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Synergy Group Holdings International Limited

滙能集團控股國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1539)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Six months ended	
	30 September	
	2020	2019*
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	17,243	115,075
Leasing services of energy saving systems	4,960	6,821
Trading of energy saving products	12,283	88,989
Consultancy service	–	19,265
	<hr/>	<hr/>
Gross profit	4,486	66,317
EBITDA (note 1)	(56,304)	56,423
EBIT (note 1)	(59,306)	50,325
	<hr/>	<hr/>
(Loss)/profit attributable to owners of the Company	(76,104)	32,934
Basic (loss)/earnings per share (<i>HK cents</i>)	(13.4)	6.0
Diluted (loss)/earnings per share (<i>HK cents</i>)	(13.4)	6.0
	<hr/>	<hr/>
Adjusted (loss)/profit attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses (note 2)	(19,714)	36,788
Basic (loss)/earnings per share (<i>HK cents</i>)	(3.5)	6.7
Diluted (loss)/earnings per share (<i>HK cents</i>)	(3.5)	6.7
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	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Total assets	<u>589,849</u>	<u>650,588</u>
Total liabilities	<u>332,572</u>	<u>335,506</u>
Net assets	<u><u>257,277</u></u>	<u><u>315,082</u></u>

* *The Group disposed of its 51.87% equity interest in Negawatt Utility Group Holdings Limited (“NU”) during the year ended 31 March 2020. The business of Building AI (artificial intelligence) SaaS, which was carried out by NU, has been re-presented as discontinued operations in the comparative unaudited condensed consolidated statement of comprehensive income for the six months ended 30 September 2019.*

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 (loss)/profit after excluding some major extraordinary or non-operating income and expenses as defined by the Group’s management, the details of which can be referred to page 39 of this announcement.

- The Group’s revenue decreased by 85.1% from approximately HK\$115.1 million for the six months ended 30 September 2019 to approximately HK\$17.2 million for the six months ended 30 September 2020.
- The Group’s gross profit decreased by 93.2% from approximately HK\$66.3 million for the six months ended 30 September 2019 to approximately HK\$4.5 million for the six months ended 30 September 2020.

- The Group's profit attributable to the owners of the Company amounted to approximately HK\$32.9 million for the six months ended 30 September 2019 while loss attributable to the owners of the Company amounted to approximately HK\$76.1 million for the six months ended 30 September 2020.

- Excluding some major extraordinary or non-operating income and expenses, the Group's adjusted profit attributable to the owners of the Company amounted to approximately HK\$36.8 million for the six months ended 30 September 2019 while adjusted loss attributable to the owners of the Company amounted to approximately HK\$19.7 million for the six months ended 30 September 2020.

- Basic or diluted earnings per share was approximately HK6.0 cents for the six months ended 30 September 2019 while basic or diluted loss per share was approximately HK13.4 cents for the six months ended 30 September 2020. Adjusted basic or diluted earnings per share calculated with reference to adjusted profit was approximately HK6.7 cents for the six months ended 30 September 2019 while adjusted basic or diluted loss per share calculated with reference to adjusted loss was approximately HK3.5 cents for the six months ended 30 September 2020.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Synergy Group Holdings International Limited 滙能集團控股國際有限公司 (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the six months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	4(a)	17,243	115,075
Cost of sales		<u>(12,757)</u>	<u>(48,758)</u>
Gross profit		4,486	66,317
Other income and gains	4(b)	17,030	3,091
Administrative expenses		(12,117)	(14,780)
Selling and distribution costs		(1,910)	(2,768)
Finance costs	5	(32,450)	(8,445)
Other expenses		(70,982)	(6,457)
Share of results of associates		<u>4,187</u>	<u>4,922</u>
(Loss)/profit before income tax	6	(91,756)	41,880
Income tax credit/(expense)	8	<u>15,001</u>	<u>(3,897)</u>
(Loss)/profit for the period from continuing operations		(76,755)	37,983
Discontinued operations			
Loss for the period from discontinued operations	7	<u>–</u>	<u>(3,304)</u>
(Loss)/profit for the period		(76,755)	34,679

		Six months ended	
		30 September	
		2020	2019
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss			
	– Exchange difference arising on translation of financial statements of foreign operations	1,181	(2,350)
	– Share of other comprehensive income of associates	(84)	(140)
		<u>1,097</u>	<u>(2,490)</u>
Other comprehensive income for the period, net of tax			
		<u>(75,658)</u>	<u>32,189</u>
Total comprehensive income for the period			
(Loss)/profit for the period attributable to:			
	Owners of the Company	(76,104)	32,934
	Non-controlling interests	(651)	1,745
		<u>(76,755)</u>	<u>34,679</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	(75,070)	30,488
	Non-controlling interests	(588)	1,701
		<u>(75,658)</u>	<u>32,189</u>
(Loss)/earnings per share attributable to owners of the Company from continuing and discontinued operations			
	Basic (<i>HK cents</i>)	10 (13.4)	6.0
	Diluted (<i>HK cents</i>)	10 (13.4)	6.0
		<u>10</u> (13.4)	<u>6.0</u>
From continuing operations			
	Basic (<i>HK cents</i>)	10 (13.4)	6.4
	Diluted (<i>HK cents</i>)	10 (13.4)	6.4
		<u>10</u> (13.4)	<u>6.4</u>
From discontinued operations			
	Basic (<i>HK cents</i>)	10 N/A	(0.4)
	Diluted (<i>HK cents</i>)	10 N/A	(0.4)
		<u>10</u> N/A	<u>(0.4)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020	As at 31 March 2020
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	16,813	18,652
Intangible assets		–	577
Goodwill		34,584	34,584
Interests in associates		52,496	48,393
Equity investment at fair value through profit or loss		49,000	49,000
Other financial assets at fair value through profit or loss		–	10,772
Trade receivables	12	36,816	57,697
Finance lease receivables		18,175	29,192
Deposits and other receivables		148	144
Deferred tax assets		25,102	10,251
		<u>233,134</u>	<u>259,262</u>
Current assets			
Inventories		773	900
Trade receivables	12	306,808	328,697
Finance lease receivables		10,493	12,977
Deposits, prepayments and other receivables		18,280	15,879
Due from an associate		19,008	21,003
Pledged bank deposits		–	2,500
Cash and cash equivalents		1,353	9,370
		<u>356,715</u>	<u>391,326</u>

