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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHTS

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
For the year ended 31 March		
Revenue	**126,547**	245,381
Leasing services of energy saving systems	**11,161**	15,344
Trading of energy saving products	**96,121**	208,249
Consultancy service	**19,265**	21,788
Gross profit	**70,108**	106,563
EBITDA *(note 1)*	**(84,507)**	79,007
EBIT *(note 1)*	**(95,722)**	68,425
(Loss)/profit attributable to owners of the Company	**(109,762)**	44,554
Basic (loss)/earnings per share *(HK cents)*	**(20.0)**	8.1
Diluted (loss)/earnings per share *(HK cents)*	**(20.0)**	8.1
Adjusted profit attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses *(note 2)*	**16,061**	60,287
Adjusted basic earnings per share *(HK cents) (note 2)*	**2.9**	11.0
Adjusted diluted earnings per share *(HK cents) (note 2)*	**2.9**	11.0
As at 31 March		
Total assets	**650,588**	777,569
Total liabilities	**335,506**	346,672
Net assets	**315,082**	430,897

Note 1: EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation. EBIT is defined as earnings before interest expenses and other finance costs and tax.

Note 2: Amounts are calculated based on adjusted profit after excluding some major extraordinary or non-operating income and expenses as defined by the Group's management. Details of which can be referred to page 39 of this announcement.

– The Group's revenue decreased by 48.5% from approximately HK$245.4 million for the year ended 31 March 2019 to approximately HK$126.5 million for the year ended 31 March 2020.

– The Group's gross profit decreased by 34.2% from approximately HK$106.6 million for the year ended 31 March 2019 to approximately HK$70.1 million for the year ended 31 March 2020.

– The Group's profit attributable to owners of the Company amounted to approximately HK$44.6 million for the year ended 31 March 2019 while the Group's loss attributable to owners of the Company amounted to approximately HK$109.8 million for the year ended 31 March 2020.

– The Group's adjusted profit attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses decreased by 71.5% from approximately HK$60.3 million for the year ended 31 March 2019 to approximately HK$17.2 million for the year ended 31 March 2020.

– Basic or diluted earnings per share was approximately HK8.1 cents for the year ended 31 March 2019 while basic or diluted loss per share was approximately HK20.0 cents for the year ended 31 March 2020. Adjusted basic or diluted earnings per share calculated with reference to the adjusted profit decreased by 71.8% from approximately HK11.0 cents for the year ended 31 March 2019 to approximately HK3.1 cents for the year ended 31 March 2020.

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 unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**our Group**") for the year ended 31 March 2020 together with the comparative audited figures for the prior year as follows.

The Company's reporting and audit progress for the annual results of the Group for the year ended 31 March 2020 has been disrupted due to the outbreak of COVID-19 epidemic since January 2020 and accordingly, the publication of the audited financial statements of the Group has been postponed. The unaudited annual results contained herein have not been agreed by the Company's auditor. An announcement relating to the audited annual results will be made by the Company when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants, which is expected to be completed by 31 July 2020. The unaudited annual results contained herein have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

		For the year ended 31 March	
	Notes	**2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Audited)
Continuing operations			
Revenue	*5(a)*	**126,547**	245,381
Cost of sales		**(56,439)**	(138,818)
Gross profit		**70,108**	106,563
Other income and gains	*5(b)*	**5,180**	48,363
Administrative expenses		**(59,513)**	(47,991)
Selling and distribution costs		**(5,285)**	(6,220)
Finance costs	*6*	**(18,729)**	(18,179)
Other expenses		**(108,583)**	(45,910)
Share of results of associates		**2,371**	15,555
(Loss)/profit before income tax	*7*	**(114,451)**	52,181
Income tax credit/(expense)	*8(a)*	**5,536**	(8,990)
(Loss)/profit for the year from continuing operations		**(108,915)**	43,191
Discontinued operations			
Loss for the year from discontinued operations	*9*	**(2,225)**	(1,953)
(Loss)/profit for the year		**(111,140)**	41,238

