



**Synergy Group**

New Benchmark for Energy Saving

**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)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1539

**2017/**  
**18**  
INTERIM  
REPORT  
中期報告

Synergy Group Holdings International Limited  
Interim Report 2017/2018

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Wong Man Fai Mansfield  
*(Chairman and Chief Executive Officer)*  
Mr. Lam Arthur  
*(Vice Chairman)*

### Independent Non-executive Directors

Mr. Chung Koon Yan  
Mr. Cheung Yick Hung Jackie  
Dr. Wong Chi Ying Anthony

## BOARD COMMITTEES

### Audit Committee

Mr. Chung Koon Yan *(Chairman)*  
Mr. Cheung Yick Hung Jackie  
Dr. Wong Chi Ying Anthony

### Remuneration Committee

Mr. Cheung Yick Hung Jackie *(Chairman)*  
Mr. Chung Koon Yan  
Dr. Wong Chi Ying Anthony

### Nomination Committee

Dr. Wong Chi Ying Anthony *(Chairman)*  
Mr. Chung Koon Yan  
Mr. Cheung Yick Hung Jackie

## COMPANY SECRETARY

Mr. Tong Man Chun, *CPA, CPA (Aust.)*

## COMPLIANCE OFFICER

Mr. Wong Man Fai Mansfield

## AUTHORISED REPRESENTATIVES

Mr. Wong Man Fai Mansfield  
Mr. Tong Man Chun

## REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 404B, 4/F  
Block B, Seaview Estate  
Nos. 4-6 Watson Road  
North Point  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

# CORPORATE INFORMATION

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## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## HONG KONG LEGAL ADVISER

Chiu & Partners  
40th Floor, Jardine House  
1 Connaught Place  
Hong Kong

## AUDITOR

BDO Limited  
25th Floor  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

## PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited  
Hay Wah Building Branch  
G/F, Hay Wah Building  
71-85 Hennessy Road  
Wanchai  
Hong Kong

## STOCK CODE

1539

## COMPANY WEBSITE

[www.synergy-group.com](http://www.synergy-group.com)

## INVESTOR ENQUIRY HOTLINE

Tel: (852) 2121 8033

## INVESTOR ENQUIRY EMAIL ADDRESS

[info@synergy-group.com](mailto:info@synergy-group.com)

# FINANCIAL HIGHLIGHTS

	<b>For the six months ended 30 September</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
Revenue	<b>135,112</b>	127,593
Leasing services	<b>3,659</b>	71,288
Trading of lighting products	<b>114,706</b>	42,619
Consultancy service	<b>16,747</b>	13,686
Gross profit	<b>70,919</b>	64,568
EBITDA (note)	<b>57,463</b>	52,978
EBIT (note)	<b>57,165</b>	52,351
Profit attributable to the owners of the Company	<b>43,188</b>	42,166
Basic earnings per share (HK cents)	<b>8.6</b>	8.4

  

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
	Total assets	<b>526,015</b>
Total liabilities	<b>277,983</b>	204,072
Net assets	<b>248,032</b>	205,710

Note: 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.

- The Group's revenue for the six months ended 30 September 2017 was HK\$135.1 million, representing an increase of 5.9% over the revenue of HK\$127.6 million for the six months ended 30 September 2016.
- The Group's gross profit for the six months ended 30 September 2017 was HK\$70.9 million, representing an increase of 9.8% over the gross profit of HK\$64.6 million for the six months ended 30 September 2016.
- The Group's profit attributable to the owners of the Company for the six months ended 30 September 2017 was HK\$43.2 million, representing an increase of 2.4% over HK\$42.2 million for the six months ended 30 September 2016.
- Basic earnings per share increased by 2.4% from HK8.4 cents for the six months ended 30 September 2016 to HK8.6 cents for the six months ended 30 September 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Synergy Group Holdings International Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**” or “**our Group**”) have been engaging in the energy saving and environmental protection industry since 2008. We are now one of the leading energy management contract providers in Hong Kong, with an integrated platform for providing solutions ranging from technologies and product customisation, investment, development and implementation, to operation and maintenance in the field of energy saving and management.

