Synergy Group Holdings International Limited
滙能集團控股國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1539)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

	2019	2018
	HK$'000	*HK$'000*
Revenue	**246,536**	278,137
Leasing services of energy saving systems	**15,344**	8,550
Trading of energy saving products	**208,249**	242,937
Consultancy service	**21,788**	26,650
Building AI (artificial intelligence) SaaS (Software-as-a-Service)	**1,155**	–
Gross profit	**105,698**	147,729
EBITDA *(note 1)*	**79,007**	159,418
EBIT *(note 1)*	**68,425**	158,354
Profit attributable to the owners of the Company	**44,554**	125,704
Basic earnings per share *(HK cents)*	**8.1**	25.1
Diluted earnings per share *(HK cents)*	**8.1**	25.1
Adjusted profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses *(note 2)*	**60,287**	86,720
Adjusted basic earnings per share *(HK cents) (note 2)*	**11.0**	17.3
Adjusted diluted earnings per share *(HK cents) (note 2)*	**11.0**	17.3
Total assets	**777,569**	707,626
Total liabilities	**346,672**	377,724
Net assets	**430,897**	329,902

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 33 of this announcement.

– The Group's revenue decreased by 11.4% from approximately HK$278.1 million for the year ended 31 March 2018 to approximately HK$246.5 million for the year ended 31 March 2019.

– The Group's gross profit decreased by 28.5% from approximately HK$147.7 million for the year ended 31 March 2018 to approximately HK$105.7 million for the year ended 31 March 2019.

– The Group's profit attributable to the owners of the Company decreased by 64.6% from approximately HK$125.7 million for the year ended 31 March 2018 to approximately HK$44.6 million for the year ended 31 March 2019.

– The Group's adjusted profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses decreased by 30.5% from approximately HK$86.7 million for the year ended 31 March 2018 to approximately HK$60.3 million for the year ended 31 March 2019.

– Basic or diluted earnings per share decreased by 67.7% from approximately HK25.1 cents for the year ended 31 March 2018 to approximately HK8.1 cents for the year ended 31 March 2019. Adjusted basic or diluted earnings per share calculated with reference to the adjusted profit decreased by 36.4% from approximately HK17.3 cents for the year ended 31 March 2018 to approximately HK11.0 cents for the year ended 31 March 2019.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Synergy Group Holdings International Limited 滙能集團控股國際有限公司(the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**our Group**") for the year ended 31 March 2019 together with the comparative audited figures for the prior year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*5(a)*	**246,536**	278,137
Cost of sales		**(140,838)**	(130,408)
Gross profit		**105,698**	147,729
Other income and gains	*5(b)*	**48,364**	28,038
Administrative expenses		**(49,061)**	(27,700)
Selling and distribution costs		**(6,220)**	(6,854)
Finance costs	*6*	**(18,197)**	(12,969)
Other expenses		**(45,911)**	(925)
Share of results of associates		**15,555**	18,066
Profit before income tax	*7*	**50,228**	145,385
Income tax expense	*8(a)*	**(8,990)**	(19,830)
Profit for the year		**41,238**	125,555
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**–**	(1,434)
Exchange difference arising on translation of financial statements of foreign operations		**(2,458)**	3,585
Share of other comprehensive income of an associate		**(26)**	(3)
Other comprehensive income for the year, net of tax		**(2,484)**	2,148
Total comprehensive income for the year		**38,754**	127,703
Profit for the year attributable to:			
Owners of the Company		**44,554**	125,704
Non-controlling interests		**(3,316)**	(149)
		41,238	125,555
Total comprehensive income for the year attributable to:			
Owners of the Company		**42,068**	127,852
Non-controlling interests		**(3,314)**	(149)
		38,754	127,703
Earnings per share for profit attributable to the owners of the Company during the year	*10*		
– Basic *(HK cents)*		**8.1**	25.1
– Diluted *(HK cents)*		**8.1**	25.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**28,329**	30,913
Intangible assets		**6,115**	11,653
Goodwill		**67,582**	92,794
Interests in associates		**46,231**	73,462
Equity investment at fair value through profit or loss		**71,000**	–
Other financial assets at fair value through profit or loss		**10,436**	–
Available-for-sale investments		**–**	10,089
Trade receivables	*11*	**83,776**	105,889
Finance lease receivables		**44,063**	58,126
Deposits and other receivables		**1,206**	38
Deferred tax assets	*8(b)*	**1,871**	97
		360,609	383,061
Current assets			
Inventories		**457**	8,006
Trade receivables	*11*	**322,221**	229,462
Finance lease receivables		**12,607**	12,218
Deposits, prepayments and other receivables		**22,382**	18,871
Due from an associate		**30,353**	16,485
Pledged bank deposits		**2,500**	2,500
Cash and cash equivalents		**26,440**	37,023
		416,960	324,565
Current liabilities			
Trade payables	*12*	**11,437**	10,511
Contract liabilities		**9,704**	–
Accruals, other payables and deposits received		**34,579**	49,084
Borrowings		**65,055**	91,692
Finance lease obligations		**1,471**	1,542
Notes payable		**140,000**	80,000
Due to a related company		**280**	28
Due to directors		**4,600**	4,697
Provision for taxation		**13,854**	12,461
		280,980	250,015
Net current assets		**135,980**	74,550
Total assets less current liabilities		**496,589**	457,611