	Notes	For the year ended 31 March **2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Audited)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		**(2,679)**	(2,458)
Share of other comprehensive income of an associate		**(209)**	(26)
Other comprehensive income for the year, net of tax		**(2,888)**	(2,484)
Total comprehensive income for the year		**(114,028)**	38,754
(Loss)/profit for the year attributable to:			
Owners of the Company		**(109,762)**	44,554
Non-controlling interests		**(1,378)**	(3,316)
		(111,140)	41,238
Total comprehensive income for the year attributable to:			
Owners of the Company		**(112,545)**	42,068
Non-controlling interests		**(1,483)**	(3,314)
		(114,028)	38,754
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company from continuing and discontinued operations:	*11*		
– Basic *(HK cents)*		**(20.0)**	8.1
– Diluted *(HK cents)*		**(20.0)**	8.1
From continuing operations			
– Basic *(HK cents)*		**(20.1)**	8.3
– Diluted *(HK cents)*		**(20.1)**	8.3
From discontinued operations			
– Basic *(HK cent)*		**0.1**	(0.2)
– Diluted *(HK cent)*		**0.1**	(0.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	As at 31 March 2020 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**18,652**	28,329
Intangible assets		**577**	6,115
Goodwill		**34,584**	67,582
Interests in associates		**48,393**	46,231
Equity investment at fair value through profit or loss		**49,000**	71,000
Other financial assets at fair value through profit or loss		**10,772**	10,436
Trade receivables	*12*	**57,697**	83,776
Finance lease receivables		**29,192**	44,063
Deposits and other receivables		**144**	1,206
Deferred tax assets	*8(b)*	**10,251**	1,871
		259,262	360,609
Current assets			
Inventories		**900**	457
Trade receivables	*12*	**328,697**	322,221
Finance lease receivables		**12,977**	12,607
Deposits, prepayments and other receivables		**15,879**	22,382
Due from an associate		**21,003**	30,353
Pledged bank deposits		**2,500**	2,500
Cash and cash equivalents		**9,370**	26,440
		391,326	416,960
Current liabilities			
Trade payables	*13*	**11,099**	11,437
Contract liabilities		**4,495**	9,704
Accruals, other payables and deposits received		**90,545**	34,579
Borrowings	*14*	**102,010**	65,055
Finance lease obligations		**–**	1,471
Lease liabilities		**1,969**	–
Notes payable	*15*	**80,000**	140,000
Due to a related company		**616**	280
Due to directors		**10,605**	4,600
Provision for taxation		**2,748**	13,854
		304,087	280,980
Net current assets		**87,239**	135,980
Total assets less current liabilities		**346,501**	496,589

	Notes	As at 31 March 2020 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Non-current liabilities			
Trade payables	*13*	**16,317**	9,334
Deposits received		**5,254**	5,624
Bonds payable		**2,000**	–
Borrowings	*14*	**–**	49,288
Financial liabilities at fair value through profit or loss		**3,597**	–
Finance lease obligations		**–**	1,446
Lease liabilities		**1,651**	–
Notes payable	*15*	**2,600**	–
		31,419	65,692
Net assets		**315,082**	430,897
EQUITY			
Share capital		**5,500**	5,500
Reserves		**314,522**	426,103
Equity attributable to owners of the Company		**320,022**	431,603
Non-controlling interests		**(4,940)**	(706)
Total equity		**315,082**	430,897

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2020

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 in Hong Kong 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, trading of energy saving products and provision of consultancy service.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

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 2019.

HKFRS 16	Leases
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

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

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

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

	HK$'000
	(Unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,202

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

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

The weighted average interest rate implicit in the leases applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 is 3.6%.

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

	Carrying amount as at 31 March 2019	**Reclassification of HKFRS 16**	**Contract Capitalisation of HKFRS 16**	**Derecognition of right-of-use assets upon reassessment**	**Carrying amount as at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Assets:					
Property, plant and equipment	28,329	–	3,202	(6,551)	24,980
Liabilities:					
Finance lease obligations (current)	1,471	(1,471)	–	–	–
Lease liabilities (current)	–	1,471	1,794	–	3,265
Finance lease obligations (non-current)	1,446	(1,446)	–	–	–
Lease liabilities (non-current)	–	1,446	1,408	–	2,854

(ii) *The new definition of a lease*

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

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

(iii) *Accounting as a lessee*

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

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

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

Right-of-use assets

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

Lease liabilities

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

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

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

(iv) Accounting as a lessor

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

The Group has leased out its lighting systems and cooling systems to a number of tenants.

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. Significant judgement would be required for the assessment of whether the right to control the use of an identified asset is conveyed to the customer.

(v) Transition

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

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

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

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

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

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

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.

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.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

(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.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	COVID-19 - Related Rent Concessions[4]

[1] *Effective for annual periods beginning on or after 1 January 2020*

[2] *Effective for annual periods beginning on or after 1 January 2021*

[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 of the amendments continue to be permitted.*

[4] *Effective for annual periods beginning on or after 1 June 2020*

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Revised Conceptual Framework – Revised Conceptual Framework for Financial Reporting

The Revised Conceptual Framework for Financial Reporting supersedes the version that was issued in 2010 and is the equivalent of the Conceptual Framework for Financial Reporting issued by the International Accounting Standards Board. The revised framework includes: i) new chapters on measurement and reporting financial performance; ii) new guidance on derecognition of assets and liabilities; iii) updated definitions of asset and liability; and iv) clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 16 – COVID-19 - Related Rent Concessions

The amendment is issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID19-related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The directors of the Company anticipate that the application of these new/revised HKFRSs will have no material impact on the Group's future financial statements.

3. BASIS OF PREPARATION

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 consolidated 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**").

