e., Invinity Energy Group Limited (“Invinity”) and its subsidiaries, collectively referred to as “Invinity Group”) of more than HK\$45 million during the Period, where the approximately 23.6% equity interest of Invinity Group held by the Group was accounted for as an equity investment at fair value through profit or loss during the Period; although the growth in net profit was partially off-set by an increase in the unrealised foreign exchange loss primarily derived from the depreciation of Indonesian rupiah against Hong Kong dollar; as well as the increase in share-based payment expenses as a result of the share options granted by the Group in April 2018. Basic earnings per share during the Period were approximately HK\$13.8 cents.

Mr. Wong Man Fai Mansfield, Chairman, Chief Executive Officer & Executive Director of Synergy Group, said, “We are very pleased to have achieved satisfactory financial results in the first half of FY2019. In spite of the increasingly competitive energy-saving and energy management market, armed with the first mover advantages, an innovative business model, and adopting differentiated development strategies, Synergy Group was able to strengthen its industry leadership and outperform its peers during the Period. On the solid foundation of our energy-saving and energy management business, we have been expanding our business via acquisitions in a company specialising in artificial intelligence (“AI”) and big data analysis, and making valuable investments in a group of companies principally engaged in vanadium extraction and process for supplying the major raw material to Vanadium Flow Batteries (“VFB”) for long duration stationary applications in energy storage, outperforming other batteries such as lithium-ion and lead acid batteries. We are committed to bolstering our leadership in the energy industry with our proven technology solutions and continuous efforts in technological innovation to the end of creating a more sustainable world.”

Business Review

Energy-saving & energy management business: Strong business foundation supported continuous growth

During the Period under review, Synergy Group continued to develop its presence in overseas markets, accelerated new project implementation and optimised resources by collaborating with different enterprises, institutions and authorities. Apart from our major overseas markets in Australia, Malaysia, Japan, Singapore and Indonesia, the Group has also extended its business presence to South Africa through an associated company which was responsible for an energy-saving project for a major retailer of the country. The Group supplied proprietary LED products to the associated company during the Period which contributed approximately HK\$35.3 million of revenue. In 1HFY2019, an additional segment, namely Building AI (artificial intelligence) SaaS (Software-as-a-Service), was introduced with reference to the newly acquired subsidiary Negawatt Utility Limited (“Negawatt”). This segment immediately contributed an income of approximately HK\$541,000 to the Group and it is growing exponentially since our equity investment in July. All three other segments under energy-saving and energy management business also reported growth. Revenue generated by the Group’s trading segment increased by 23.1% to approximately HK\$141.2 million (1HFY2018: approximately HK\$114.7 million) thanks to the increase in sales of LED products, and revenue from the Group’s leasing service segment rose by 106.6% to approximately HK\$7.6 million (1HFY2018: approximately HK\$3.7 million). With the rising demand for energy-saving consultancy services, the consultancy service segment recorded a 30.1% surge in revenue to approximately HK\$21.8 million for the Period.

Two new profit growth drivers:

Negawatt’s scalable and intelligent building operating system

During the Period, the Group acquired the Hong Kong-based AI technology company Negawatt. Negawatt helps buildings to become smart through electrical and mechanical digital transformation. Negawatt offers a proprietary Building Operating System (BOS), a one-stop cloud-based platform

designed for comprehensive building data acquisition, real-time monitoring, energy and environment optimisation through big data analytics and machine learning. It acts as an AI virtual engineer to help building improve energy efficiency, increase building operator's productivity, save operating cost and optimise resources for building excellence. The Group staunchly believes that the acquisition of Negawatt can enable the Group to exploit the niche and unique technology so that it may broaden its service portfolio and strengthen its leadership in the energy efficiency technology industry.

Renewable Energy and Battery Storage

Capitalising on the strong worldwide government policy support and the "One Belt One Road" initiative of China, demand for renewable energy and energy storage has continued to grow steadily, opening numerous opportunities for industry players in the near future.