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade payables	13	11,203	11,099
Contract liabilities		2,620	4,495
Accruals, other payables and deposits received	14	113,168	90,545
Borrowings	15	87,403	102,010
Lease liabilities		1,083	1,969
Notes payable	16	76,600	80,000
Due to a related company		784	616
Due to directors		10,735	10,605
Provision for taxation		2,598	2,748
		<u>306,194</u>	<u>304,087</u>
Net current assets		<u>50,521</u>	<u>87,239</u>
Total assets less current liabilities		<u>283,655</u>	<u>346,501</u>
Non-current liabilities			
Trade payables	13	14,611	16,317
Deposits received		4,785	5,254
Bonds payable		2,000	2,000
Financial liabilities at fair value through profit or loss		3,716	3,597
Lease liabilities		1,266	1,651
Notes payable		–	2,600
		<u>26,378</u>	<u>31,419</u>
Net assets		<u>257,277</u>	<u>315,082</u>
EQUITY			
Share capital	17	6,600	5,500
Reserves		256,205	314,522
Equity attributable to owners of the Company		<u>262,805</u>	<u>320,022</u>
Non-controlling interests		<u>(5,528)</u>	<u>(4,940)</u>
Total equity		<u>257,277</u>	<u>315,082</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company							Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Share option reserve* HK\$'000	Capital reserves* HK\$'000	Merger reserve* HK\$'000	Foreign exchange reserves* HK\$'000	Retained profits* HK\$'000			
At 1 April 2020 (Audited)	5,500	87,160	2,263	7,388	12,183	(2,349)	207,877	320,022	(4,940)	315,082
Issue of shares	1,100	17,160	-	-	-	-	-	18,260	-	18,260
Transaction costs on issue of shares	-	(549)	-	-	-	-	-	(549)	-	(549)
Equity-settled share option arrangements	-	-	142	-	-	-	-	142	-	142
Release of share option reserve upon forfeiture or lapse of share options	-	-	(1,251)	-	-	-	1,251	-	-	-
Loss for the period	-	-	-	-	-	-	(76,104)	(76,104)	(651)	(76,755)
Other comprehensive income										
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	1,118	-	1,118	63	1,181
Share of other comprehensive income of associates	-	-	-	-	-	(84)	-	(84)	-	(84)
Total comprehensive income for the period	-	-	-	-	-	1,034	(76,104)	(75,070)	(588)	(75,658)
At 30 September 2020 (Unaudited)	6,600	103,771	1,154	7,388	12,183	(1,315)	133,024	262,805	(5,528)	257,277
At 1 April 2019 (Audited)	5,500	87,160	5,949	13,934	12,183	434	306,443	431,603	(706)	430,897
Equity-settled share option arrangements	-	-	373	-	-	-	-	373	-	373
Profit for the period	-	-	-	-	-	-	32,934	32,934	1,745	34,679
Other comprehensive income										
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	(2,306)	-	(2,306)	(44)	(2,350)
Share of other comprehensive income of associates	-	-	-	-	-	(140)	-	(140)	-	(140)
Total comprehensive income for the period	-	-	-	-	-	(2,446)	32,934	30,488	1,701	32,189
At 30 September 2019 (Unaudited)	5,500	87,160	6,322	13,934	12,183	(2,012)	339,377	462,464	995	463,459

* These reserve accounts comprise the consolidated reserves of HK\$256,205,000 in the consolidated statement of financial position as at 30 September 2020 (31 March 2020: HK\$314,522,000).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Cash flows from operating activities		
(Loss)/profit before income tax		
Continuing operations	(91,756)	41,880
Discontinued operations	–	(3,304)
Adjustments for:		
Interest income	(293)	(196)
Interest expense	31,990	8,349
Amortisation of intangible assets	577	2,770
Depreciation of property, plant and equipment	2,425	3,603
Equity-settled share option expense	142	373
Fair value gains on other financial assets at fair value through profit or loss	(156)	(171)
Loss on disposals of property, plant and equipment	61	4
Loss on modification of financial assets	65,507	–
Premium and other charges on life insurance policies	66	–
Provision for impairment loss of financial assets	5,415	4,959
Share of results of associates	(4,187)	(4,922)
(Reversal of warranty provision)/ warranty provision, net	(122)	101
Operating profit before working capital changes	9,669	53,446
Decrease/(increase) in inventories	127	(553)
Increase in trade receivables	(18,434)	(63,646)
Decrease in finance lease receivables	3,781	6,124
(Increase)/decrease in deposits, prepayments and other receivables	(2,193)	6,381
(Decrease)/increase in trade payables	(1,602)	9,017
Increase in amount due to a related company	168	168
Decrease in contract liabilities	(1,875)	(830)
(Decrease)/increase in accruals, other payables and deposits received	(3,066)	7,784
Cash (used in)/generated from operations	(13,425)	17,891
Income tax paid	–	(11,907)
Net cash (used in)/generated from operating activities	(13,425)	5,984