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values. The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group incurred a net loss of HK$111,140,000 for the year ended 31 March 2020. As at 31 March 2020, the Group had aggregate borrowings and notes payable amounted to approximately HK$102,010,000 and HK$82,600,000 respectively, out of which HK$55,053,000 and HK$80,000,000 will be due for repayment within twelve months from 31 March 2020; while its cash and cash equivalents amounted to approximately HK$9,370,000 only as at 31 March 2020. As at 31 March 2020, notes payable of HK$60,000,000 have been due with reference to the terms and repayment schedule of the relevant agreements. These amounts remain unsettled at the date of this announcement.

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in order to ease the liquidity pressure and improve the financial position of the Group. Certain plans and measures have been taken which include, but not limited to, the following:

(i) the Group has been actively negotiating with the relevant noteholder for the renewal of or extension for repayment schedules of its notes payable;

(ii) the Group has been actively negotiating with various parties to obtain additional new financing and other sources of funding as and when required; and

(iii) the Group has been implementing operation plans to enhancing profitability and control cost and to generate adequate cash flows from operations.

4. 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 services on leasing service of energy saving systems ("**Consultancy service**").

During the year, the Group has completed the disposal of the business of provision of artificial intelligence (AI) technology services ("**Building AI SaaS**"). In accordance with HKFRS 5, the segments of Building AI SaaS for the years ended 31 March 2020 and 2019 were presented as discontinued operations in the Group's consolidated financial statements.

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 2020 (Unaudited)				
Revenue from external customers	**11,161**	**96,121**	**19,265**	**126,547**
Reportable segment profit	**4,283**	**5,796**	**8,347**	**18,426**
Capital expenditure	**139**	**–**	**–**	**139**
Depreciation	**3,258**	**–**	**–**	**3,258**
As at 31 March 2020 (Unaudited)				
Reportable segment assets	**68,090**	**352,699**	**35,291**	**456,080**
Reportable segment liabilities	**12,004**	**33,948**	**32**	**45,984**
Year ended 31 March 2019				
Revenue from external customers	15,344	208,249	21,788	245,381
Reportable segment profit	8,236	76,006	19,837	104,079
Capital expenditure	3,580	–	–	3,580
Depreciation	4,157	–	–	4,157
As at 31 March 2019 (Audited)				
Reportable segment assets	94,331	371,523	43,298	509,152
Reportable segment liabilities	10,615	36,395	26	47,036

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	
Reportable segment profit	**18,426**	104,079
Unallocated corporate income *(note)*	**4,714**	47,902
Unallocated corporate expenses *(note)*	**(121,233)**	(97,176)
Finance costs	**(18,729)**	(18,179)
Share of results of associates	**2,371**	15,555
(Loss)/profit before income tax from continuing operations	**(114,451)**	52,181

Note: Unallocated corporate income mainly includes gain on deemed disposal of associates for the year ended 31 March 2019.

Unallocated corporate expenses mainly include fair value loss on equity investment at fair value through profit or loss, equity-settled share option expense, amortisation of intangible assets, impairment loss of goodwill, legal and professional fees, salaries, other administrative expenses and other selling and distribution costs.

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Reportable segment assets from continuing operations	**456,080**	509,152
Intangible assets	**577**	6,115
Goodwill	**34,584**	67,582
Interests in associates	**48,393**	46,231
Equity investment at fair value through profit or loss	**49,000**	71,000
Other financial assets at fair value through profit or loss	**10,772**	10,436
Pledged bank deposits	**2,500**	2,500
Cash and cash equivalents	**9,370**	26,440
Due from an associate	**21,003**	30,353
Deferred tax assets	**10,251**	1,871
Other corporate assets	**8,058**	5,527
Reportable segment assets from discontinued operations	**–**	362
Group assets	**650,588**	777,569

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Reportable segment liabilities from continuing operations	**45,984**	47,036
Borrowings	**102,010**	114,343
Finance lease obligations	**–**	2,917
Lease liabilities	**3,620**	–
Settlement payables	**51,125**	–
Notes payable	**82,600**	140,000
Bonds payable	**2,000**	–
Financial liabilities at fair value through profit or loss	**3,597**	–
Provision for taxation	**2,748**	13,854
Due to a related company	**616**	280
Due to directors	**10,605**	4,600
Other corporate liabilities *(note)*	**30,601**	23,609
Reportable segment liabilities from discontinued operations	**–**	33
Group liabilities	**335,506**	346,672

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 (including continuing and discontinued operations)	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong (domiciled)	**22,865**	73,453
Japan	**17,647**	28,116
Australia	**26,204**	67,486
Malaysia	**33,875**	45,305
Indonesia	**7,787**	11,009
Singapore	**–**	12,974
Macau	**19,265**	5,000
Other overseas locations	**1,645**	3,193
	129,288	246,536

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):

	Specified non-current assets	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong (domiciled)	**84,853**	120,909
Malaysia	**17,353**	27,554
	102,206	148,463

