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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 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Leasing services of energy saving systems	3,710	4,960
Trading of energy saving products	25,953	12,283
Consultancy service	9,185	—
	<u>38,848</u>	<u>17,243</u>
Gross profit	18,792	4,486
EBITDA (Note 1)	(47)	(56,304)
EBIT (Note 1)	<u>(2,655)</u>	<u>(59,306)</u>
Loss attributable to owners of the Company	(21,720)	(76,104)
Basic loss per share (HK cents)	(3.3)	(13.4)
Diluted loss per share (HK cents)	<u>(3.3)</u>	<u>(13.4)</u>
Adjusted loss attributable to owners		
of the Company excluding some major extraordinary		
or non-operating income and expenses (Note 2)	(10,636)	(19,714)
Basic loss per share (HK cents)	(1.6)	(3.5)
Diluted loss per share (HK cents)	<u>(1.6)</u>	<u>(3.5)</u>

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Total assets	<u>416,263</u>	404,890
Total liabilities	<u>382,969</u>	350,341
Net assets	<u><u>33,294</u></u>	<u><u>54,549</u></u>

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 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 24 of this announcement.

- The Group's revenue increased by 125.6% from approximately HK\$17.2 million for the six months ended 30 September 2020 to approximately HK\$38.8 million for the six months ended 30 September 2021.
- The Group's gross profit increased by 317.8% from approximately HK\$4.5 million for the six months ended 30 September 2020 to approximately HK\$18.8 million for the six months ended 30 September 2021.
- The Group's loss attributable to the owners of the Company amounted to approximately HK\$76.1 million for the six months ended 30 September 2020 while the loss attributable to the owners of the Company amounted to approximately HK\$21.7 million for the six months ended 30 September 2021.

- Excluding some major extraordinary or non-operating income and expenses, the Group's adjusted loss attributable to the owners of the Company amounted to approximately HK\$19.7 million for the six months ended 30 September 2020 while the adjusted loss attributable to the owners of the Company amounted to approximately HK\$10.6 million for the six months ended 30 September 2021.

- Basic or diluted loss per share was approximately HK13.4 cents for the six months ended 30 September 2020 while basic or diluted loss per share was approximately HK3.3 cents for the six months ended 30 September 2021. 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 while adjusted basic or diluted loss per share calculated with reference to adjusted loss was approximately HK1.6 cents for the six months ended 30 September 2021.

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 2021 together with the comparative figures for the corresponding period in 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended	
		30 September	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	38,848	17,243
Cost of sales		<u>(20,056)</u>	<u>(12,757)</u>
Gross profit		18,792	4,486
Other income and gains		1,576	17,030
Administrative expenses		(10,581)	(12,117)
Selling and distribution costs		(1,376)	(1,910)
Finance costs	4	(22,577)	(32,450)
Other expenses		(15,269)	(70,982)
Share of results of associates		<u>4,202</u>	<u>4,187</u>
Loss before income tax		(25,233)	(91,756)
Income tax credit	5	<u>3,013</u>	<u>15,001</u>
Loss for the period		<u>(22,220)</u>	<u>(76,755)</u>

		Six months ended	
		30 September	
		2021	2020
	<i>Notes</i>	HK\$'000	<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		189	1,181
– Share of other comprehensive income of associates		(84)	(84)
		<u> </u>	<u> </u>
Other comprehensive income for the period, net of tax		105	1,097
		<u> </u>	<u> </u>
Total comprehensive loss for the period		(22,115)	(75,658)
		<u> </u>	<u> </u>
Loss for the period attributable to:			
Owners of the Company		(21,720)	(76,104)
Non-controlling interests		(500)	(651)
		<u> </u>	<u> </u>
		(22,220)	(76,755)
		<u> </u>	<u> </u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(21,536)	(75,070)
Non-controlling interests		(579)	(588)
		<u> </u>	<u> </u>
		(22,115)	(75,658)
		<u> </u>	<u> </u>
Loss per share attributable to owners of the Company			
Basic (<i>HK cents</i>)	7	(3.3)	(13.4)
Diluted (<i>HK cents</i>)	7	(3.3)	(13.4)
		<u> </u>	<u> </u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		17,446	15,553
Interests in associates		62,031	57,913
Equity investment at fair value through profit or loss		28,000	28,000
Trade receivables	8	13,574	17,894
Finance lease receivables		5,143	8,206
Deposits and other receivables		45	45
Deferred tax assets		<u>37,344</u>	<u>34,331</u>
		<u>163,583</u>	<u>161,942</u>
Current assets			
Inventories		652	832
Trade receivables	8	204,685	198,363
Finance lease receivables		7,959	7,928
Deposits, prepayments and other receivables		10,030	8,613
Due from an associate		19,008	19,008
Cash and cash equivalents		<u>10,346</u>	<u>8,204</u>
		<u>252,680</u>	<u>242,948</u>