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Purchases of property, plant and equipment	(12)	(1,088)
Proceeds from disposal of other financial assets at fair value through profit or loss	10,928	–
Repayments from associates	1,995	19,971
Interest received	11	196
Decrease in pledged bank deposits	2,500	–
	<hr/>	<hr/>
Net cash generated from investing activities	15,422	19,079
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issue of shares	18,260	–
Payments for share issue expenses	(549)	–
Interest paid on other payables	(3,224)	–
Interest paid on borrowings	(3,336)	(2,077)
Interest paid on notes	–	(6,111)
Interest element on lease payments	(88)	(161)
Capital element of lease payments	(1,469)	(1,931)
Proceeds from borrowings	10,463	–
Repayment of borrowings	(25,070)	(24,761)
Proceeds from issue of notes	–	2,600
Repayment of notes	(6,000)	–
Advances from directors	1,621	250
Repayments of advances from directors	(1,491)	(100)
	<hr/>	<hr/>
Net cash used in financing activities	(10,883)	(32,291)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(8,886)	(7,228)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the period	9,370	26,440
	<hr/>	<hr/>
Effect of foreign exchange rate changes	869	(924)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	1,353	18,288
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of compliance

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2020 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the annual period beginning on 1 April 2020, as disclosed in the annual financial statements for the year ended 31 March 2020. The adoption of these new and revised HKFRSs does not have a significant impact on the Group's results and financial position.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 March 2020.

The Group has not applied the following new/revised HKFRSs, potentially relevant to the Group, that have been issued but are not yet effective, in these unaudited condensed consolidated financial statements.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds Before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ¹
Annual Improvements Project	Annual Improvements 2018-2020 Cycle ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

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

² *Effective for annual periods beginning on or after 1 January 2022*

³ *Effective for annual periods beginning on or after 1 January 2023*

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 continue to be permitted.*

The Group is in the process of assessing the potential impact of the above new/revised HKFRSs upon initial application but is not yet in a position to state whether the above new/revised HKFRSs will have a significant impact on the Group's results and financial position.

(b) Basis of measurement

These unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values.

(c) Functional and presentation currency

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

3. SEGMENT INFORMATION

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

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

In February 2020, the Group completed the disposal of the business of provision of artificial intelligence (AI) technology services (“**Building AI SaaS**”). In accordance with HKFRS 5, the segment of Building AI SaaS for the six months ended 30 September 2019 is presented as discontinued operations in these unaudited condensed consolidated financial statements.

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

	Leasing services of energy saving systems <i>HK\$'000</i>	Trading of energy saving products <i>HK\$'000</i>	Consultancy service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2020 (Unaudited)				
Revenue from external customers	<u>4,960</u>	<u>12,283</u>	<u>–</u>	<u>17,243</u>
Reportable segment loss	<u>(1,784)</u>	<u>(60,598)</u>	<u>(4,364)</u>	<u>(66,746)</u>
Capital expenditure	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Depreciation	<u>1,493</u>	<u>–</u>	<u>–</u>	<u>1,493</u>
Six months ended 30 September 2019 (Unaudited)				
Revenue from external customers	<u>6,821</u>	<u>88,989</u>	<u>19,265</u>	<u>115,075</u>
Reportable segment profit	<u>3,919</u>	<u>38,826</u>	<u>18,390</u>	<u>61,135</u>
Capital expenditure	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Depreciation	<u>2,170</u>	<u>–</u>	<u>–</u>	<u>2,170</u>
As at 30 September 2020 (Unaudited)				
Reportable segment assets	<u>55,713</u>	<u>307,278</u>	<u>31,045</u>	<u>394,036</u>
Reportable segment liabilities	<u>13,068</u>	<u>29,167</u>	<u>17</u>	<u>42,252</u>
As at 31 March 2020 (Audited)				
Reportable segment assets	<u>68,090</u>	<u>352,699</u>	<u>35,291</u>	<u>456,080</u>
Reportable segment liabilities	<u>12,004</u>	<u>33,948</u>	<u>32</u>	<u>45,984</u>

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment (loss)/profit	(66,746)	61,135
Unallocated corporate income (<i>note</i>)	16,809	2,782
Unallocated corporate expenses (<i>note</i>)	(13,556)	(18,514)
Finance costs	(32,450)	(8,445)
Share of results of associates	4,187	4,922
	<hr/>	<hr/>
(Loss)/profit before income tax from continuing operations	<u>(91,756)</u>	<u>41,880</u>

Note: Unallocated corporate income mainly includes net foreign exchange gain. Unallocated corporate expenses mainly include amortisation of intangible assets, depreciation of right-of-use assets, legal and professional fees, salaries and other staff costs.

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Reportable segment assets from continuing operations	394,036	456,080
Intangible assets	–	577
Goodwill	34,584	34,584
Interests in associates	52,496	48,393
Equity investment at fair value through profit or loss (“FVTPL”)	49,000	49,000
Other financial assets at FVTPL	–	10,772
Deferred tax assets	25,102	10,251
Due from an associate	19,008	21,003
Pledged bank deposits	–	2,500
Cash and cash equivalents	1,353	9,370
Other corporate assets	<u>14,270</u>	<u>8,058</u>
Group assets	<u>589,849</u>	<u>650,588</u>
Reportable segment liabilities from continuing operations	42,252	45,984
Settlement payables	47,125	51,125
Borrowings	87,403	102,010
Lease liabilities	2,349	3,620
Notes payable	76,600	82,600
Due to a related company	784	616
Due to directors	10,735	10,605
Provision for taxation	2,598	2,748
Bonds payable	2,000	2,000
Financial liabilities at FVTPL	3,716	3,597
Other corporate liabilities (<i>note</i>)	<u>57,010</u>	<u>30,601</u>
Group liabilities	<u>332,572</u>	<u>335,506</u>

Note: Other corporate liabilities mainly include consideration payable for the investment in InVinity Energy Group Limited (“InVinity”), interest payable, and accruals and other payables for salaries and other operating expenses.