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Trade payables	*12*	**9,334**	11,197
Deposits received		**5,624**	3,724
Borrowings		**49,288**	60,816
Finance lease obligations		**1,446**	1,972
Notes payable		**–**	50,000
		65,692	127,709
Net assets		**430,897**	329,902
EQUITY			
Share capital		**5,500**	5,000
Reserves		**426,103**	328,562
Equity attributable to the owners of the Company		**431,603**	333,562
Non-controlling interests		**(706)**	(3,660)
Total equity		**430,897**	329,902

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to the owners of the Company										
	Share capital *HK$'000*	**Share premium*** *HK$'000*	**Share option reserve*** *HK$'000*	**Capital reserves*** *HK$'000*	**Merger reserve*** *HK$'000*	**Available-for-sale investment revaluation reserve*** *HK$'000*	**Foreign exchange reserves*** *HK$'000*	**Retained profits*** *HK$'000*	**Subtotal** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 April 2017	5,000	34,749	–	7,388	12,183	–	(662)	147,052	205,710	–	205,710
Arising from step acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(3,511)	(3,511)
Profit for the year	–	–	–	–	–	–	–	125,704	125,704	(149)	125,555
Other comprehensive income											
Change in fair value of available-for-sale investments	–	–	–	–	–	(1,434)	–	–	(1,434)	–	(1,434)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	3,585	–	3,585	–	3,585
Share of other comprehensive income of an associate	–	–	–	–	–	–	(3)	–	(3)	–	(3)
Total comprehensive income for the year	–	–	–	–	–	(1,434)	3,582	125,704	127,852	(149)	127,703
At 31 March 2018 as originally presented	5,000	34,749	–	7,388	12,183	(1,434)	2,920	272,756	333,562	(3,660)	329,902
Initial application of HKFRS 9 *(note 2(a)(A))*	–	–	–	–	–	1,434	–	(10,867)	(9,433)	(36)	(9,469)
Adjusted balance at 1 April 2018	5,000	34,749	–	7,388	12,183	–	2,920	261,889	324,129	(3,696)	320,433
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	387	387
Issue of shares, net of share issue expenses	500	52,411	–	–	–	–	–	–	52,911	–	52,911
Equity-settled share option arrangements	–	–	5,949	–	–	–	–	–	5,949	–	5,949
Dilution of interest in a subsidiary without loss of control	–	–	–	6,546	–	–	–	–	6,546	5,917	12,463
Profit for the year	–	–	–	–	–	–	–	44,554	44,554	(3,316)	41,238
Other comprehensive income											
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(2,460)	–	(2,460)	2	(2,458)
Share of other comprehensive income of an associate	–	–	–	–	–	–	(26)	–	(26)	–	(26)
Total comprehensive income for the year	–	–	–	–	–	–	(2,486)	44,554	42,068	(3,314)	38,754
At 31 March 2019	5,500	87,160	5,949	13,934	12,183	–	434	306,443	431,603	(706)	430,897

* These reserve accounts comprise the consolidated reserves of approximately HK$426,103,000 in the consolidated statement of financial position as at 31 March 2019 (2018: HK$328,562,000).

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2019

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. The Group is principally engaged in the provision of leasing services of energy saving systems, consultancy service and artificial intelligence technology services, and trading of energy saving products.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018

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 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to Hong Kong Accounting Standard ("**HKAS**") 28 "Investments in Associates and Joint Ventures"
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

(A) HKFRS 9 – Financial Instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

The following tables summarise the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and non-controlling interests as of 1 April 2018 as follows (increase/(decrease)):

	HK$'000
Retained profits	
Balance as at 31 March 2018	272,756
Increase in expected credit losses ("**ECLs**") in trade receivables *(note 2(a)(A)(ii))*	(9,982)
Increase in ECLs in finance lease receivables *(note 2(a)(A)(ii))*	(1,010)
Deferred tax assets arose from ECLs *(note 2(a)(A)(ii))*	1,559
Reclassify investments from available-for-sale at fair value to fair value through profit or loss ("**FVTPL**") *(note 2(a)(A)(i))*	(1,434)
Adjusted balance as at 1 April 2018	261,889
Available-for-sale investment revaluation reserve	
Balance as at 31 March 2018	(1,434)
Reclassify investments from available-for-sale at fair value to FVTPL *(note 2(a)(A)(i))*	1,434
Adjusted balance as at 1 April 2018	–
Non-controlling interests	
Balance as at 31 March 2018	(3,660)
Increase in ECLs in trade receivables *(note 2(a)(A)(ii))*	(36)
Adjusted balance as at 1 April 2018	(3,696)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

As of 1 April 2018, the investment in life insurance policy was reclassified from available-for-sale financial assets to financial assets at FVTPL. As a result, financial assets with fair value of approximately HK$10,089,000 were reclassified from available-for-sale financial assets at fair value to financial assets at FVTPL and fair value losses of approximately HK$1,434,000 were reclassified from the available-for-sale investment revaluation reserve to retained profits on 1 April 2018.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 April 2018 under HKAS 39** *HK$'000*	**Carrying amount as at 1 April 2018 under HKFRS 9** *HK$'000*
Investment in life insurance policy	Available-for-sale (at fair value)	FVTPL	10,089	10,089
Trade receivables	Loans and receivables	Amortised cost	335,351	325,333
Finance lease receivables	Loans and receivables	Amortised cost	70,344	69,334
Other receivables	Loans and receivables	Amortised cost	35	35
Due from associates	Loans and receivables	Amortised cost	16,485	16,485
Pledged bank deposits	Loans and receivables	Amortised cost	2,500	2,500
Cash and cash equivalents	Loans and receivables	Amortised cost	37,023	37,023

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECLs model". HKFRS 9 requires the Group to recognise ECL for trade receivables, finance lease receivables and other financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 "Leases".