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

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Customer A##	**19,265**	N/A
Customer B#	**17,647**	28,116
Customer C#	**17,255**	39,614
Customer D#	**14,482**	45,895
Customer E#	**13,363**	N/A
Customer F#	**N/A**	36,340
Customer G#	**N/A**	27,872

\# *Attributable to segment of trading of energy saving products*

\## *Attributable to segment of Consultancy service*

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 provision of leasing services, trading of energy saving products and provision of Consultancy service. An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Continuing operations		
Revenue from contracts with customer within the scope of HKFRS 15		
Trading of energy saving products	**96,121**	208,249
Consultancy service income	**19,265**	21,788
	115,386	230,037
Revenue from other sources		
Leasing service income	**11,161**	15,344
	126,547	245,381
Timing of revenue recognition		
At a point in time	**115,386**	230,037

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables *(note 12)*	**377,643**	397,005
Contract liabilities	**4,495**	9,704

The contract liabilities are mainly related to the advance consideration of sales of goods received from customers.

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Continuing operations		
Interest income		
– from bank deposits	**40**	33
– from other financial assets at fair value through profit or loss	**127**	435
– from other receivables	**352**	64
– from advances to non-controlling interests	**50**	37
	569	569
Fair value gains on other financial assets at fair value through profit or loss	**336**	33
Gain on deemed disposal of associates	**–**	47,240
Others	**4,275**	521
	5,180	48,363

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Continuing operations		
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	**4,136**	4,790
Interest on notes payable	**13,987**	12,619
Interest on bonds payable	**60**	–
Interest on lease liabilities	**285**	–
Interest on finance leases	**–**	234
	18,468	17,643
Interest on financial liabilities at fair value through profit or loss	**37**	–
Transaction costs on bank borrowings and notes	**224**	536
	18,729	18,179

7. (LOSS)/PROFIT BEFORE INCOME TAX

Continuing operations

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Amortisation of intangible assets (included in administrative expenses)	**5,538**	5,538
Auditor's remuneration	**1,430**	1,430
Cost of inventories recognised as expenses		
– Cost of inventories sold	**48,951**	128,265
– Write-off of inventories	**112**	–
	49,063	128,265
Depreciation of property, plant and equipment		
– owned	**3,734**	4,407
– right-of-use assets	**1,943**	–
– held under finance leases	**–**	637
	5,677	5,044
Employee benefit expenses (including directors' remuneration)		
– Salaries and welfare	**19,040**	19,609
– Equity-settled share option expense	**643**	5,949
– Defined contributions	**1,114**	1,059
	20,797	26,617
(Reversal of)/warranty provision, net	**(40)**	772
Provision for impairment loss of financial assets	**50,978**	719
Fair value loss on equity investment at fair value through profit or loss	**22,000**	19,000
Impairment loss of goodwill	**32,379**	25,831
Impairment loss of property, plant and equipment	**270**	–
Loss on disposals of property, plant and equipment	**251**	80
Net foreign exchange loss	**27,773**	8,343
Minimum lease payments under operating leases in respect of offices, warehouses and an office equipment	**–**	2,360

8. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax

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

	2020 Continuing operations	**2020 Discontinued operations**	**2020 Total**	2019 Continuing operations	2019 Discontinued operations	2019 Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	HK$'000	HK$'000
	(Unaudited)	**(Unaudited)**	**(Unaudited)**			
Current tax						
– Tax for the year	**2,844**	**–**	**2,844**	9,611	–	9,611
– Overprovision in respect of prior years	**–**	**–**	**–**	(406)	–	(406)
	2,844	**–**	**2,844**	9,205	–	9,205
Deferred tax						
– Current year	**(8,380)**	**–**	**(8,380)**	(215)	–	(215)
Income tax (credit)/expense	**(5,536)**	**–**	**(5,536)**	8,990	–	8,990

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2019/2020.

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

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

(b) Deferred tax

Details of the deferred tax assets recognised and movements during the year are as follows:

	Impairment loss	**Tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2018 (Audited)	1,559	97	1,656
Credited to profit or loss for the year	129	86	215
At 31 March 2019 and 1 April 2019 (Audited)	1,688	183	1,871
Credited to profit or loss for the year	8,101	279	8,380
At 31 March 2020 (Unaudited)	9,789	462	10,251

9. DISCONTINUED OPERATIONS

In February 2020, the Group has completed the disposal of 51.87% equity interest in Negawatt Utility Group Holdings Limited ("**NU**") held by the Group to an independent third party. The principal activities of NU is Buildings AI SaaS Business, which represented the separated line of major business and is classified as discontinued operations for the year. For the purpose of presenting discontinued operation, the comparative consolidated statement of comprehensive income and the related notes have been represented.