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

	Revenue from external customers (including continuing and discontinued operations)	
	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong (domiciled)	10,288	35,149
Australia	–	26,204
Indonesia	3,052	4,065
Japan	–	17,647
Malaysia	3,890	32,991
Other overseas locations	13	362
	17,243	116,418

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

	Specified non-current assets	
	As at 30 September	As at 31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong (domiciled)	87,669	84,853
Malaysia	16,224	17,353
	103,893	102,206

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 (including continuing and discontinued operations). Revenue derived from these customers are as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A #	N/A	17,647
Customer B ##	N/A	19,265
Customer C #	9,574	14,374
Customer D #	N/A	12,633
Customer E #	N/A	17,255
Customer F #	N/A	15,270
Customer G ###	3,052	N/A

Attributable to segment of trading of energy saving products

Attributable to segment of Consultancy service

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

N/A *Transactions did not exceed 10% of the Group's revenue*

4. REVENUE AND OTHER INCOME AND GAINS

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

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Revenue from contracts with customer within the scope of HKFRS 15		
Trading of energy saving products	12,283	88,989
Consultancy service income	—	19,265
	<u>12,283</u>	<u>108,254</u>
Revenue from other sources		
Leasing service income	4,960	6,821
	<u>4,960</u>	<u>6,821</u>
	<u>17,243</u>	<u>115,075</u>
Timing of revenue recognition		
At a point in time	<u>12,283</u>	<u>108,254</u>

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

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Interest income		
– From bank deposits	11	18
– From other financial assets at FVTPL	66	–
– From other receivables	199	147
– From advance to non-controlling interests	17	25
	<u>293</u>	190
Fair value gains on other financial assets at FVTPL	156	171
Government grants	1,402	–
Management income	758	–
Net foreign exchange gain	14,181	2,352
Others	240	378
	<u>17,030</u>	<u>3,091</u>

5. FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on financial liabilities carried at amortised cost		
– Interest on other payables	6,334	–
– Interest on borrowings	4,378	2,077
– Interest on notes payable	20,909	6,111
– Interest on bonds payable	83	–
– Interest on lease liabilities	88	153
	<u>31,792</u>	<u>8,341</u>
Interest on financial liabilities at FVTPL	198	–
Transaction costs on bank borrowings and notes	460	104
	<u>460</u>	<u>104</u>
	<u>32,450</u>	<u>8,445</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Amortisation of intangible assets (included in administrative expenses)	577	2,770
Cost of inventories sold	9,725	43,956
Depreciation of property, plant and equipment		
– Owned	1,525	1,932
– Right-of-use assets	900	1,396
	2,425	3,328
Employee benefit expenses		
– Salaries and welfare	8,589	9,807
– Equity-settled share option expense	142	373
– Defined contributions	456	594
	9,187	10,774
Loss on disposals of property, plant and equipment	61	4
Loss on modification of financial assets	65,507	–
Net foreign exchange gain	(14,181)	(2,352)
Provision for impairment loss of financial assets	5,415	4,959
(Reversal of warranty provision)/warranty provision, net	(122)	101

7. DISCONTINUED OPERATIONS

In February 2020, the Group completed the disposal of 51.87% equity interest in Negawatt Utility Group Holdings Limited (“NU”) to an independent third party. The principal activity of NU is Building AI SaaS business, which represented the separated line of major business and is classified as discontinued operations. For the purpose of presenting discontinued operation, the comparative unaudited condensed consolidated statement of comprehensive income and the related notes have been re-presented.

The results of the Building AI SaaS business for the six months ended 30 September 2019 are as follows:

	Six months ended 30 September 2019 <i>HK\$'000</i> (Unaudited)
Revenue	1,343
Cost of sales	<u>(2,851)</u>
Gross loss	(1,508)
Other income and gains	11
Administrative expenses	(1,799)
Finance costs	<u>(8)</u>
Loss before income tax	(3,304)
Income tax expense	<u>–</u>
Loss for the period from discontinued operations	<u><u>(3,304)</u></u>
Cash flows used in operating activities	(2,718)
Cash flows used in investing activities	(1,367)
Cash flows used in financing activities	<u>(961)</u>
Net cash outflow	<u><u>(5,046)</u></u>

Employee benefit expense of discontinued Building AI SaaS business for the six months ended 30 September 2019 of HK\$2,497,000 included salaries and welfare of HK\$2,391,000 and defined contribution of HK\$106,000.

8. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense in the unaudited condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax						
– Current period	-	-	-	4,567	-	4,567
– Over-provision in respect of prior years	(150)	-	(150)	-	-	-
Deferred tax						
– Current period	(15,090)	-	(15,090)	(670)	-	(670)
– Under-provision in respect of prior year	239	-	239	-	-	-
Income tax (credit)/expense	<u>(15,001)</u>	<u>-</u>	<u>(15,001)</u>	<u>3,897</u>	<u>-</u>	<u>3,897</u>

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 (six months ended 30 September 2019: HK\$2,000,000) of qualified entity's assessable profit is calculated at 8.25% (six months ended 30 September 2019: 8.25%), which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2019/20.