The Group has elected to measure loss allowances for trade receivables and finance lease receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables and finance lease receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and finance lease receivables. To measure the ECLs, trade receivables and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due or repayment schedule.

The increase in loss allowance for trade receivables and finance lease receivables upon the transition to HKFRS 9 as of 1 April 2018 were approximately HK$10,018,000 and HK$1,010,000, respectively. The corresponding deferred tax assets of approximately HK$1,559,000 have been recognised against retained profits.

The loss allowances further increased by approximately HK$1,017,000 for trade receivables and decreased by approximately HK$297,000 for finance lease receivables during the year ended 31 March 2019, resulting in an increase in deferred tax assets of approximately HK$129,000.

(b) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost of the Group include other receivables, amounts due from associates, pledged bank deposits and cash and cash equivalents. No additional impairment for these financial assets as at 1 April 2018 and during the year ended 31 March 2019 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follows:

	HK$'000
Loss allowance as at 1 April 2018 under HKAS 39	–
Additional impairment recognised for trade receivables	10,018
Additional impairment recognised for finance lease receivables	1,010
Loss allowance as at 1 April 2018 under HKFRS 9	11,028

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 April 2018. Accordingly, the comparative financial information presented does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The assessment of the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(B) HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 April 2018). As a result, the comparative financial information presented has not been restated.

There was no material impact on the opening balances of retained profits and non-controlling interests.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15:

	At 31 March 2018	Impact on initial application of HKFRS 15	At 1 April 2018
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities	–	12,103	12,103
Accruals, other payables and deposits received (current liabilities)	49,084	(12,103)	36,981

The following table summarises the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019. There was no material impact on the Group's consolidated statement of comprehensive income for the year ended 31 March 2019.

Impact on the consolidated statement of financial position as at 31 March 2019:

	As reported	Adjustment	Amount without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities	9,704	(9,704)	–
Accruals, other payables and deposits received (current liabilities)	34,579	9,704	44,283

The Group's revenue generated from provision of leasing service of energy saving systems is out of scope of HKFRS 15 and recognised under HKAS 17, therefore the adoption of HKFRS 15 does not have impact on the Group's leasing service income.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from provision of consultancy services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the Group's revenue from sale of goods.

– Customers obtain control of the energy saving products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the energy saving products. There is generally only one performance obligation. Invoices are usually payable within 365 days. Prior to the adoption of HKFRS 15, revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

However, the timing of revenue recognition for consultancy services is affected as follows:

– Before the adoption of HKFRS 15, revenue from the rendering of consultancy services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

  Upon adoption of HKFRS 15, revenue from the Group's contracts with customers for the rendering of consultancy services will be recognised at the point in time when the control of the service is transferred to the customer. The timing of the amount of revenue recognised in relation to this service is later as compared to current practice.

There is no impact on the consolidated statement of financial position as at 31 March 2019 and consolidated statement of comprehensive income for the year ended 31 March 2019.

(ii) Warranties

Goods sold by the Group include warranties which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with HKFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Prior to the adoption of HKFRS 15, warranties were also accounted for under HKAS 37.

The adoption of HKFRS 15 does not result in significant impact on the Group's accounting policies as an assurance-type warranty does not give arise to an additional performance obligation.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, advances received from customers were presented in the consolidated statement of financial position under "accruals, other payables and deposits received".

To reflect the changes in presentation, advances received from customers amounting to approximately HK$12,103,000, which were previously included in "accruals, other payables and deposits received", are now included under "contract liabilities" at 1 April 2018, as a result of the adoption of HKFRS 15.

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

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

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

(D) Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28 "Investments in Associates and Joint Ventures"

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 28 "Investments in Associates and Joint Ventures", clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

(E) Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

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

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

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

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

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

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

Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 "Business Combinations" [1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11 "Joint Arrangements" [1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12 "Income Taxes" [1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23 "Borrowing Costs" [1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019

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

[3] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

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 clarify 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 clarify 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.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

The amendments clarify 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.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

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 FVOCI if specified conditions are met – instead of at FVTPL.

HKFRS 16 – Leases

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

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

The Group has performed a preliminary assessment of potential impact of the adoption of HKFRS 16 on the Group. As at 31 March 2019, the Group, as the lessee, has non-cancellable operating lease commitments of approximately HK$3,288,000. The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that the commitments due after 31 March 2020 will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. The Group has estimated that right-of-use assets of approximately HK$3,128,000 and lease liabilities of approximately HK$3,128,000 will be recognised at 1 April 2019.

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.

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

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

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

3. BASIS OF PREPARATION

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

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.

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;

(3) Provision of consultancy services on leasing service of energy saving systems ("**Consultancy service**"); and

(4) Provision of artificial intelligence (AI) technology services, which offers a one-stop Building Operating System (BOS) for comprehensive building data acquisition, real-time monitoring, energy and environment optimisation through big data analytics and machine learning for building digital transformation ("**Building AI SaaS**").