		As at 30 September 2021	As at 31 March 2021
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Current liabilities			
Trade payables	<i>9</i>	30,707	17,269
Contract liabilities		428	641
Accruals, other payables and deposits received	<i>10</i>	166,053	137,458
Borrowings	<i>11</i>	80,874	82,425
Bonds payables		2,000	2,000
Lease liabilities		2,043	938
Notes payable	<i>12</i>	56,870	76,600
Due to a related company		1,120	952
Due to directors		22,885	9,421
Provision for taxation		2,548	2,548
Financial liabilities at fair value through profit or loss		3,704	3,729
		369,232	333,981
Net current liabilities		(116,552)	(91,033)
Total assets less current liabilities		47,031	70,909
Non-current liabilities			
Trade payables	<i>9</i>	7,094	11,017
Accruals, other payables and deposits received		3,480	4,160
Lease liabilities		3,163	1,183
		13,737	16,360
Net assets		33,294	54,549
EQUITY			
Share capital		6,628	6,600
Reserves		34,821	55,525
Equity attributable to owners of the Company		41,449	62,125
Non-controlling interests		(8,155)	(7,576)
Total equity		33,294	54,549

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed interim financial information included in this preliminary announcement of interim results for the six months ended 30 September 2021 does not constitute the Group's interim report but is derived from that interim report.

The unaudited condensed interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed interim financial information contains interim financial statements and selected explanatory notes. The unaudited condensed interim financial information does not include all of the notes of the type normally included in the annual financial report.

The HKICPA has issued a number of new amendments that became applicable for the current reporting period. None of the developments have had a material effect on the Group's result and financial position for the current and prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Save as described above, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2021. Accordingly, readers should read the interim results in conjunction with the annual financial statements for the year ended 31 March 2021, prepared in accordance with Hong Kong Financial Reporting Standards.

2. 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**”).

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 2021 (Unaudited)				
Revenue from external customers	<u>3,710</u>	<u>25,953</u>	<u>9,185</u>	<u>38,848</u>
Reportable segment (loss)/profit	<u>(2,547)</u>	<u>(6,246)</u>	<u>5,684</u>	<u>(3,109)</u>
Capital expenditure	188	–	–	188
Depreciation	<u>2,387</u>	<u>–</u>	<u>–</u>	<u>2,387</u>
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	–	–	–	–
Depreciation	<u>1,493</u>	<u>–</u>	<u>–</u>	<u>1,493</u>
As at 30 September 2021 (Unaudited)				
Reportable segment assets	<u>47,863</u>	<u>156,367</u>	<u>46,400</u>	<u>250,630</u>
Reportable segment liabilities	<u>14,420</u>	<u>39,263</u>	<u>17</u>	<u>53,700</u>
As at 31 March 2021 (Audited)				
Reportable segment assets	<u>42,791</u>	<u>164,569</u>	<u>41,299</u>	<u>248,659</u>
Reportable segment liabilities	<u>13,656</u>	<u>29,306</u>	<u>15</u>	<u>42,977</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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment loss	(3,109)	(66,746)
Unallocated corporate income (<i>Note</i>)	1,453	16,809
Unallocated corporate expenses (<i>Note</i>)	(5,202)	(13,556)
Finance costs	(22,577)	(32,450)
Share of results of associates	4,202	4,187
	<u>4,202</u>	<u>4,187</u>
Loss before income tax	<u>(25,233)</u>	<u>(91,756)</u>

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

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

	Revenue from	
	external customers	
	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong (domiciled)	8,086	10,288
Australia	8,475	–
Indonesia	1,613	3,052
Japan	8,300	–
Malaysia	3,161	3,890
Others	9,213	13
	<u>9,213</u>	<u>13</u>
	<u>38,848</u>	<u>17,243</u>

The Group's non-current assets are mainly 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 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Hong Kong (domiciled)	65,869	58,076
Malaysia	13,377	15,390
Others	231	–
	<u>79,477</u>	<u>73,466</u>