Provision for the EIT in the People's Republic of China (the "PRC") is calculated based on a statutory tax rate 25% (six months ended 30 September 2019: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

Provision for income tax in respect of a subsidiary incorporated in Labuan in Malaysia is calculated based on 3% of its net profits (six months ended 30 September 2019: lump sum income taxation charge of Malaysia Ringgit 20,000). 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.

9. DIVIDENDS

No dividend has been paid or declared by the Company during each of the six months ended 30 September 2020 and 2019.

10. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company		
– Continuing operations	(76,104)	34,936
– Discontinued operations	–	(2,002)
	<u> </u>	<u> </u>
(Loss)/profit from continuing operations and discontinued operations	<u>(76,104)</u>	<u>32,934</u>

	Six months ended 30 September	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	567,432	550,000
Effect of dilutive potential ordinary shares		
– Share options	–	–
	<u> </u>	<u> </u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>567,432</u>	<u>550,000</u>

For the six months ended 30 September 2020, basic loss per share is the same as diluted loss per share. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment at cost of HK\$107,000 (six months ended 30 September 2019: HK\$1,088,000), and disposed of items of property, plant and equipment with an aggregate net book value of HK\$61,000 (six months ended 30 September 2019: HK\$4,000).

12. TRADE RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	410,604	447,169
<i>Less:</i> Provision for impairment loss	<u>(66,980)</u>	<u>(60,775)</u>
Trade receivables, net	<u>343,624</u>	<u>386,394</u>
Classified as:		
Non-current assets	36,816	57,697
Current assets	<u>306,808</u>	<u>328,697</u>
	<u>343,624</u>	<u>386,394</u>

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 schedule of 84 months from the Group.

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	3,493	3,497
31 to 90 days	3,000	6,933
91 to 180 days	6,903	5,818
181 to 365 days	10,370	93,578
Over 365 days	<u>319,858</u>	<u>276,568</u>
	<u>343,624</u>	<u>386,394</u>

The Group assigned certain receivables of a customer to a bank to secure banking facilities granted to the Group (the "Assignment"). As at 30 September 2020, trade receivables of HK\$105,363,000 (31 March 2020: HK\$137,845,000) were subject to the Assignment.

13. TRADE PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	<u>25,814</u>	<u>27,416</u>
Classified as:		
Non-current liabilities	14,611	16,317
Current liabilities	<u>11,203</u>	<u>11,099</u>
	<u>25,814</u>	<u>27,416</u>

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	268	110
31 to 90 days	53	63
91 to 180 days	547	318
181 to 365 days	321	12,526
Over 365 days	<u>24,625</u>	<u>14,399</u>
	<u>25,814</u>	<u>27,416</u>

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. As such, the fair value of the consideration attributable to the supplier is determined by discounting the nominal amount of all future payments.

14. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

In 2017, the Company issued certain notes to two companies (the “**Creditors**”), and subsequently entered into a deed of settlement with each of the Creditors (collectively, “**Deeds of Settlement**”) in respect of the notes on 22 July 2020. As at 30 September 2020, the carrying amount of the settlement payable was HK\$47,125,000 (31 March 2020: HK\$51,125,000). Subsequent to the reporting date, the Company received the statutory demands from the legal representatives acting on behalf of each of the Creditors, demanding payment from the Company for its indebtedness under each of the Deeds of Settlement within 21 days from 14 October 2020, the date of service of the statutory demands, failing which each of the Creditors may present a winding up petition against the Company. Further details are set out in the Company's announcement dated 16 October 2020.

15. BORROWINGS

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Secured and guaranteed bank loans			
– Amounts repayable within one year	<i>(a), (c)</i>	40,813	22,136
– Amounts repayable after one year but contain a repayable on demand clause		–	35,184
Secured and guaranteed other loans			
– Amounts repayable within one year		33,560	19,490
– Amounts repayable after one year but contain a repayable on demand clause	<i>(e)</i>	–	6,617
Unsecured and guaranteed other loans			
– Amounts repayable within one year	<i>(c), (d)</i>	13,030	13,427
– Amounts repayable after one year but contain a repayable on demand clause	<i>(e)</i>	–	5,156
Current liabilities		<u>87,403</u>	<u>102,010</u>
Total borrowings		<u>87,403</u>	<u>102,010</u>

Notes:

- (a) In relation to the bank loan whose carrying amount was HK\$35,863,000 as at 30 September 2020, the Company received two statutory demands from the legal adviser acting on behalf of the bank, demanding payment from the Group for its indebtedness under certain banking facilities and the related corporate guarantees provided in favour of the bank, the first statutory demand demanded payment within 21 days from 19 August 2020 and the second statutory demand demanded payment within 21 days from 23 September 2020, those two dates being the dates of service of the respective statutory demand, failing which the bank may present a winding up petition against the Company. Further details are set out in the Company's announcements dated 2 September 2020 and 29 September 2020.

- (b) As at 30 September 2020, the bank loans were secured by finance lease receivables of HK\$23,487,000 (31 March 2020: HK\$36,088,000) and trade receivables of HK\$105,363,000 (31 March 2020: HK\$137,845,000) under the Assignment. As at 31 March 2020, the bank loans were further secured by the pledge of bank deposits of HK\$2,500,000 and other financial assets at FVTPL of HK\$10,772,000. Borrowings were also under the corporate guarantees from the Company and/or Synergy Group Worldwide Limited, a subsidiary of the Company.
- (c) As at 30 September 2020, bank loans of HK\$35,863,000 (31 March 2020: Nil) and other loans of HK\$12,734,000 (31 March 2020: HK\$674,000) were overdue.
- (d) Subsequent to the reporting date, in relation to the other loan whose carrying amount was HK\$12,461,000 as at 30 September 2020, the Company received a statutory demand from the legal adviser acting on behalf of the lender, demanding payment from the Company for its indebtedness under a corporate guarantee provided in favour of the lender within 21 days from 27 October 2020, the date of service of the statutory demand, failing which the lender may present a winding up petition against the Company. Further details are set out in the Company's announcement dated 6 November 2020.
- (e) The Group entered into a loan agreement with an independent third party which gives the independent third party the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations.