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$'000*	**Building AI SaaS** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2019					
Revenue from external customers	**15,344**	**208,249**	**21,788**	**1,155**	**246,536**
Reportable segment profit/(loss)	**8,236**	**76,006**	**19,837**	**(865)**	**103,214**
Capital expenditure	**3,580**	**–**	**–**	**–**	**3,580**
Depreciation	**4,157**	**–**	**–**	**–**	**4,157**
As at 31 March 2019					
Reportable segment assets	**94,331**	**371,523**	**43,298**	**362**	**509,514**
Reportable segment liabilities	**10,615**	**36,395**	**26**	**33**	**47,069**
Year ended 31 March 2018					
Revenue from external customers	8,550	242,937	26,650	–	278,137
Reportable segment profit	4,294	113,665	25,219	–	143,178
Capital expenditure	108	–	–	–	108
Depreciation	331	–	–	–	331
As at 31 March 2018					
Reportable segment assets	105,328	305,247	48,822	–	459,397
Reportable segment liabilities	8,461	43,506	11	–	51,978

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

	2019	2018
	HK$'000	*HK$'000*
Reportable segment profit	**103,214**	143,178
Unallocated corporate income *(note)*	**47,921**	27,333
Unallocated corporate expenses *(note)*	**(98,265)**	(30,223)
Finance costs	**(18,197)**	(12,969)
Share of results of associates	**15,555**	18,066
Profit before income tax	**50,228**	145,385

Note: Unallocated corporate income mainly includes gain on deemed disposal of associates (note 5(b)) and gain on step acquisition (note 5(b)).

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

	2019	2018
	HK$'000	*HK$'000*
Reportable segment assets	**509,514**	459,397
Intangible assets	**6,115**	11,653
Goodwill	**67,582**	92,794
Interests in associates	**46,231**	73,462
Equity investment at FVTPL	**71,000**	–
Other financial assets at FVTPL	**10,436**	–
Available-for-sale investments	**–**	10,089
Pledged bank deposits	**2,500**	2,500
Cash and cash equivalents	**26,440**	37,023
Due from an associate	**30,353**	16,485
Deferred tax assets	**1,871**	97
Other corporate assets	**5,527**	4,126
Group assets	**777,569**	707,626

	2019	2018
	HK$'000	*HK$'000*
Reportable segment liabilities	**47,069**	51,978
Borrowings	**114,343**	152,508
Finance lease obligations	**2,917**	3,514
Notes payable	**140,000**	130,000
Provision for taxation	**13,854**	12,461
Due to a related company	**280**	28
Due to directors	**4,600**	4,697
Other corporate liabilities *(note)*	**23,609**	22,538
Group liabilities	**346,672**	377,724

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	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong (domiciled)	**73,453**	53,039
Japan	**28,116**	32,225
Australia	**67,486**	30,195
Malaysia	**45,305**	3,547
Indonesia	**11,009**	145,679
Singapore	**12,974**	13,343
Macau	**5,000**	5
Other overseas locations	**3,193**	104
	246,536	278,137

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

	Specified non-current assets	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong (domiciled)	**120,909**	179,449
Malaysia	**27,554**	29,411
	148,463	208,860

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	
	2019	2018
	HK$'000	*HK$'000*
Customer A#	**n/a**	145,679
Customer B##	**28,116**	32,225
Customer C##	**27,872**	30,195
Customer D##	**45,895**	n/a
Customer E##	**39,614**	n/a
Customer F##	**36,340**	n/a

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

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

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

5. REVENUE AND OTHER INCOME AND GAINS

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customer within the scope of HKFRS 15		
Trading of energy saving products	**208,249**	242,937
Consultancy service income	**21,788**	26,650
Building AI SaaS income	**1,155**	–
	231,192	269,587
Revenue from other sources		
Leasing service income	**15,344**	8,550
	246,536	278,137
Timing of revenue recognition		
At a point in time	**230,037**	242,937
Transferred over time	**1,155**	26,650
	231,192	269,587

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

	31 March 2019	1 April 2018
	HK$'000	*HK$'000*
Trade receivables *(note 11)*	**397,005**	321,606
Contract liabilities	**9,704**	12,103

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

Contracts for Building AI SaaS Service income are typically have a 1 to 2 year non-cancellable term in which the Group bills a fixed amount for each month or quarter. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	2019	2018
	HK$'000	*HK$'000*
Interest income		
– from bank deposits	**34**	15
– charged to amount due from an associate	**–**	470
– from other financial assets at FVTPL	**435**	–
– from other receivables	**64**	–
– from advances to non-controlling interests	**37**	–
– from available-for-sale investments	**–**	353
	570	838
Gain on step acquisition	**–**	26,438
Fair value gains on other financial assets at FVTPL	**33**	–
Gain on deemed disposal of associates	**47,240**	–
Others	**521**	762
	48,364	28,038

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	**4,808**	4,425
Interest on notes payable	**12,619**	7,456
Interest on finance leases	**234**	49
	17,661	11,930
Transaction costs on bank borrowings and notes	**536**	1,039
	18,197	12,969