After years of rapid development aided by the capital market, we saw a gradual maturation in the energy-saving lighting/LED market, which is our core business in providing lighting services and solutions. Despite the increasingly aggressive competition in the energy-saving lighting market, our Group, with the first-mover advantage in this market, continues to strengthen its position and outperform by pursuing innovative business model and differentiated development strategies, product diversification and specialisation as well as continuous product and cost improvements which can be reflected in our positive financial performance for the six months ended 30 September 2017.

The global energy saving and management industry has continued to experience notable growth with wide range of opportunities in 2017. Riding on the unprecedented support from the government policies across the globe and the “One Belt One Road” Initiative led by China, our Group formulates a future strategic business direction where we proactively seek different business opportunities and collaborate with other enterprises, institutions and authorities in 2017 to expand our business footprint, accelerate new project implementation and optimise resources distribution. The Group is also in different stages of expansion in the overseas markets. During the

period under review, other than the Indonesian market, the Group is at various stages of business discussions with potential clients in Africa, China and Malaysia, ranging from project initiation, memorandum of understanding, energy management contracts negotiation, pilot trial runs to project deployment. Not only had we made continuous progress in market expansion and technology research and development, but we had also enhanced our corporate image and influence to the energy saving market.

The Group remains as ambitious as always with continuous progress in achieving its sustainable vision. For the six months ended 30 September 2017, the Group recorded a total revenue of approximately HK\$135.1 million, representing an increase of 5.9% as compared to approximately HK\$127.6 million for the six months ended 30 September 2016, of which 43.5% (six months ended 30 September 2016: 51.3%) was attributed to the Indonesian market. For the six months ended 30 September 2017, profit attributable to the owners of the Company amounted to approximately HK\$43.2 million, representing an increase of 2.4% as compared to the corresponding amount of approximately HK\$42.2 million for the six months ended 30 September 2016.

Revenue generated from our trading segment increased by 169.1% from approximately HK\$42.6 million for the six months ended 30 September 2016 to approximately HK\$114.7 million for the six months ended 30 September 2017 mainly due to the increase in sales of LED products and the change in the preferred way of co-operation with our customer from leasing services to trading businesses in the Indonesian market. Revenue generated from our leasing service segment decreased by 94.9% from approximately HK\$71.3 million for the six months ended 30 September 2016 to approximately HK\$3.7 million for the six months ended 30 September 2017 as a result of the above-mentioned change in way of co-operation

# MANAGEMENT DISCUSSION AND ANALYSIS

in the Indonesian market. Revenue generated from our consultancy service segment increased by 22.4% from approximately HK\$13.7 million for the six months ended 30 September 2016 to approximately HK\$16.7 million for the six months ended 30 September 2017 due to the increase in demand of consultancy services by our customer during the period. Details of segment information are set out in Note 3 to the unaudited condensed consolidated financial statements in this report.

The Group will continue reinforcing our energy saving lighting and cooling services, while diversifying our business portfolio into renewable energy and energy storage sectors so as to achieve sustainable growth.

## FINANCIAL REVIEW

The total revenue of the Group was approximately HK\$135.1 million for the six months ended 30 September 2017, representing a 5.9% increase as compared to that for the six months ended 30 September 2016. Such increase was mainly a result of our development in the overseas markets. Gross profit margin increased from 50.6% for the six months ended 30 September 2016 to 52.5% for the six months ended 30 September 2017. This was mainly due to the increase in the Group's undertaking of consultancy services on leasing service of lighting systems ("**Consultancy service**") which has a relatively higher gross profit margin when compared to trading of lighting products and provision of leasing services.

Other income and gains decreased from approximately HK\$3.2 million for the six months ended 30 September 2016 to approximately HK\$0.3 million for the six months ended 30 September 2017. This was mainly attributable to the net foreign exchange gain of approximately HK\$2.2 million as a result of the appreciation of Indonesian Rupiah against Hong Kong dollar during the six months

ended 30 September 2016 while Indonesian Rupiah remained stable against Hong Kong dollar during the six months ended 30 September 2017.