Based on the schedule repayment dates set out in the bank loan and other loan agreements and ignoring the effect of any repayment on demand clause, the borrowings are repayable as follows:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Within one year	87,403	55,053
In the second year	–	33,606
In the third to fifth years	–	13,351
	<u>87,403</u>	<u>102,010</u>

16. NOTES PAYABLE

In relation to the note payable whose carrying amount was HK\$54,000,000 (31 March 2020: HK\$60,000,000) and which has been overdue as at 30 September 2020, the Company received a statutory demand from the legal adviser acting on behalf of the noteholder, demanding payment from the Company for its indebtedness under the note within 21 days from 7 August 2020, the date of service of the statutory demand, failing which the noteholder may present a winding up petition against the Company. Further details are set out in the Company's announcements dated 12 August 2020 and 6 November 2020.

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Issued and fully paid ordinary shares:		
At 1 April 2019, 31 March 2020 and 1 April 2020	550,000,000	5,500
Issue of shares by placing (<i>note</i>)	<u>110,000,000</u>	<u>1,100</u>
At 30 September 2020 (Unaudited)	<u><u>660,000,000</u></u>	<u><u>6,600</u></u>

Note: On 2 September 2020, the Company issued 110,000,000 shares by way of placing at HK\$0.166 each. Net proceeds of HK\$17,711,000 were raised, comprising share capital of HK\$1,100,000 and share premium of HK\$17,160,000, net of share issue expenses of HK\$549,000.

18. RELATED PARTY TRANSACTIONS

(a) The Group had the following material related party transactions during the period:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of goods to associates	<u>905</u>	<u>14,374</u>
Computer software consultancy service fees paid to a related company	<u>168</u>	<u>168</u>
Rental expenses paid to a related company	<u>102</u>	<u>122</u>
Management income from a related company (<i>note</i>)	<u>758</u>	<u>–</u>

Note: Management income was received on a cost reimbursement basis for general administrative services provided by the Group to a related company, in which Mr. Arthur Lam is a director.

Except as disclosed above, the nature and terms of the above related party transactions have not changed and were disclosed in the Group's audited consolidated financial statements for the year ended 31 March 2020.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,455	2,898
Equity-settled share option expense	<u>58</u>	<u>–</u>
	<u>2,513</u>	<u>2,898</u>

19. FINANCIAL INSTRUMENTS

Fair value measurement

The fair values of the Group's current portion of financial assets and liabilities measured at amortised cost are not materially different from their carrying amounts because of the immediate or short term maturity. The fair values of the non-current portion of financial assets and liabilities measured at amortised cost are not disclosed because the values are not materially different from their carrying amounts.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)	Fair value hierarchy
Equity investment at FVTPL			
Unlisted equity investment	49,000	49,000	Level 3
Other financial assets at FVTPL			
Investment in life insurance policy	–	10,772	Level 2
Financial liabilities at FVTPL			
Redeemable preference shares	<u>(3,716)</u>	<u>(3,597)</u>	<u>Level 3</u>

There were no transfers between different levels during the period.

Information about level 2 fair value measurements

The fair value of investment in life insurance policy is determined based on the cash value as stated in the cash surrender value statement issued by the insurer.

Information about level 3 fair value measurements

The fair value of the unlisted equity investment in InVinity is estimated using a discounted cash flow method.

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements:

Description	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Discounted cash flow method	Weighted average cost of capital (“WACC”)	14%	A 5% increase (decrease) in WACC would result in decrease (increase) in fair value by HK\$2,000,000
		Discount for lack of marketability	35%	A 5% increase (decrease) in discount for lack of marketability would result in decrease (increase) in fair value by HK\$1,000,000

Reconciliation for unlisted equity instrument carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	As at 30 September 2020 <i>HK\$’000</i> (Unaudited)	As at 31 March 2020 <i>HK\$’000</i> (Audited)
At beginning of the period/year	49,000	71,000
Fair value change	<u>—</u>	<u>(22,000)</u>
At end of the period/year	<u>49,000</u>	<u>49,000</u>

Fair value change of unlisted equity investment at FVTPL was recognised in other expenses on the face of the unaudited condensed consolidated statement of comprehensive income.

20. SIGNIFICANT EVENT DURING THE PERIOD

The outbreak of the Novel Coronavirus (“COVID-19”) since early 2020 has resulted in significant decrease in commercial activities in various locations where the Group operates and negatively affected the Group’s business operations for the six months ended 30 September 2020.