3. REVENUE

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 2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customer within the scope of HKFRS 15		
Trading of energy saving products	25,953	12,283
Consultancy service income	9,185	–
	35,138	12,283
Revenue from other sources		
Leasing service income	3,710	4,960
	<u>38,848</u>	<u>17,243</u>

4. FINANCE COSTS

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on financial liabilities carried at amortised cost		
– Interest on other payables	7,015	6,334
– Interest on borrowings	9,987	4,378
– Interest on notes payable	5,157	20,909
– Interest on bonds payable	100	83
– Interest on lease liabilities	93	88
	<u>22,352</u>	<u>31,792</u>
Interest on financial liabilities at fair value through profit or loss	225	198
Transaction costs on bank borrowings and notes	<u>–</u>	<u>460</u>
	<u>22,577</u>	<u>32,450</u>

5. INCOME TAX CREDIT

Income tax credit in the unaudited condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September 2021 <i>HK\$'000</i> (Unaudited)	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)
Current tax		
– Current period	–	(150)
Deferred tax		
– Current period	(3,013)	(15,090)
– Under-provision in respect of prior year	–	<u>239</u>
Income tax credit	<u>(3,013)</u>	<u>(15,001)</u>

Hong Kong profits tax is calculated at the rate of 16.5% (for the six months ended 30 September 2020: 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 being 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 enterprise income tax in the People's Republic of China (the "PRC") is calculated based on a statutory tax rate of 25% (for the six months ended 30 September 2020: 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.

6. DIVIDENDS

No dividend has been paid or declared by the Company during each of the six months ended 30 September 2021 and 2020.

7. LOSS PER SHARE

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(21,720)</u>	<u>(76,104)</u>

	Six months ended	
	30 September	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares for the purpose of calculating basic loss per share	<u>661,380</u>	<u>567,432</u>

For the six months ended 30 September 2021 and 2020, diluted loss per share is the same as basic loss per share. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

8. TRADE RECEIVABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables	446,227	426,718
Less: Provision for impairment loss	<u>(227,968)</u>	<u>(210,461)</u>
Trade receivables, net	<u>218,259</u>	<u>216,257</u>
Classified as:		
Non-current assets	13,574	17,894
Current assets	<u>204,685</u>	<u>198,363</u>
	<u>218,259</u>	<u>216,257</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 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	21,642	21,029
31 to 90 days	14,640	15,874
91 to 180 days	9,700	4,704
181 to 365 days	34,407	8,782
Over 365 days	<u>137,870</u>	<u>165,868</u>
	<u>218,259</u>	<u>216,257</u>

9. TRADE PAYABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	<u>37,801</u>	<u>28,286</u>
Classified as:		
Non-current liabilities	7,094	11,017
Current liabilities	<u>30,707</u>	<u>17,269</u>
	<u>37,801</u>	<u>28,286</u>

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

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	9,227	115
31 to 90 days	43	594
91 to 180 days	648	1,343
181 to 365 days	1,808	850
Over 365 days	<u>26,075</u>	<u>25,384</u>
	<u>37,801</u>	<u>28,286</u>

10. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

In 2017, the Company issued certain notes to two companies (the “**Creditors**”) which became overdue on 22 July 2020. As such, the Company subsequently entered into a deed of settlement with each of the Creditors (collectively, “**Deeds of Settlement**”) in respect of the notes. During the year ended 31 March 2021, the Company received statutory demands from the legal representatives acting on behalf of each of the Creditors in which the Creditors were, demanding payment from the Company for its indebtedness under each of the Deeds of Settlement within 21 days from the date of the statutory demands. As at the date of approval of these unaudited condensed consolidated financial statements, the Company is still in the discussion of the repayment arrangement with the Creditors. No further action has been carried out by the Creditors.

11. BORROWINGS

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Secured and guaranteed bank loans		
– Amounts repayable within one year	30,039	31,595
Secured and guaranteed other loans		
– Amounts repayable within one year	23,097	23,097
Unsecured and guaranteed other loans		
– Amounts repayable within one year	23,238	23,233
Unsecured other loan		
– Amounts repayable within one year	4,500	4,500
Total borrowings	<u>80,874</u>	<u>82,425</u>

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 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Within one year	<u>80,874</u>	<u>82,425</u>

12. NOTES PAYABLE

In relation to the notes payable whose carrying amount was HK\$56,870,000 (31 March 2021: HK\$76,600,000).