## Selling and distribution costs

The Group's selling and distribution costs for the six months ended 30 September 2017 were approximately HK\$2.0 million, representing a decrease of 31.0% from approximately HK\$2.9 million for the six months ended 30 September 2016. The decrease was mainly due to a reduction in the amount of samples provided to potential customers, some of which have entered into the contract signing stage with our Group during the six months ended 30 September 2017 while they were in the sample trial stage during the six months ended 30 September 2016.

## Administrative expenses

The Group's administrative expenses for the six months ended 30 September 2017 were approximately HK\$9.0 million, representing a decrease of 8.1% from approximately HK\$9.8 million for the six months ended 30 September 2016. The decrease was mainly due to the net effect of (i) the decrease in professional expenses as a result of the one-off expenses incurred for application for the transfer of listing from the Growth Enterprise Market ("**GEM**") to the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 September 2016; and (ii) the increase in remuneration of the directors of the Company (the "**Directors**") and salaries expenses as a result of increase in headcount due to the Group's expansion and salaries increment.

## Finance costs

The Group's finance costs increased from approximately HK\$538,000 for the six months ended 30 September 2016 to approximately HK\$4.4 million for the six months ended

# MANAGEMENT DISCUSSION AND ANALYSIS

30 September 2017. The increase was mainly due to the interest expenses arising from the new bank borrowings since October 2016 and notes issued in March 2017. As at 30 September 2017, total outstanding borrowings and notes payable of the Group was approximately HK\$219.0 million (31 March 2017: approximately HK\$161.8 million).

## Other expenses

The Group's other expenses increased from approximately HK\$361,000 for the six months ended 30 September 2016 to approximately HK\$428,000 for the six months ended 30 September 2017. Such expenses were mainly derived from the disposal of property, plant and equipment during the six months ended 30 September 2017.

## Income tax expense

The Group's income tax expense for the six months ended 30 September 2017 remained stable at approximately HK\$9.6 million when compared to that for the six months ended 30 September 2016.

## EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA increased from approximately HK\$53.0 million for the six months ended 30 September 2016 to approximately HK\$57.5 million for the six months ended 30 September 2017. The Group's EBIT increased from approximately HK\$52.4 million for the six months ended 30 September 2016 to approximately HK\$57.2 million for the six months ended 30 September 2017.

## Profit for the period

As a result of the foregoing, our profit attributable to the owners of the Company increased by 2.4% from approximately HK\$42.2 million for the six months ended 30 September 2016 to approximately HK\$43.2 million for the six months ended 30 September 2017.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly finances its business with internally generated cash flows, bank and other borrowings, notes payable and proceeds from the listing of shares of the Company on the GEM of the Stock Exchange on 24 March 2015 (the "Listing"). As at 30 September 2017, current assets of the Group amounted to approximately HK\$288.7 million, representing an increase of 18.4% from approximately HK\$243.8 million as at 31 March 2017. The current assets of the Group mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK\$59.4 million (31 March 2017: approximately HK\$56.0 million) and trade receivables of approximately HK\$169.9 million (31 March 2017: approximately HK\$110.9 million).

As at 30 September 2017, the Group's current liabilities mainly comprised borrowings of approximately HK\$165.7 million (31 March 2017: approximately HK\$107.2 million), trade payables of approximately HK\$3.7 million (31 March 2017: approximately HK\$5.7 million) and accruals, other payables and deposits received of approximately HK\$25.9 million (31 March 2017: approximately HK\$24.3 million).

The Group's current ratio decreased from 1.7 times as at 31 March 2017 to 1.4 times as at 30 September 2017. The Group has sufficient working capital to meet its current liquidity demand within at least 12 months from the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

The total outstanding borrowings of the Group as at 30 September 2017 was approximately HK\$219.0 million (31 March 2017: approximately HK\$161.8 million) due to banks and independent third parties. The increase was due to the new bank and other borrowings of approximately HK\$70.8 million which were drawn during the six months ended 30 September 2017.