The results of the Building AI SaaS Business for the years ended 31 March 2020 and 2019 are as follows:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	
Revenue	**2,741**	1,155
Cost of sales	**(5,363)**	(2,020)
Gross loss	**(2,622)**	(865)
Other income and gains	**13**	1
Administrative expenses	**(3,072)**	(1,070)
Selling and distribution costs	**(141)**	–
Finance costs	**(15)**	(18)
Other expenses	**(2)**	(1)
Loss before income tax	**(5,839)**	(1,953)
Gain on disposal of discontinued operations	**3,614**	–
Income tax expense	**–**	–
Loss for the year from discontinued operations	**(2,225)**	(1,953)

10. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 March 2020 (during the year ended 31 March 2019: Nil).

11. (LOSS)/EARNINGS PER SHARE

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company		
– Continuing operations	**(110,300)**	45,719
– Discontinued operations	**538**	(1,165)
(Loss)/profit from continuing operations and discontinued operations	**(109,762)**	44,554

	2020	2019
	'000	*'000*
	(Unaudited)	
Number of shares		
Weighted average number of shares for the purpose of basic (loss)/earnings per share	**550,000**	549,589
Effect of dilutive potential ordinary shares:		
– Share options	**–**	1,114
Weighted average number of shares for the purpose of diluted (loss)/earnings per share	**550,000**	550,703

For the year ended 31 March 2020, basis 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.

12. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**447,169**	417,032
Less: Provision for impairment loss	**(60,775)**	(11,035)
Trade receivables, net	**386,394**	405,997
Classified as:		
Non-current assets *(note)*	**57,697**	83,776
Current assets	**328,697**	322,221
	386,394	405,997

Note: The Group has offered settlement term to a customer attributed to the segment of trading of energy saving products, interest-bearing of 5% per annum with settlement schedule in 84 months. As such, the fair value of the consideration attributable to the customer is determined by discounting the nominal amount of all future receipts using an imputed rate of interest of 5% per annum.

The following table provides information about trade receivables from contracts with customers and other sources:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	**377,643**	397,005
Trade receivables from other sources	**8,751**	8,992
	386,394	405,997

The Group's trading terms with its customers are mainly on credit. Generally, the credit period is ranging from cash on delivery to 365 days, except for a customer who has been granted the settlement schedules of 84 months from the Group.

Based on invoices date, ageing analysis of the Group's trade receivables (net of provision for impairment loss) is as follows:

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**3,497**	4,024
31 to 90 days	**6,933**	8,080
91 to 180 days	**5,818**	55,701
181 to 365 days	**93,578**	128,712
Over 365 days	**276,568**	209,480
	386,394	405,997

As at 31 March 2020, trade receivables of approximately HK$137,845,000 (2019: HK$192,645,000) 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 (2019: HK$100,000,000) granted to the Group.

13. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**27,416**	20,771
Classified as:		
Current liabilities	**11,099**	11,437
Non-current liabilities	**16,317**	9,334
	27,416	20,771

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

	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**110**	862
31 to 90 days	**63**	751
91 to 180 days	**318**	114
181 to 365 days	**12,526**	4,785
Over 365 days	**14,399**	14,259
	27,416	20,771

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

14. BORROWINGS

	Notes	**2020**	2019
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Secured and guaranteed bank loans:	*(i)*		
Amounts repayable within one year		**22,136**	34,323
Amounts repayable after one year but contain a repayable on demand clause	*(i)*	**35,184**	–
Unsecured and guaranteed bank loans:			
Amounts repayable within one year		**–**	10,000
Secured and guaranteed other loans:			
Amounts repayable within one year	*(ii)*	**19,490**	–
Amounts repayable after one year but contain a repayable on demand clause	*(ii)*	**6,617**	–
Unsecured and guaranteed other loans:			
Amounts repayable within one year		**13,427**	9,482
Amounts repayable after one year but contain a repayable on demand clause		**5,156**	11,250
Current liabilities		**102,010**	65,055
Secured and guaranteed bank loans:			
Amounts repayable in second to fifth year	*(i)*	**–**	49,288
Non-current liabilities		**–**	49,288
Total borrowings		**102,010**	114,343

Notes:

(i) As at 31 March 2020, the bank loans are secured by the pledge of bank deposits of approximately HK$2,500,000 (2019: HK$2,500,000), finance lease receivables of approximately HK$36,088,000 (2019: HK$54,829,000) under the Assignment, trade receivables of approximately HK$137,845,000 (2019: HK$192,645,000) under the Assignment and other financial assets at fair value through profit or loss (2019: other financial assets at fair value through profit or loss) of approximately HK$10,772,000 (2019: HK$10,436,000). Borrowings are also under the corporate guarantees from the Company and/or Synergy Group Worldwide Limited, a subsidiary of the Company.

(ii) As at 31 March 2020, other loans are secured by certain trading contract with the relevant receivables and equity investment at fair value through profit or loss. Other loans are also under the corporate guarantees from the Company and/or certain subsidiaries of the Company.