In March 2018, the Group acquired approximately 23.6% stake in Invinity which owns an approximately 0.98727 km² vanadium-containing mine and a processing facility with a production capacity of 3,000 tonnes of vanadium pentoxide ("V₂O₅") per annum in China through a PRC company 70% owned by Invinity. It is expected that a sustained structural deficiency of vanadium due to the rising demand from the steel manufacturers and a significant increase in the demand of battery storage will be seen in the near future. The price of vanadium has surged remarkably to a current 98% V₂O₅ flake price of 32.9 USD/lb (~500,000 RMB/tonne, as of 28 November 2018). Invinity Group not only involved in the traditional vanadium market, but also facilitated the creation of an integral supply chain from vanadium reserves to V₂O₅ electrolyte production at a more efficient and cost-effective way. The cost of VFB is greatly reduced which in turn accelerating a wider adoption of the battery. The VFB, which is a battery with long life-expectancy, minimal degradation and high safety most suitable for grid and renewable integration, will definitely be able to grasp a significant market position, ride the tide and sail forward in the hundred-billion dollar energy storage market.

Business Outlook

Despite the unstable global economic environment due to rising financial vulnerabilities and trade tensions, climate change imperatives continue to drive development in the energy efficiency and clean energy market. Moreover, with increasing economic activities translating into rising global energy demand, the society keen for corporations to honour their social responsibility and businesses seeking to reduce operating cost, demand for clean and energy-efficient products and services is expected to keep climbing.

Digital and cognitive transformation is occurring throughout the building lifecycle. Increasing need and value are seen in data mining, processing and management through artificial intelligence, which can be used for better data visualisation, system control and optimisation. The evolution of the energy efficiency and clean energy market into smarter technologies is gradually changing the way the work is done. Building on its strong and diversified business network, Synergy Group will

continue to grow its existing solid business – energy-saving and energy management, reaping the synergies created with newly acquired Negawatt to broaden its service portfolio thereby enable it to offer differentiated services to customers, as well as strengthen its industry standing and unique edges in innovation and technological development, and accelerating the Group’s business growth.

On the other hand, the Group will benefit from the valuable investments - Invinity’s technical expertise, experience and know-how in vanadium extraction operations and by developing a unique skill set in electrolyte making. Invinity Group has vanadium reserves for producing final products that already have the support of a secured customer base, and will be able to disruptively decrease the cost of VFB and establish a price-competitive foothold in the battery storage market.

Mr. Wong concluded, “Looking ahead, the Group will adhere to its fundamental objectives, which are to reinforce its core strategic growth initiatives for seizing more business opportunities, and to continuously sharpen its edges to win new markets and new customers. With the Group enjoying good growth momentum and many accomplishments achieved during and subsequent to the Period, we are confident about its development and ability to maximise returns to shareholders.”

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About Synergy Group Holdings International Limited (stock code: 1539)

Synergy Group is a leading energy-saving and energy management solutions provider, primarily engaged in the design and customisation, investment, installation and commissioning, operation and maintenance of energy efficiency technology, and investment in (i) renewable energy and (ii) energy storage and distributed energy resources. Synergy Group is the first Energy Services Company (ESCO) listed on the Stock Exchange of Hong Kong Limited. It has a strong and solid global clientele including major developers, utilities, retail chains, insurance and financial institutions. Synergy Group was selected by Forbes China in 2017 as one of the top 100 listed companies with huge potential.

For press enquiries:

Strategic Financial Relations Limited

Maggie Au Tel: (852) 2864 4815

Patty Yeung Tel: (852) 2114 4990

Adrianna Lau Tel: (852) 2114 4987

www.sprg.com.hk

Email: maggie.au@sprg.com.hk

Email: patty.yeung@sprg.com.hk

Email: adrianna.lau@sprg.com.hk