As at 30 September 2017, the Group's equity attributable to the owners of the Company was approximately HK\$248.0 million, representing an increase of 20.6% from approximately HK\$205.7 million as at 31 March 2017.

As at 30 September 2017, time deposits of HK\$2.5 million were pledged as securities for the bank facilities (31 March 2017: HK\$2.5 million). There is an assignment of receivables from one of the customers of the Group and an assignment of investment in life insurance policy of the Group to the bank. Save as disclosed above, the Group has no other charges on its assets as at 30 September 2017.

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2017.

## ASSOCIATED COMPANY

Synergy Cooling Management Limited ("**SCML**", together with its subsidiaries, the "**Cooling Group**") is an associated company of the Group which was owned as to approximately 49.84% by the Group as at 30 September 2017 (prior to 22 May 2017: approximately 36.59%. Details of the acquisition of approximately 13.25% are set out in the announcement of the Company dated 23 May 2017). SCML wholly owns Synergy Cooling Management (H.K.) Limited ("**SCML (HK)**") and indirectly wholly owns Synergy ESCO (Malaysia) Sdn. Bhd. ("**SE (Malay)**"). Both SCML (HK) and SE (Malay) are principally engaged in the business of energy saving management.

The revenue of the Cooling Group for the six months ended 30 September 2017 was approximately HK\$3.1 million, representing a decrease of 56.3% from approximately HK\$7.1 million for the six months ended 30 September 2016. It was mainly attributable to the decrease in trading sales activities during the period for the six months ended 30 September 2017 when compared with that in the corresponding period in 2016. The net loss attributable to the shareholders of the Cooling Group for the six months ended 30 September 2017 decreased by 11.9% from approximately HK\$6.7 million for the six months ended 30 September 2016 to approximately HK\$5.9 million for the six months ended 30 September 2017 which was mainly due to the decrease in operating expenses.

As at 30 September 2017, advances of approximately HK\$9.6 million were made by the Group to the Cooling Group at the interest rate of 5% per annum (31 March 2017: approximately HK\$8.6 million).

Kedah Synergy Limited ("**KSL**") is another associated company of the Group which was owned as to 35% by the Group as at 30 September 2017 (and was subsequently increased to 47.5% and details are set out in the section headed "SUBSEQUENT EVENTS" below). KSL is principally engaged in the business of energy saving management at South Africa.

KSL did not generate any revenue for the six months ended 30 September 2017 as it was in the stage of business negotiation with a major retailer in South Africa. The net loss attributable to the shareholders of KSL for the six months ended 30 September 2017 was approximately HK\$962,000 (six months ended 30 September 2016: approximately HK\$45,000), which was mainly due to the sample expenses given to the major retailer in South Africa and the operating expenses. It is expected that the relevant contracts will be concluded

# MANAGEMENT DISCUSSION AND ANALYSIS

during the year ending 31 March 2018 and thus KSL is expected to generate revenue in 2018.

Saved as disclosed above, there were no other significant investments held, material acquisition or disposal of subsidiaries and affiliated companies, and other plans for material investments or capital assets during the six months ended 30 September 2017.

## GUARANTEES

During the period, a Hong Kong subsidiary of the Group has committed to provide corporate guarantees to three independent third parties in Malaysia in respect of equipment lease agreements entered into between the independent third parties and an associate of the Group. The duration of the agreements ranged from 48 months to 59 months, with average monthly rent charged to the associate of approximately Malaysian Ringgit (“RM”) 21,000 each (equivalent to approximately HK\$37,000 each).

Save as disclosed above, we did not have any material guarantees as at 30 September 2017.

## EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2017, the Group had 32 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 (the “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’ earnings as defined under the Mandatory Provident Fund legislations. The contributions from each of the employers

and employees are subject to a cap of HK\$1,500 per month and thereafter contributions are voluntary.

The Company has adopted a share option scheme as an incentive to its Directors and eligible employees of the Group, details of which are set out in the paragraph headed “Share Option Scheme” in the section headed “Management Discussion and Analysis” in our 2016/2017 Annual Report.

No share option has been granted under the Company’s share option scheme since its adoption.