15. NOTES PAYABLE

	Note	**2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Audited)
HK$60,000,000 (2019: HK$70,000,000) 9.5% notes	*(i)*	**60,000**	70,000
HK$50,000,000 10% notes		**–**	50,000
HK$22,600,000 2.5% promissory notes		**22,600**	20,000
		82,600	140,000
Classified as:			
Current liabilities		**80,000**	140,000
Non-current liabilities		**2,600**	–
		82,600	140,000

Note:

(i) As at 31 March 2020, notes payable of HK$60,000,000 has been due with reference to the terms and repayment schedule of the relevant agreements.

16. EVENT AFTER REPORTING PERIOD

On 2 April 2020, the Company has granted a total of 36,560,000 share options (the "**Share Options**", each a "**Share Option**") to subscribe for an aggregate of 36,560,000 ordinary shares of HK$0.01 each in the capital of the Company (the "**Shares**", each a "**Share**"), comprising (i) 11,150,000 Share Options to five Directors; and (ii) 25,410,000 Share Options to certain qualified participants, being employees of the Group, subject to acceptance of such grantees of the Share Options, under the share option scheme adopted by the Company on 5 March 2015 (as amended on 26 October 2016). Further details are set out in the Company's announcement dated 2 April 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total revenue of the Group was approximately HK$126.5 million for the year ended 31 March 2020, representing a decrease of approximately 48.4% as compared to that for the year ended 31 March 2019. The decrease in revenue was mainly attributable to the decrease in revenue in the trading of energy saving products segment 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 negative economic effects from the escalating uncertainty in the international trade policy, the global financial conditions and the outbreak of COVID-19 during the year ended 31 March 2020. Gross profit margin increased from approximately 43.4% for the year ended 31 March 2019 to approximately 55.4% for the year ended 31 March 2020. The increase mainly due to less sales in the trading segment which have a relatively lower gross profit margin than the leasing and consultancy segment.

Other income and gains for the year ended 31 March 2020 of approximately HK$5.2 million mainly included gain on write off deposit received of approximately HK$3.5 million, and while the other income and gains for the year ended 31 March 2019 of approximately HK$48.4 million mainly included the gain on deemed disposal of associates of approximately HK$47.2 million.

Selling and distribution costs

The Group's selling and distribution costs for the year ended 31 March 2020 were approximately HK$5.3 million, representing a decrease of approximately 14.5% from approximately HK$6.2 million for the year ended 31 March 2019. The decrease was mainly due to the net effect of (i) the decrease 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 the future; and (ii) the decrease of marketing fee due to less marketing activities was engaged during the year ended 31 March 2020.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2020 were approximately HK$59.5 million, representing an increase of approximately 24.0% from approximately HK$48.0 million for the year ended 31 March 2019. The increase was mainly due to (i) the increase in unrealised foreign exchange loss derived from the revaluation of balances in foreign currencies mainly as a result of the depreciation of Indonesian rupiah against Hong Kong dollar as at year end date.

Finance costs

The Group's finance costs were approximately HK$18.7 million for the year ended 31 March 2020, which were relatively stable as compared to HK$18.2 million for the year ended 31 March 2019.

Other expenses

The Group's other expenses increased to approximately HK$108.6 million for the year ended 31 March 2020 from approximately HK$45.9 million for the year ended 31 March 2019. The increase was mainly due to the increase in the provision for impairment of goodwill of Synergy Cooling Management Limited ("**SCML**") and its subsidiaries (collectively, "**SCML Group**") to approximately HK$32.4 million during the year ended 31 March 2020 from approximately HK$25.8 million during the year ended 31 March 2019, which was mainly due to the delays in progress of the major projects carried out by the SCML Group, where some of the projects involved the change of energy saving equipment in government buildings, hotels and clinics in Malaysia, which were adversely affected by COVID-19. The fair value loss on the equity investment increased to HK$22.0 million during the year ended 31 March 2020 from HK$19.0 million during the year ended 31 March 2019, which was mainly due to the significant decrease in the market price of vanadium. Provision for impairment loss of financial assets also increased by approximately HK$50.1 million during the year ended 31 March 2020, which was mainly due to the increase in the relevant expected credit losses as some of the customers were partly affected by outbreak of COVID-19 and had delayed their payments to the Group.

Income tax credit/expense

The Group's income tax credit for the year ended 31 March 2020 was approximately HK$5.5 million while the Group's income tax expense for the year ended 31 March 2019 was approximately HK$9.0 million.

Share of results of associates

The Group's share of results of associates for the year ended 31 March 2020 was the profit of approximately HK$2.4 million, decreased from the profit of approximately HK$15.6 million for the year ended 31 March 2019. The decrease was mainly due to the decrease in the amount of sharing of results of associates and its subsidiaries, namely KSL Group (as defined below), 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 year, and also the COVID-19 effects causing the country in lock down since January 2020 and pausing all the installation progress.