(a) **HK\$34,270,000 (31 March 2021: HK\$54,000,000) 9.5% notes**

During the year ended 31 March 2018, the Company issued secured guaranteed notes with a principal amount of HK\$80,000,000 at 9% per annum with a term of 12 months extendable to up to 36 months at the noteholder's discretion (the "9% Notes"). The 9% Notes are secured by personal guarantees by Wong Man Fai Mansfield ("Mr. Mansfield Wong") and Lam Arthur ("Mr. Arthur Lam") and charges over shares in the Company beneficially owned by Mr. Mansfield Wong, Mr. Arthur Lam and an independent third party (the "Pledged Shares"). During the year ended 31 March 2019, the Company repaid HK\$10,000,000 of the principal to the noteholder upon a mutual agreement and the term of 9% Notes was extended from 12 months to 24 months and the interest rate was revised to 9.5% per annum. As at 30 September 2021 and 31 March 2021, the notes payable has been overdue and immediately repayable upon the request by the lender.

The Company received a statutory demand during the year ended 31 March 2021 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 the date of the statutory demand. During the period, the noteholder has exercised its rights to sell part of the Pledged Shares for repayment of part of the notes payables. As at the date of approval of these unaudited condensed consolidated financial statements, the Company is still in the discussion of the repayment arrangement with the noteholder.

(b) HK\$22,600,000 (31 March 2021: HK\$22,600,000) 2.5% notes

During the year ended 31 March 2019, the Company issued a promissory note with a principal amount of HK\$20,000,000 at 2.5% per annum with a term of 12 months (the “**2.5% Note**”). The Company may prepay all or any portion of the interest and the unpaid principal balance of the 2.5% Note without penalty or premium. Should any of the event of default set out in the agreement of the 2.5% Note happens, the holder of the 2.5% Note may require the Company to repay all or a portion of the outstanding principal together with all interest accrued to the noteholder unless otherwise agreed between the Company and the noteholder. On 6 January 2021, the Group entered into an extension with the promissory note with the noteholder for further 12 months based on the terms of the last agreement signed on 7 January 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The total revenue of the Group was approximately HK\$38.8 million for the six months ended 30 September 2021, representing an increase of 125.6% as compared to that for the six months ended 30 September 2020. The increase in revenue was mainly attributable to (i) the increase in revenue in the trading of energy saving products segment by approximately 111.4% due to the increase in customer and distributors demand as the world economic activities start to pick up despite the continuing situation of COVID-19; (ii) the increase in revenue in the consultancy service segment from nil during the six months ended 30 September 2020 to approximately HK\$9.2 million for the six months ended 30 September 2021 as a result of some new consultancy service projects. Gross profit margin increased from approximately 26.1% for the six months ended 30 September 2020 to approximately 48.4% for the six months ended 30 September 2021. The increase was mainly due to the change in sales mix and sales in the consultancy service 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 2021 of approximately HK\$1.6 million mainly comprised (i) net foreign exchange gain of approximately HK\$1.2 million; (ii) interest income of approximately HK\$0.2 million; and (iii) the reversal of warranty provision of approximately HK\$0.1 million. The other income and gains for the six months ended 30 September 2020 was approximately HK\$17.0 million, which 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. The decrease in net foreign exchange gain of approximately HK\$13.0 million was mainly due to the exchange rate of Indonesian rupiah against Hong Kong dollar remained relatively stable during the six months ended 30 September 2021 as compared to six months ended 30 September 2020 during which there was a significant appreciation of Indonesian rupiah against Hong Kong dollar.

Selling and distribution costs

The Group's selling and distribution costs for the six months ended 30 September 2021 were approximately HK\$1.4 million, representing a decrease of approximately 26.3% from approximately HK\$1.9 million for the six months ended 30 September 2020. The decrease was mainly due to the decrease of salaries expenses from approximately HK\$1.4 million during the six months ended 30 September 2020 to approximately HK\$0.8 million during the six months ended 30 September 2021.

Administrative expenses

The Group's administrative expenses for the six months ended 30 September 2021 were approximately HK\$10.6 million, representing a decrease of approximately 12.4% from approximately HK\$12.1 million for the six months ended 30 September 2020. The decrease was mainly due to the decrease of salaries expenses by approximately HK\$1.9 million as a result of the decrease in average number of staff from 51 during the six months ended 30 September 2020 to 35 during the six months ended 30 September 2021.