## FOREIGN CURRENCY EXPOSURE

Our 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 an increase in revenue from overseas markets such as Indonesia and Malaysia, 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 for Indonesia and Malaysia, the Group does not adopt any foreign currency hedging measure as at the date of this report. 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 2017, the gearing ratio of the Group was 88.3% (31 March 2017: 78.7%), which is calculated on the basis of the amount of total debts divided by the total equity of the Group. Such increase was due to the new bank and other borrowings that were drawn down during the six months ended 30 September 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDEND

The board of Directors (the “**Board**”) does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

## USE OF PROCEEDS

The net proceeds from the Listing, after deducting the underwriting commission and other expenses in connection with the Listing, amounted to approximately HK\$7.1 million and were fully utilised as of 30 September 2017. An analysis comparing the breakdown of the intended use of such net proceeds from the Listing in proportion to that as set out in the prospectus of the Company dated 13 March 2015 (“**Prospectus**”) with actual usage for the six months ended 30 September 2017 is as follows:

	<b>Use of proceeds for the six months ended 30 September 2017 in proportion to that as stated in the Prospectus</b>	<b>Actual use of proceeds for the six months ended 30 September 2017</b>
	HK\$ million	HK\$ million
Expansion of our Group’s business in international markets	0.4	0.3
Expansion of our Group’s business in the PRC	0.2	0.2
Expansion of our Group’s business in Hong Kong	0.3	0.3
Marketing activities to enhance our brand image and recognition	0.3	0.2
Enhance our research and development capabilities	0.2	0.2
Total	1.4	1.2

## SUBSEQUENT EVENTS

Subsequent to the six months ended 30 September 2017, on 13 November 2017, Synergy Group Worldwide Limited (“**Synergy Worldwide**”), a wholly-owned subsidiary of the Company, completed an acquisition of an aggregate of 12.5% in KSL from two other shareholders of KSL. Synergy Worldwide became interested in 47.5% of the issued shares of KSL upon completion of the acquisition.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## FUTURE OUTLOOK

There has been modest recovery in the economic environment and consumer confidence in most major economies in the world. The demand on renewable energy, energy saving and management as well as investment in energy-related products has been increasing. Due to increasing promotion of environmental sustainability by major countries in the world together with technological advancements, numerous opportunities are expected to arise in the renewable energy, energy saving and management industry, which experienced a more steady growth when compared to most other traditional industries.

The “One Belt One Road” strategic initiative further creates ample business opportunities for energy-related infrastructures in which it is expected that there will be an increasing demand in the use of energy saving and management products as well as renewable energy and energy storage technologies. With the rolling out of policies in China with great emphasis on pursuing green development, we believe that increasing efforts and resources will be invested in the renewable energy, energy saving and management industry.

As one of the leading energy service companies listed on the Main Board of the Stock Exchange, our Group is dedicated to utilising its expertise and capitals to continuously explore new projects and technologies, and well-positioning itself to seize any business opportunities to diversify and vigorously develop our solar energy, energy storage, energy saving and management business. We expect that major business breakthroughs may be achieved in the second half of the year or later in 2018. The Company will continue to focus on developing the market in China and countries identified in the “One Belt One Road” policy, through various means including investments, strategic partnerships, collaborations with institutions or research and development, in order to drive our business expansion process and stimulate technology and sustainability advancement.

Overall, taking advantage of the favourable environmental policies across different nations, together with our proprietary technology, highly professional team of engineers and scientists, and our unique business model, the Group is diligent to carry out its work to utilise its full capabilities to bring a new era of business development, to maintain sustainable growth and to maximise return to our stakeholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the interests and short positions of the Directors and chief executives of our Company in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") required to be notified to our Company and the Stock Exchange, were as follows:

### Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of Director	Nature of interest and capacity	Number of Shares	Approximate percentage of issued share capital (Note 2)
Mr. WONG Man Fai Mansfield (Note 1)	Interest in controlled corporation	47,249,204	9.45%
Mr. LAM Arthur	Beneficial owner	35,464,437	7.09%

Notes:

- 1 Abundance Development Limited is wholly-owned by Mr. WONG Man Fai Mansfield. Under the SFO, Mr. WONG Man Fai Mansfield is deemed to be interested in all the shares of the Company owned by Abundance Development Limited.
- 2 The total number of issued shares of the Company as at 30 September 2017 was 500,000,000.