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA decreased from approximately HK$79.0 million for the year ended 31 March 2019 to negative EBITDA of approximately HK$84.5 million for the year ended 31 March 2020. The Group's EBIT decreased from approximately HK$68.4 million for the year ended 31 March 2019 to negative EBIT of approximately HK$95.7 million for the year ended 31 March 2020.

Loss/Profit for the year attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company was approximately HK$44.6 million for the year ended 31 March 2019 while loss attributable to owners of the Company was approximately HK$109.8 million for the year ended 31 March 2020. Excluding some major extraordinary or non-operating income and expenses, the adjusted profit attributable to owners of the Company was approximately HK$60.3 million for the year ended 31 March 2019 while adjusted profit attributable to owners of the Company was approximately HK$16.1 million for the year ended 31 March 2020.

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

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to owners of the Company	**(109,762)**	44,554
Add major extraordinary or non-operating expenses:		
Amortisation of intangible assets (included in administrative expenses)	**3,491**	3,491
Impairment loss of property, plant and equipment	**270**	–
Loss of fair value changes of the equity investment in Invinity	**22,000**	19,000
Net foreign exchange loss	**27,777**	8,122
Provision for impairment loss on financial assets, net of deferred tax	**42,877**	580
Impairment of goodwill allocated to the cash generating unit of SCML	**32,379**	25,831
Share-based payment expenses in respect of share options	**643**	5,949
	19,675	107,527
Less major extraordinary of non-operating income:		
Gain on deemed disposal of Invinity	**–**	(47,240)
Gain on disposal of NU	**(3,614)**	–
Adjusted profit attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses	**16,061**	60,287

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 2020, currents assets of the Group amounted to approximately HK$391.3 million, representing an decrease of 6.2% from approximately HK$417.0 million as at 31 March 2019. The current assets mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK$11.9 million (2019: approximately HK$28.9 million), trade receivables of approximately HK$328.7 million (2019: approximately HK$322.2 million), and amount due from an associate of approximately HK$21.0 million (2019: approximately HK$30.4 million). As at 31 March 2020, the Group's current liabilities mainly comprised borrowings of approximately HK$102.0 million (2019: approximately HK$65.1 million), notes payable of HK$80.0 million (2019: HK$140.0 million), trade payables of approximately HK$11.1 million (2019: approximately HK$11.4 million) and accruals, other payables and deposits received of approximately HK$90.5 million (2019: approximately HK$34.6 million). The Group's current ratio decreased from approximately 1.5 times as at 31 March 2019 to approximately 1.3 times as at 31 March 2020. The Group has prepared cash flow projection for the year ending 31 March 2021, which demonstrates 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 2020 was approximately HK$184.6 million (31 March 2019: approximately HK$254.3 million), of which approximately HK$57.3 million (31 March 2019: approximately HK$93.6 million) was due to banks, approximately HK$44.7 million (31 March 2019: approximately HK$20.7 million) was due to independent third parties, and notes payable of approximately HK$82.6 million (31 March 2019: HK$140.0 million). As at 31 March 2020, notes payable of HK$60.0 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. As at 31 March 2020, a time deposit of HK$2.5 million was pledged as a security for the bank facilities (31 March 2019: HK$2.5 million). The Group has certain receivables, trading contracts and equity investment assigned to secure bank and other loans. Save as disclosed above, the Group has no other charges on its assets as at 31 March 2020.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2020.

GUARANTEES

The Group had no material guarantees as at 31 March 2020.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY OR ASSOCIATED COMPANY

On 28 February 2020, Synergy Group Worldwide Limited ("**Synergy Worldwide**"), a wholly-owned subsidiary of the Company, entered into an agreement with Jakaa Limited ("**Jakaa**"), an independent third party, pursuant to which Synergy Worldwide agreed to sell all of the shares (15,003 shares) in Negawatt Utility Group Holdings Limited ("**NU**") to Jakaa at a consideration of HK$7.2 million. During the time NU was a subsidiary of Synergy Worldwide, Synergy Worldwide was holding approximately 51.87% of the shareholding in NU. Details of the acquisition are set out in the announcement of the Company dated 28 February 2020. The selling of the subsidiary created a gain on disposal of approximately HK$3.6 million.

Saved as disclosed above, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 March 2020.

ASSOCIATED COMPANIES

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 year ended 31 March 2020 was approximately HK$43.7 million (for the year ended 31 March 2019: approximately HK$98.0 million). The net profit attributable to the shareholders of KSL Group for the year ended 31 March 2020 was HK$5.0 million, decreased by approximately HK$28.7 million as compared to the year ended 31 March 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 year, and also the COVID-19 effects causing the country in lock down since January 2020 and pausing all the installation progress.

Saved as disclosed above, there were no other significant investments held, and other plans for material investments or capital assets during the year ended 31 March 2020.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2020, the Group had 52 full-time employees (as of 31 March 2019: 73 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.