In preparing these unaudited condensed consolidated financial statements, the Group has taken into account the increased risks caused by the COVID-19 on impairment of the Group’s financial and non-financial assets when assessing asset impairment including trade receivables, finance lease receivables, goodwill and equity investment at FVTPL.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there are no other matters that would result in a significant adverse impact on the Group’s results and financial position as at the reporting date as a result of the COVID-19.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or extended to conform with the current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The total revenue of the Group was approximately HK\$17.2 million for the six months ended 30 September 2020, representing an 85.1% decrease as compared to that for the six months ended 30 September 2019. The decrease in revenue was mainly attributable to (i) the decrease in revenue in the trading of energy saving products segment by 86.2% due to the drop in customer demand and the delays in delivery of products as the customers and the distributors were adversely affected by the outbreak of COVID-19, the global financial conditions, and the negative economic effects from the escalating uncertainty in the international trade policy during the period; (ii) the decrease in revenue in the consultancy service segment by 100% due to the relevant travel restrictions which hindered the Group's provision of consultancy services in the PRC during the period. Gross profit margin decreased from approximately 57.6% for the six months ended 30 September 2019 to approximately 26.0% for the six months ended 30 September 2020. The decrease was mainly due to less sales in the consultancy segment which had a relatively higher gross profit margin than the leasing and trading segments.

Other income and gains for the six months ended 30 September 2020 of approximately HK\$17.0 million mainly included net foreign exchange gain of approximately HK\$14.2 million and the government grants of Enterprise Support Scheme of approximately HK\$1.4 million, while the other income and gains for the six months ended 30 September 2019 of approximately HK\$3.1 million included net foreign exchange gain of approximately HK\$2.4 million. The increase was mainly due to the increase in unrealised foreign exchange gain derived from the revaluation of balances in foreign currencies mainly as a result of the appreciation of Indonesian rupiah against Hong Kong dollar as at the period end date.

Selling and distribution costs

The Group's selling and distribution costs for the six months ended 30 September 2020 amounted to approximately HK\$1.9 million, representing a decrease of approximately 32.1% from approximately HK\$2.8 million for the six months ended 30 September 2019. The decrease was mainly due to the effect of (i) the decrease of sales commission; and (ii) the decrease of marketing fee due to less marketing activities engaged during the six months ended 30 September 2020.

Administrative expenses

The Group's administrative expenses for the six months ended 30 September 2020 amounted to approximately HK\$12.1 million, representing a decrease of approximately 18.2% from approximately HK\$14.8 million for the six months ended 30 September 2019. The decrease was mainly due to a decrease of amortisation of intangible assets of approximately HK\$2.2 million since the amortisation of intangible assets came to an end during the six months ended 30 September 2020.

Finance costs

The Group's finance costs were approximately HK\$32.5 million for the six months ended 30 September 2020, representing an increase of approximately 286.9% from approximately HK\$8.4 million for the six months ended 30 September 2019. The increase was mainly due to (i) a default interest of approximately HK\$17.3 million on a note that was overdue and remained unsettled as at 30 September 2020; and (ii) an increase in annual interest rate from 10% to 25% for an extension on another note that caused the interest amount to increase by approximately HK\$3.8 million from approximately HK\$2.5 million for the six months ended 30 September 2019 to approximately HK\$6.3 million for the six months ended 30 September 2020.

Other expenses

The Group's other expenses increased to approximately HK\$71.0 million for the six months ended 30 September 2020 from approximately HK\$6.5 million for the six months ended 30 September 2019. The increase was mainly due to the loss on modification of financial assets of approximately HK\$65.5 million for the period, which was mainly due to the discount offered to one of the customers of the Group affected by the outbreak of COVID-19 in return for early settlement of outstanding payments.

Income tax credit/expense

The Group's income tax credit for the six months ended 30 September 2020 was approximately HK\$15.0 million while the Group's income tax expense for the six months ended 30 September 2019 was approximately HK\$3.9 million.

Share of results of associates

The Group's share of results of associates for the six months ended 30 September 2020 was approximately HK\$4.2 million, decreased from approximately HK\$4.9 million for the six months ended 30 September 2019. The decrease was mainly due to the slow-down in the installation of the customised LED products in the retail outlets of a major retailer in South Africa due to their internal operation decision.

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA decreased from approximately HK\$56.4 million for the six months ended 30 September 2019 to negative EBITDA of approximately HK\$56.3 million for the six months ended 30 September 2020. The Group's EBIT decreased from approximately HK\$50.3 million for the six months ended 30 September 2019 to negative EBIT of approximately HK\$59.3 million for the six months ended 30 September 2020.

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

As a result of the foregoing, the Group's loss attributable to the owners of the Company was approximately HK\$76.1 million for the six months ended 30 September 2020 while profit attributable to the owners of the Company was approximately HK\$32.9 million for the six months ended 30 September 2019. Excluding some major extraordinary or non-operating income and expenses, adjusted loss attributable to the owners of the Company was approximately HK\$19.7 million for the six months ended 30 September 2020 while adjusted profit attributable to the owners of the Company was approximately HK\$36.8 million for the six months ended 30 September 2019.

The following table reconciles adjusted (loss)/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 periods presented to (loss)/profit attributable to the owners of the Company for the periods indicated:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period attributable to the owners of the Company	(76,104)	32,934
Add major extraordinary or non-operating expenses:		
Amortisation of intangible assets (included in administrative expenses)	361	1,746
Provision for impairment loss on financial assets, net of deferred tax	4,561	4,088
Loss on modification of financial assets	65,507	–
Share-based payment expenses in respect of share options	142	373
	<u>(5,533)</u>	<u>39,141</u>
Less major extraordinary or non-operating income:		
Net foreign exchange gain	<u>(14,181)</u>	<u>(2,353)</u>
Adjusted (loss)/profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses	<u>(19,714)</u>	<u>36,788</u>