7. PROFIT BEFORE INCOME TAX

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

	2019	2018
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in administrative expenses)	**5,538**	347
Auditor's remuneration	**1,430**	1,280
Cost of inventories recognised as expenses		
– Cost of inventories sold	**128,288**	118,374
– Write-off of inventories	**–**	334
	128,288	118,708
Depreciation of property, plant and equipment		
– owned	**4,407**	690
– held under finance leases	**637**	27
	5,044	717
Employee benefit expenses (including directors' remuneration)		
– Salaries and welfare	**21,372**	11,968
– Equity-settled share option expense	**5,949**	–
– Defined contributions	**1,137**	449
	28,458	12,417
Warranty provision, net of reversal	**772**	(104)
Bad debts written off	**–**	3
Provision for impairment loss of financial assets	**720**	–
Fair value loss on equity investment at FVTPL	**19,000**	–
Provision for impairment loss of goodwill	**25,831**	–
Losses on disposals of property, plant and equipment	**80**	567
Net foreign exchange loss	**8,343**	5,626
Minimum lease payments under operating leases in respect of offices, warehouses and an office equipment	**2,477**	1,518

8. INCOME TAX EXPENSE

(a) Income tax

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

	2019	2018
	HK$'000	*HK$'000*
Current tax		
– Tax for the year	**9,611**	19,875
– Overprovision in respect of prior years	**(406)**	–
	9,205	19,875
Deferred tax		
– Current year	**(215)**	(45)
Income tax expense	**8,990**	19,830

Hong Kong profits tax is calculated at the rate of 16.5% (2018: 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 2018/19.

Provision for the EIT in the People's Republic of China (the "**PRC**") is calculated based on a statutory tax rate 25% (2018: 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 *HK$'000*	**Tax depreciation** *HK$'000*	**Total** *HK$'000*
At 1 April 2017	–	52	52
Credited to profit or loss for the year	–	45	45
At 31 March 2018	–	97	97
Initial application of HKFRS 9 *(note 2(a)(A))*	1,559	–	1,559
At 1 April 2018	1,559	97	1,656
Credited to profit or loss for the year	129	86	215
At 31 March 2019	1,688	183	1,871

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 March 2019 (31 March 2018: Nil).

10. EARNINGS PER SHARE

	2019 ***HK$'000***	2018 *HK$'000*
Earnings		
Profit attributable to the owners of the Company	**44,554**	125,704

	2019 ***'000***	2018 *'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**549,589**	500,000
Effect of dilutive potential ordinary shares:		
– Share options	**1,114**	–
Weighted average number of shares for the purpose of diluted earnings per share	**550,703**	500,000

11. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**417,032**	335,351
Less: Provision for impairment loss	**(11,035)**	–
Trade receivables, net	**405,997**	335,351
Classified as:		
Non-current assets *(note)*	**83,776**	105,889
Current assets	**322,221**	229,462
	405,997	335,351

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

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

	31 March 2019	1 April 2018
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**397,005**	321,606
Trade receivables from other sources	**8,992**	3,727
	405,997	325,333

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:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**4,024**	72,022
31 to 90 days	**8,080**	21,165
91 to 180 days	**55,701**	30,456
181 to 365 days	**128,712**	132,511
Over 365 days	**209,480**	79,197
	405,997	335,351

As at 31 March 2019, trade receivables of approximately HK$192,645,000 (2018: HK$207,364,000) 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 (2018: HK$100,000,000) granted to the Group.

12. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**20,771**	21,708
Classified as:		
Non-current liabilities	**9,334**	11,197
Current liabilities	**11,437**	10,511
	20,771	21,708

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

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**862**	8,653
31 to 90 days	**751**	1,079
91 to 180 days	**114**	3,374
181 to 365 days	**4,785**	318
Over 365 days	**14,259**	8,284
	20,771	21,708

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

MANAGEMENT DISCUSSION AND ANALYSIS

The total revenue of the Group was approximately HK$246.5 million for the year ended 31 March 2019, representing a decrease of approximately 11.4% as compared to that for the year ended 31 March 2018. The decrease in revenue was due to the escalating uncertainty in the international trade policy and the global financial conditions as well as weakening economic activities. The Group decided to tighten the credit limit with some of the existing customers in view of their existing significant amounts of receivables in order to initiate new businesses with some new customers, causing a slight decrease in revenue. Gross profit margin decreased from approximately 53.1% for the year ended 31 March 2018 to approximately 42.9% for the year ended 31 March 2019. The decrease was due to the co-investment arrangement with an associate for its business in South Africa, while the Group benefits from the sharing of profit earned by the associate according to our shareholding proportion instead of being rewarded through the sales of the lighting products to the associate.

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, while the other income and gains for the year ended 31 March 2018 of approximately HK$28.0 million mainly included the gain on step acquisition derived from the further acquisition of interest in another associate of the Group.

Selling and distribution costs

The Group's selling and distribution costs for the year ended 31 March 2019 were approximately HK$6.2 million, representing a decrease of approximately 9.3% from approximately HK$6.9 million for the year ended 31 March 2018. 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 increase in salaries as a result of the effect from the business combination of Synergy Cooling Management Limited ("**SCML**"), together with its subsidiaries ("**SCML Group**").

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2019 were approximately HK$49.1 million, representing an increase of approximately 77.1% from approximately HK$27.7 million for the year ended 31 March 2018. The increase was mainly due to (i) the increase in Directors' remuneration and salary expenses as a result of the increase in headcount due to the Group's expansion, salary increment and the effect from the business combination of SCML Group; (ii) the share-based payment expenses during the year ended 31 March 2019 as a result of the share options granted by the Company in April 2018; (iii) 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; and (iv) the increase in the amortisation of intangible assets derived from the business combination of SCML Group.