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 share capital of the Company, comprising (i) 11,150,000 share options to five Directors; and (ii) 10,382,400 share options to certain qualified participants (as defined below), being employees of the Group, under the share option scheme (as defined below). Details of the which are set out in the Company's announcement dated 19 April 2018.

Subsequent to the year ended 31 March 2020, on 2 April 2020, the Company granted a total of 36,560,000 share options to subscribe for an aggregate of 36,560,000 ordinary shares of HK$0.01 each in the share capital of the Company, comprising (i) 11,150,000 share options to five Directors; and (ii) 25,410,000 share options to certain qualified participants (as defined below), being employees of the Group, under the share option scheme (as defined below). Details of the which are set out in the Company's announcement dated 2 April 2020.

SHARE OPTIONS 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.

The following table discloses movements in the Company's share options during the year ended 31 March 2020:

				Number of share options				
Grantees	**Date of grant**	**Exercise period**	**Exercise price**	**Outstanding as at 1 April 2019**	**Granted during the year**	**Lapsed/ forfeited during the year**	**Cancelled during the year**	**Outstanding as at 31 March 2020**
Directors								
Mr. WONG Man Fai Mansfield	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	5,500,000	–	5,500,000	–	–
Mr. LAM Arthur	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	5,500,000	–	5,500,000	–	–
Mr. CHUNG Koon Yan	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	50,000	–	50,000	–	–
Mr. CHEUNG Yick Hung Jackie	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	50,000	–	50,000	–	–
Dr, WONG Chi Ying Anthony	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	50,000	–	50,000	–	–
Employees								
Employees in aggregate	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	5,500,000	–	5,500,000	–	–
	19 April 2018	19 April 2018 to 18 April 2020*	HK$1.268 per share	3,206,200	–	133,600	–	3,072,600*
	19 April 2018	19 April 2018 to 18 April 2021	HK$1.268 per share	1,650,000	–	–	–	1,650,000
				21,506,200	–	16,783,600	–	4,722,600

*　*Such outstanding share options lapsed on 19 April 2020.*

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 continuous increase in revenue from overseas markets, the Directors believe that the Group will be exposed to foreign exchange risk due to exchange rate fluctuations. After considering the current and future exchange rate level and the foreign currency market, the Group 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 2020, the gearing ratio of the Group was approximately 77.7%, which was relatively stable compared to approximately 59.7% as at 31 March 2019.

DIVIDEND

The Board has resolved not to recommend the payment of any dividend for the year ended 31 March 2020 (31 March 2019: Nil), on the assumption that the audited annual results of the Group for the year ended 31 March 2020 to be published upon completion of the auditing process are consistent in all material respects with the unaudited annual results set out herein.

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

FUTURE OUTLOOK

The Group expects the operating environment in 2020 and 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 Sino-US trade dispute 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 increasing number of competitors in the Asia-Pacific region. Although the environment remain 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 undertake business expansion in accelerating the company growth.

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 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 March 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 year ended 31 March 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 of the Listing Rules, together with compliance with the relevant code provisions.

The Board is of the view that, throughout the year ended 31 March 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.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanations about how the provisions of the Corporate Governance Code have been applied will be included in the Company's 2019/2020 annual report ("**Annual Report**").

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 2020 and up to the date of this announcement.

AUDIT COMMITTEE

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 announcement, 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 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.

PRE-EMPTIVE RIGHTS

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

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the Audit Committee.

As the Group has operations in Malaysia, travel restrictions and other precautionary measures against COVID-19 pandemic have led to the delay in the publication of the audited annual results of the Company for the year ended 31 December 2019. The Company requires additional time to gather necessary information from its overseas subsidiaries in Malaysia to complete the consolidated financial statements and provide all the necessary documents and information in respect of the impairment review of certain assets and other relevant assessment to the Company's auditors, in particular, the amount of impairment is subject to valuation which is dependent on the bases and assumptions of the valuation model. Subject to the findings of the Company's auditors and valuer, the bases and assumptions of the valuation model may alter, resulting in changes in the figures in the audited financial statements.

PUBLICATION OF RESULTS ANNOUNCEMENT AND 2019/2020 ANNUAL REPORT

This unaudited annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.synergy-group.com).

Following the completion of the audit process, the Company will issue further announcement(s) in relation to (i) the audited annual results for the year ended 31 March 2020 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members of the Company will be closed in order to determine shareholders' entitlement to attend and vote at the annual general meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The Annual Report of the Company for the year ended 31 March 2020 containing the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and made available on the same websites in due course following the completion of the auditing process. Having considered the current progress of the audit work and the resources the Company's auditor had arranged accordingly, the Board expected that the audited annual results announcement and the Annual Report of the Company for the year ended 31 March 2020 would be published by the end of July 2020.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities 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, 30 June 2020

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.