Liquidity, Financial Resources and Capital Structure

The Group mainly finances its business with internally generated cash flows and bank and other borrowings. As at 30 September 2020, current assets of the Group amounted to approximately HK\$356.7 million, representing a decrease of 8.8% compared to HK\$391.3 million as at 31 March 2020. Current assets mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK\$1.4 million (31 March 2020: approximately HK\$11.9 million), trade receivables of approximately HK\$306.8 million (31 March 2020: approximately HK\$328.7 million), and amount due from an associate of approximately HK\$19.0 million (31 March 2020: approximately HK\$21.0 million). As at 30 September 2020, the Group's current liabilities mainly comprised borrowings of approximately HK\$87.4 million (31 March 2020: approximately HK\$102.0 million), notes payable of HK\$76.6 million (31 March 2020: HK\$80.0 million), trade payables of approximately HK\$11.2 million (31 March 2020: approximately HK\$11.1 million) and accruals, other payables and deposits received of approximately HK\$113.2 million (31 March 2020: approximately HK\$90.5 million). The Group's current ratio decreased from approximately 1.3 times as at 31 March 2020 to approximately 1.2 times as at 30 September 2020. The Group has sufficient working capital to meet its 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 30 September 2020 was approximately HK\$164.0 million (31 March 2020: approximately HK\$184.6 million), of which approximately HK\$40.8 million (31 March 2020: approximately HK\$57.3 million) was due to banks, approximately HK\$46.6 million (31 March 2020: approximately HK\$44.7 million) was due to independent third parties, and notes payable of approximately HK\$76.6 million (31 March 2020: approximately HK\$82.6 million). As at 30 September 2020, notes payable of HK\$54.0 million and borrowings of HK\$36.1 million have been due with reference to the terms and repayment schedule of the relevant agreements, and remain unsettled. The directors of the Company are in the progress with best efforts to improve the Group's liquidity and financial position, and have been taking proactive steps to discuss and negotiate with the relevant noteholder for the renewal of or extension for repayment schedule of its existing notes payable and also to look for additional funding sources.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 September 2020.

Guarantees

The Group had no material guarantees as at 30 September 2020.

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 six months ended 30 September 2020 was approximately HK\$25.8 million (for the six months ended 30 September 2019: approximately HK\$35.0 million). The net profit attributable to the shareholders of KSL Group for the six months ended 30 September 2020 was approximately HK\$8.8 million, decreased by approximately HK\$1.6 million as compared to the six months ended 30 September 2019, as the installation of the customised LED products in the retail outlets of a major retailer in South Africa had been slowed down by the customer due to their internal operation decision during the period.

Saved as disclosed above, there were no other significant investments held, and other plans for material investments or capital assets during the six months ended 30 September 2020.

Employees and Remuneration Policies

As at 30 September 2020, the Group had 47 full-time employees (as at 31 March 2020: 52 full-time employees). The Group offers a competitive remuneration package commensurate with industry practice and provides benefits to its employees, including bonuses, medical coverage and provident fund contributions.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (“**MPF Scheme**”). Under the MPF Scheme, each of the Group companies (i.e. the employer) and its employees make monthly contributions to the scheme at 5% of the employees’ monthly earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK\$1,500 per month and thereafter contributions are voluntary. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The Group also operates a number of defined contribution retirement schemes outside Hong Kong in accordance with local statutory requirements. The assets of these schemes are generally held in separate administered funds and are generally funded by payments from employees and by the relevant group companies.

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 market, 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 30 September 2020, the gearing ratio of the Group, which is calculated on the basis of the amount of total debts divided by the total equity, was 85.2%, which was relatively stable compared to the 77.7% as at 31 March 2020.

Dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: 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 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 sanctions that the US has put on China 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 an increasing number of competitors in the Asia-Pacific region. Although the environment remains difficult and unstable, countries across the globe are determined to take active and prudent efforts to resolve the global energy crisis and problems posed by climate change.

The Group will strive to maintain its performance in its core business to generate recurring and stable income while undertaking business expansion to accelerate the Group's 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 six months ended 30 September 2020.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As of 30 September 2020, none of the Directors, the substantial shareholders or their respective close associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**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 six months ended 30 September 2020.

CORPORATE GOVERNANCE

The Board is committed to achieving and maintaining high standards of corporate governance. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value, transparency and accountability, and to formulate its business strategies and policies.

The Company has applied the principles as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules, together with compliance with the relevant code provisions.

The Board is of the view that, throughout the six months ended 30 September 2020, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the Corporate Governance Code, except for the deviation from code provision A.2.1 as explained below:

The roles of Chairman of the Board and Chief Executive Officer of the Company have been performed by Mr. WONG Man Fai Mansfield. Although under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual, the combination of the roles of chairman and chief executive officer by Mr. WONG Man Fai Mansfield was considered to be in the best interests of the Company and its shareholders as a whole. Mr. WONG has been leading the Group as the Chief Executive Officer and one of its subsidiaries since 2009, thus, the Board believes that the combined roles of Mr. WONG promotes better leadership for both the Board and management and enables more focused development of business strategies and implementation of objectives and policies. The balance between power and authority is maintained by the openness and cooperative spirit of the senior management and the Board, which comprise experienced and high-calibre individuals. The Board currently comprises three independent non-executive Directors and has a fairly strong independence element in its composition. The structure is supported by the Company's well established corporate governance structure and internal control system. Therefore, the Board considers that the deviation from code provision A.2.1 is appropriate in the circumstances. The Board will review the management structure regularly and consider separating the roles of chairman and chief executive, if and when appropriate.

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 six months ended 30 September 2020 and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2020 contained in this announcement had not been audited by the Company’s auditor, but were reviewed by the Audit Committee, which was of the opinion that the preparation of such interim financial information complied with the applicable accounting standards and requirements and the Listing Rules, and adequate disclosures had been made.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.synergy-group.com>). The Interim Report of the Company for the six months ended 30 September 2020 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, 30 November 2020

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