Finance costs

The Group's finance costs increased from approximately HK$13.0 million for the year ended 31 March 2018 to approximately HK$18.2 million for the year ended 31 March 2019. The increase of approximately 40.3% was due to the full year effect of interest expenses arising from the bank and other borrowings and notes payable that had been drawn down in the year ended 31 March 2018, and the new note payable that was drawn down in the year ended 31 March 2019.

Other expenses

The Group's other expenses increased to approximately HK$45.9 million for the year ended 31 March 2019 from approximately HK$0.9 million for the year ended 31 March 2018. The increase was mainly due to the provision for impairment of goodwill of SCML Group of approximately HK$25.8 million and fair value loss on the equity investment in Invinity (as defined below) of HK$19.0 million during the year ended 31 March 2019.

Income tax expense

The Group's income tax expense for the year ended 31 March 2019 was approximately HK$9.0 million, representing a decrease of approximately 54.7% from approximately HK$19.8 million for the year ended 31 March 2018. The decrease was mainly due to the decrease in taxable income.

Share of results of associates

The Group's share of results of associates for the year ended 31 March 2019 was approximately HK$15.6 million gain, decreased from approximately HK$18.1 million gain for the year ended 31 March 2018. The decrease was mainly due to the net effect of (i) the absence of the share of results from Invinity which was contributed by the non-recurring gain on bargain purchase of approximately HK$18.4 million from the acquisition of interest recorded within Invinity Group for the year ended 31 March 2018; and (ii) the increase in the amount of sharing of results of an associate and its subsidiaries, namely KSL Group (as defined below), as a result of the continuous development in South Africa.

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA decreased from approximately HK$159.4 million for the year ended 31 March 2018 to approximately HK$79.0 million for the year ended 31 March 2019. The Group's EBIT decreased from approximately HK$158.4 million for the year ended 31 March 2018 to approximately HK$68.4 million for the year ended 31 March 2019.

Profit for the year attributable to the owners of the Company

As a result of the foregoing, our profit attributable to the owners of the Company decreased by approximately 64.6% from approximately HK$125.7 million for the year ended 31 March 2018 to approximately HK$44.6 million for the year ended 31 March 2019.

Excluding some major extraordinary or non-operating income and expenses, the adjusted profit attributable to the owners of the Company decreased by approximately 30.5% from approximately HK$86.7 million for the year ended 31 March 2018 to approximately HK$60.3 million for the year ended 31 March 2019. The following table reconciles the adjusted profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses as defined by the Group's management for the years presented to the audited profit attributable to the owners of the Company for the years indicated:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to the owners of the Company	**44,554**	125,704
Add major extraordinary or non-operating expenses:		
Amortisation of intangible assets (included in administrative expenses)	**3,491**	219
Loss on fair value changes of the equity investment in Invinity	**19,000**	–
Unrealised net foreign exchange loss	**8,122**	5,644
Provision for expected credit loss on financial assets, net of deferred tax	**580**	–
Provision for impairment of goodwill allocated to the cash generating unit of SCML	**25,831**	–
Share-based payment expenses in respect of share options	**5,949**	–
	107,527	131,567
Less major extraordinary or non-operating income:		
Gain on deemed disposal of Invinity	**(47,240)**	–
Gain on step acquisition of SCML	**–**	(26,438)
Share of results of associate contributed by the gain on bargain purchase from the acquisition of interest recorded within Invinity Group	**–**	(18,409)
Adjusted profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses	**60,287**	86,720

Basic earnings per share and diluted earnings per share calculated with reference to the adjusted profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses are as follows:

	Year ended 31 March	
	2019	2018
Adjusted basic earnings per share *(HK cents)*	**11.0**	17.3
Adjusted diluted earnings per share *(HK cents)*	**11.0**	17.3

Potential investors should be aware that this adjusted profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses presented in this announcement may not be comparable to similar titled measures reported by other companies due to differences in the components of the calculations.

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 2019, currents assets of the Group amounted to approximately HK$417.0 million, representing an increase of 28.5% from approximately HK$324.6 million as at 31 March 2018. The current assets mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK$28.9 million (2018: approximately HK$39.5 million), trade receivables of approximately HK$322.2 million (2018: approximately HK$229.5 million), and amount due an from associate of approximately HK$30.4 million (2018: approximately HK$16.5 million).

As at 31 March 2019, the Group's current liabilities mainly comprised borrowings of approximately HK$65.1 million (2018: approximately HK$91.7 million), notes payable of HK$140.0 million (2018: HK$80.0 million), trade payables of approximately HK$11.4 million (2018: approximately HK$10.5 million) and accruals, other payables and deposits received of approximately HK$34.6 million (2018: approximately HK$49.1 million).

The Group's current ratio increased from approximately 1.3 times as at 31 March 2018 to approximately 1.5 times as at 31 March 2019. The Group has prepared cash flow projection for the year ending 31 March 2020, 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 2019 was approximately HK$254.3 million (31 March 2018: approximately HK$282.5 million), of which approximately HK$93.6 million (31 March 2018: approximately HK$121.4 million) was due to banks, approximately HK$20.7 million (31 March 2018: approximately HK$31.1 million) was due to independent third parties, and notes payable of approximately HK$140.0 million (31 March 2018: HK$130.0 million). The decrease was due to the net effect of repayment of bank and other borrowings and notes payable and new notes payable drawn during the year ended 31 March 2019.

As at 31 March 2019, the Group's net assets was approximately HK$430.9 million, representing an increase of 30.6% from approximately HK$329.9 million as at 31 March 2018.