Finance costs

The Group's finance costs were approximately HK\$22.6 million for the six months ended 30 September 2021, representing a decrease of approximately 30.3% from approximately HK\$32.4 million for the six months ended 30 September 2020. The decrease was mainly due to the decrease of interest expenses on notes payable to approximately HK\$5.2 million for the six months ended 30 September 2021 from approximately HK\$20.9 million for the six months ended 30 September 2020 (which included default interest amounted to approximately HK\$17.3 million triggered by overdue of the notes payable).

Other expenses

The Group's other expenses decreased to approximately HK\$15.3 million for the six months ended 30 September 2021 from approximately HK\$71.0 million for the six months ended 30 September 2020. The decrease of approximately HK\$55.7 million was mainly due to the mixed effect of (i) the decrease of loss on modification of financial assets of approximately HK\$65.5 million for the six months ended 30 September 2020, 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 to nil in the six months ended 30 September 2021; and (ii) the increase of the provision for expected credit loss from HK\$5.4 million for the six months ended 30 September 2020 to HK\$15.2 million for the six months ended 30 September 2021 by approximately HK\$9.8 million for the six months ended 30 September 2021 as a higher set of expected loss rates to determine the expected credit loss on trade receivables and finance lease receivables was applied as at 30 September 2021, and such rates are consistent with those used in 31 March 2021 given no significant change in circumstances.

Income tax credit

The Group's income tax credit for the six months ended 30 September 2021 was approximately HK\$3.0 million while the Group's income tax credit for the year ended 30 September 2020 was approximately HK\$15.0 million. The decrease is the result of estimated tax impact as a result of loss on modification of financial assets recognised in the six months ended 30 September 2020 which did not recur in the six months ended 30 September 2021.

Share of results of associates

The Group's share of results of associates for the six months ended 30 September 2021 was approximately HK\$4.2 million which was at similar level as approximately HK\$4.2 million for the six months ended 30 September 2020. The share of profits of associates has remained stable as the business for installation of the customised LED products in the retail outlets of a major retailer in South Africa has no significant changes in circumstances.

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA improved from a loss of approximately HK\$56.3 million for the six months ended 30 September 2020 to a loss of approximately HK\$0.1 million for the six months ended 30 September 2021. The Group's EBIT improved from a loss of approximately HK\$59.3 million for the six months ended 30 September 2020 to a loss of approximately HK\$2.7 million for the six months ended 30 September 2021.

Loss for the period attributable to the owners of the Company

The Group's loss attributable to the owners of the Company decreased by approximately HK\$54.4 million or 71.5% from approximately HK\$76.1 million for the six months ended 30 September 2020 to approximately HK\$21.7 million for the six months ended 30 September 2021. Excluding some major extraordinary or non-operating income and expenses, the adjusted loss attributable to the owners of the Company was approximately HK\$10.6 million for the six months ended 30 September 2021 while adjusted loss attributable to owners of the Company was approximately HK\$19.7 million for the six months ended 30 September 2020.

The following table reconciles the adjusted loss 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 indicated:

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attribute to the owners of the Company	(21,720)	(76,104)
Add major extraordinary or non-operating expenses:		
Amortisation of intangible assets (included in administrative expenses)	–	361
Provision for impairment loss on financial assets, net of deferred tax	12,161	4,561
Loss on modification of financial assets	–	65,507
Share-based payment expenses in respect of share options	74	142
	<u>(9,485)</u>	<u>(5,533)</u>
Less major extraordinary of non-operating income:		
Net foreign exchange gain	<u>(1,151)</u>	<u>(14,181)</u>
Adjusted loss attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses	<u>(10,636)</u>	<u>(19,714)</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 2021, current assets of the Group amounted to approximately HK\$252.7 million, representing an increase of 4.0% compared to HK\$242.9 million as at 31 March 2021. Current assets are mainly comprised of cash and bank balances (including pledged bank deposits) of approximately HK\$10.3 million (31 March 2021: approximately HK\$8.2 million), trade receivables of approximately HK\$204.7 million (31 March 2021: approximately HK\$198.4 million), and amount due from an associate of approximately HK\$19.0 million (31 March 2021: approximately HK\$19.0 million). As at 30 September 2021, the Group's current liabilities are mainly comprised of borrowings of approximately HK\$80.9 million (31 March 2021: approximately HK\$82.4 million), notes payable of HK\$56.9 million (31 March 2021: HK\$76.6 million), trade payables of approximately HK\$30.7 million (31 March 2021: approximately HK\$17.3 million) and accruals, other payables and deposits received of approximately HK\$166.1 million (31 March 2021: approximately HK\$137.5 million). The Group's current ratio remained stable at approximately 0.7 times as at 30 September 2021 compared to approximately 0.7 times as at 31 March 2021. The total outstanding notes payable and borrowings of the Group as at 30 September 2021 was approximately HK\$137.7 million (31 March 2021: approximately HK\$159.0 million), of which approximately HK\$30.0 million (31 March 2021: approximately HK\$31.6 million) was due to banks, approximately HK\$50.8 million (31 March 2021: approximately HK\$50.8 million) was due to independent third parties, and notes payable of approximately HK\$56.9 million (31 March 2021: approximately HK\$76.6 million). The decrease was due to the net effect of repayment of bank and notes payable and other payables drawn during the six months ended 30 September 2021. As at 30 September 2021, the Group's net assets was approximately HK\$33.3 million, representing a decrease of 38.9% from approximately HK\$54.5 million as at 31 March 2021. The Group has certain receivables, trading contracts and equity investment assigned to secure bank and other loans. Save as disclosed above, the Group has no other charges on its assets as at 30 September 2021.

CONTINGENT LIABILITES

The Group had no significant contingent liabilities as at 30 September 2021.

GUARANTEES

The Group had no material guarantees as at 30 September 2021.

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 2021 was approximately HK\$24.5 million (for the six months ended 30 September 2020: approximately HK\$25.8 million). The net profit attributable to the shareholders of KSL Group for the six months ended 30 September 2021 was approximately HK\$8.8 million, which was approximately the same as compared to the six months ended 30 September 2020, as the business for installation of the customised LED products in the retail outlets of a major retailer in South Africa has no significant change in circumstances as compared to the six months ended 30 September 2020.

Saved as disclose above, there were no other significant investments held, and other plans for material investments or capital assets during the six months ended 30 September 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group had 33 full-time employees (as of 31 March 2021: 37 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 continuous 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 2021, the gearing ratio of the Group, which is calculated on the basis of the amount of total debts divided by the total equity, was 584.7%, representing an increase of 49.1% as compared to the 392.1% as at 31 March 2021.

DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2021 (for the year ended 31 March 2021: 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 2021 and the near future to remain challenging. The COVID-19 situation is still very serious around the globe, lockdowns have been repeatedly imposed in a lot of countries, some of which are major markets to our Group. On the other hand, the Company was not able to repay its overdue borrowings and a number of creditors (“**SD Creditors**”) had filed statutory demands against the Company. Since the Company was unable to repay the relevant indebtedness within 21 days from the date of service of the relevant statutory demands, each of the relevant SD Creditors is entitled to present a winding up petition against the Company at any time at their discretions. The Company has been in active discussion with each of the SD Creditors and other creditors in order to come up with a viable financing plan to resolve the current situation.

On 15 September 2021, the Company announced the proposal to: (i) enter into a subscription agreement with Abundance Development Limited (the “**Subscriber**”), a company wholly-owned by Mr. Wong Man Fai Mansfield (executive Director), that the Subscriber shall subscribe for 1,100,000,000 newly issued shares at the subscription price of HK\$0.1 per subscription share; and (ii) settle various creditor balances through issuance of new shares (the “**Proposed Financial Remediation**”), which, if succeeded, would bring net proceeds of approximately HK\$105 million to the Group and greatly enhance the financial health of the Group. The Proposed Financial Remediation is subject to independent shareholders’ approval at the upcoming extraordinary general meeting to be held on 8 December 2021. Further details of the Proposed Financial Remediation are set out in the relevant circular despatched by the Company on 15 November 2021. Management believes that only if the Proposed Financial Remediation could be approved and executed, the amounts due to SD Creditors and other creditors could be settled such the Group’s financial distress situation can be remedied.

The Group will continue to strive to maintain its performance in its core business to generate recurring and stable income while undertake business expansion in accelerating growth of the Group.

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 2021.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As of 30 September 2021, none of the Directors, the substantial shareholders or their respective close associates (as defined under the Listing Rules) of the Company 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 2021.

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 six months ended 30 September 2021, 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 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 2021 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 2021 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 2021.

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 2021 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 2021

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.