As at 31 March 2019, a time deposit of HK$2.5 million was pledged as a security for the bank facilities (31 March 2018: HK$2.5 million). There is an assignment of receivables from one of the customers of the Group and an assignment of investment in life insurance policy of the Group to the bank. Save as disclosed above, the Group has no other charges on its assets as at 31 March 2019.

Placement of new shares and use of proceeds

On 4 April 2018, the Company successfully placed 50 million new shares of the Company, which represented approximately 9.09% of the issued share capital of the Company as enlarged by the placing, to not less than six placees at the placing price of HK$1.09 per placing share. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the placees and their respective ultimate beneficial owners were independent third parties, and that none of the placees had, immediately upon completion of the placing of 50 million new shares, become a substantial shareholder (as defined in the Listing Rules) of the Company. The net proceeds from the placing was approximately HK$52.9 million. The Company intended to use the net proceeds for general working capital of the Group.

The Directors consider the placing offers a good opportunity for the Group to raise further capital and broaden the shareholders base of the Company, thereby increasing the liquidity of the shares as well as strengthening the financial position of the Group.

As of 31 March 2019, all the net proceeds from the placing were utilised in accordance with the intended use.

Contingent liabilities

The Group had no significant contingent liabilities as at 31 March 2019.

Guarantees

The Group had no material guarantees as at 31 March 2019.

Material acquisition and disposal of subsidiary or associated company

On 4 July 2018, Synergy Group Worldwide Limited ("**Synergy Worldwide**"), a wholly-owned subsidiary of the Company, entered into an agreement with, among others, Negawatt Utility Limited ("**NU**") and its shareholders, pursuant to which Synergy Worldwide agreed to subscribe for new shares in NU at a consideration of HK$1.2 million payable in installments, and Synergy Worldwide became interested in approximately 60.0% of the shareholding in NU. Details of the acquisition are set out in the announcement of the Company dated 4 July 2018. On 8 January 2019 and 29 March 2019, some independent third parties agreed to subscribe for new shares in NU and Synergy Worldwide became interested in approximately 51.9% of the shareholding in NU upon completion of these subscriptions.

On 7 March 2018, Synergy Worldwide completed the subscription for 2,400 shares of Invinity Energy Group Limited ("**Invinity**", together with its subsidiaries, the "**Invinity Group**") (representing approximately 23.6% of the issued shares of Invinity at the relevant time) at the consideration of US$3,200,000 ("**Subscription in Invinity**"). Upon the Subscription in Invinity in March 2018 as part of the understanding among our Group and other shareholders of Invinity, it was intended that our Group should be involved in the management of Invinity Group through its right to nominate one director to the board of Invinity. Details of the subscription are set out in the announcement of the Company dated 4 May 2018.

Since the completion of the Subscription in Invinity in March 2018, our Group had participated in determining the overall policies and objectives of Invinity Group and had also been involved in its business planning and decision-making processes in operating and financial aspects. Invinity Group had been seeking for the most effective way to manage and operate the business, such as streamlining and shortening the decision making process. After careful consideration, on 26 September 2018, there was a consensus among other shareholders of Invinity that the board of directors of Invinity would not have involvement of our Group, and our Group would not nominate a director to the board of Invinity. Our Group has not participated in the management and policy-making processes of Invinity Group since then. Our Group continues to hold approximately 23.6% equity interest in Invinity. Since our Group no longer has significant influence over Invinity Group, the above arrangement was accounted for as a deemed disposal of associates by the Group where Invinity Group ceased to be associates of the Group from 26 September 2018 and gave rise to a gain of approximately HK$47,240,000, being the difference between the fair value and the carrying amount of the approximately 23.6% retained equity interest in Invinity as at 26 September 2018. As such, the Group's equity interest in Invinity was accounted for as an equity investment of the Group at fair value through profit or loss (the "**Equity Investment**") under the relevant accounting principle.

The fair value of the Equity Investment was approximately HK$71,000,000 as at 31 March 2019 and fair value loss of HK$19.0 million was recognised during the year ended 31 March 2019. The Invinity Group is principally engaged in investing in mining and processing assets including exploration, development, mining and extraction as well as production and financing of various vanadium products and battery-grade vanadium electrolyte to support the vanadium flow batteries energy storage industry. A key input to the valuation of the fair value of the Equity Investment was the price of the commodity and there was a decrease in commodity price in March 2019 when compared with that in September 2018, leading to a decrease in fair value of the Equity Investment. No dividend from Invinity was received by the Group and no dividend income from Invinity was recognised during the year ended 31 March 2019.

Pursuant to the relevant subscription agreement dated 2 March 2018 entered into between, among others, Synergy Worldwide, Invinity and the shareholders of Invinity, the total consideration in relation to the subscription of shares in Invinity amounted to US$3,200,000.

As at 31 March 2019, US$1,600,000, being half of the subscription monies, had been paid and the balance of the consideration (US$1,600,000) is payable only upon the fulfilment of certain conditions precedent as provided in the relevant subscription agreement, including but not limited to the completion of the due diligence on, among others, the business operation and assets of Invinity Group and the achievement of a number of milestones in relation to the production and operation of Invinity Group.

Saved as disclosed above, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 March 2019.

Associated Company

Kedah Synergy Limited ("**KSL**"), together with its subsidiaries (the "**KSL Group**"), are associated companies of the Group which was owned as to 47.5% by the Group. KSL Group is principally engaged in the business of energy saving management in South Africa.

The revenue of KSL Group for the year ended 31 March 2019 was approximately HK$98.0 million (for the year ended 31 March 2018: approximately HK$37.0 million). The net profit attributable to the shareholders of KSL Group for the year ended 31 March 2019 was HK$33.7 million, increased from approximately HK$14.3 million for the year ended 31 March 2018, as the installation of the customised LED products in the retail outlets of a major retailer in South Africa had been commenced during the year ended 31 March 2018 and there was full year effect during the year ended 31 March 2019.

As disclosed above, during the year ended 31 March 2019, Invinity Group ceased to be associates of the Group, details of which are set out in the paragraph headed "Material Acquisition and Disposal of Subsidiary or Associated Company" in the section headed "Management Discussion and Analysis" in this announcement.

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 2019.

Employees and Remuneration Policies

As of 31 March 2019, the Group had 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.

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.

The Company has adopted a share option scheme as an incentive to its Directors and eligible employees of the Group, details of which are set out in the paragraph headed "Share Option Scheme" below.

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 adopted by the Company on 5 March 2015 (as amended on 26 October 2016) (the "**Grant**"). Details of the grant are set out in the Company's announcement dated 19 April 2018.

Share Option Scheme

The Company has adopted the Share Option Scheme on 5 March 2015 (which was amended on 26 October 2016) ("**Share Option Scheme**"). Under the Share Option Scheme, the Board may in its absolute discretion grant options to directors or employees (whether full time or part time) of our Company and its subsidiaries and associated companies (the "**Qualified Participants**") 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 2019:

Grantees	Date of grant	Exercise period	Exercise price	Number of share options: Outstanding as at 1 April 2018	Granted during the year	Lapsed/ forfeited during the year	Cancelled during the year	Outstanding as at 31 March 2019
Directors								
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*
LAM Arthur	19 April 2018	19 April 2018 to 18 April 2019*	HK$1.268 per share	–	5,500,000	–	–	5,500,000*
CHUNG Koon Yan	19 April 2018	19 April 2018 to 18 April 2019*	HK$1.268 per share	–	50,000	–	–	50,000*
CHEUNG Yick Hung Jackie	19 April 2018	19 April 2018 to 18 April 2019*	HK$1.268 per share	–	50,000	–	–	50,000*
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 2019 to 18 April 2020	HK$1.268 per share	–	3,232,400	26,200	–	3,206,200
	19 April 2018	19 April 2020 to 18 April 2021	HK$1.268 per share	–	1,650,000	–	–	1,650,000
				–	21,532,400	26,200	–	21,506,200

* Such outstanding share options lapsed on 19 April 2019.

Foreign Currency Exposure

The Group's revenue and expenses are mainly in Hong Kong dollar which is the functional currency of most of the entities making up the Group. As it is expected that there will be a continuously increase in revenue from overseas 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 2019, the gearing ratio of the Group was 59.7% (31 March 2018: 86.7%), which is calculated on the basis of the amount of total debts divided by the total equity. The decrease was due to the placing of 50 million new shares and repayment of bank and other borrowings and notes payable during the year ended 31 March 2019.

Dividend

The Board did not recommend the payment of any dividend for the year ended 31 March 2019 (31 March 2018: Nil).

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 2019 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 perseverance in tackling climate change was also seen in global leaders and officials gathering at the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change in December 2018, in order to establish rules and put Paris Agreement into practice. The Group believes this momentum will continue to support the growth of energy saving and management industry, in turn offering us opportunities to capture the market.

Providing discrete energy saving product is not enough to prevail in such a competitive and complex market. The Group needs to handle competition with innovative solutions and diversified business strategies. Therefore, the Group invested in NU, a company which uses artificial intelligence and big data analytics to reduce energy, operational and maintenance costs for buildings. The investment represents a further step towards achieving the Group's goals – enabling the world with greater efficiency and productivity to vitalise a sustainable world. At the dawn of digital era, the growing demand in smart processing on data and information for effective building operations and management as well as energy consumption reduction provides ample opportunities for the Group to utilise its competitive edges in terms of enhanced technology, service portfolio and talent to deliver comprehensive intelligent solutions to both existing and potential new clients.

The Group is confident in surmounting every challenge by leveraging its strong market position and diverse customer base to expand its revenue stream through launching of new technologies and services. 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 2019.

Directors' Interests in Competing Business

As of 31 March 2019, 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 2019.

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 2019, 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 role of Chairman of the Board and Chief Executive Officer of the Company has 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 2018/2019 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 2019 and up to the date of this announcement.

Audit Committee and Review of Consolidated Financial Information

The audit committee of the Board (the "**Audit Committee**") was established with its 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 possessing the appropriate professional qualifications and accounting and related financial management expertise.

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

The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 March 2019, including the accounting principles and practices adopted by the Group, which was of the opinion that such financial information complied with the applicable accounting standards and requirements and the Listing Rules, and adequate disclosures had been made.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on Monday, 16 September 2019. A circular containing, among other matters, further information relating to the AGM will be published and despatched to the shareholders of the Company in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be Monday, 16 September 2019) be closed from Tuesday, 10 September 2019 to Monday, 16 September 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 September 2019.

PRE-EMPTIVE RIGHTS

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of Group's results for the year ended 31 March 2019 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.synergy-group.com). The Annual Report of the Company for the year ended 31 March 2019 containing the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 28 June 2019

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.