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executives of our Company had any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as our Directors are aware, as at 30 September 2017, the persons/entities (other than the Directors or chief executives of our Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of our Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group were as follows:

### Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of Shareholder	Nature of Interest and Capacity	Number of Shares	Approximate Percentage of Issued Share Capital (Note 4)
Mr. LAM Chung Ho Alastair	Beneficial owner	49,800,734	9.96%
Abundance Development Limited (Note 1)	Beneficial owner	47,249,204	9.45%
Ms. CAI Linda Xin Xin (Note 2)	Interest of spouse	47,249,204	9.45%
Ms. LIANG Wai Yun Fiona (Note 3)	Interest of spouse	35,464,437	7.09%

Notes:

1. Abundance Development Limited is wholly-owned by Mr. WONG Man Fai Mansfield.
2. Ms. CAI Linda Xin Xin is the spouse of Mr. WONG Man Fai Mansfield. Under the SFO, Mr. WONG Man Fai Mansfield is deemed to be interested in all the shares of the Company owned by Abundance Development Limited, and Ms. CAI Linda Xin Xin is deemed to be interested in all the shares of the Company in which Mr. WONG Man Fai Mansfield is interested.
3. Ms. LIANG Wai Yun Fiona is the spouse of Mr. LAM Arthur. Under the SFO, Ms. LIANG Wai Yun Fiona is deemed to be interested in all the shares of the Company in which Mr. LAM Arthur is interested.
4. The total number of issued shares of the Company as at 30 September 2017 was 500,000,000.

Save as disclosed above, as at 30 September 2017, the Directors were not aware of any persons/entities who had any interest or short position in the securities in the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## 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 2017.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 30 September 2017, none of the Directors, substantial shareholders or their respective close associates (as defined under the Listing Rules) had held any position or had any interest in any businesses or companies that were or might be materially, either directly or indirectly, competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the six months ended 30 September 2017.

## 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 and code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules.

The Board is of the view that, throughout the six months ended 30 September 2017, 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 the code provision A.2.1 as explained below:

Code provision A.2.1 of the Corporate Governance Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. WONG Man Fai Mansfield is the Chairman of the Board and the Chief Executive Officer of the Company. Mr. WONG has been leading our Group as the Chief Executive Officer of the Company and one of our subsidiaries since 2009, thus, the Board believes that it is in the best interest of the Group to continue to have Mr. WONG stay as the Chief Executive Officer and Chairman of the Board for effective management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises three independent non-executive Directors and has a fairly strong independence element in its composition. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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 2017 and up to the date of this report.

## AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) was established with its 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. 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.

The financial information contained in this report for the six months ended 30 September 2017 has not been audited by the Company’s auditor, but has been reviewed by the Audit Committee, which was of the opinion that such financial information complied with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures had been made.

By order of the Board  
**Wong Man Fai Mansfield**  
*Chairman, Chief Executive Officer and  
Executive Director*

Hong Kong, 28 November 2017

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>	4(a)	<b>135,112</b>	127,593
Cost of sales		<b>(64,193)</b>	(63,025)
<b>Gross profit</b>		<b>70,919</b>	64,568
Other income and gains	4(b)	<b>279</b>	3,237
Administrative expenses		<b>(8,988)</b>	(9,785)
Selling and distribution costs		<b>(2,028)</b>	(2,941)
Finance costs	5	<b>(4,350)</b>	(538)
Other expenses		<b>(428)</b>	(361)
Share of results of associates		<b>(2,589)</b>	(2,367)
<b>Profit before income tax</b>	6	<b>52,815</b>	51,813
Income tax expense	7	<b>(9,627)</b>	(9,647)
<b>Profit for the period</b>		<b>43,188</b>	42,166
<b>Other comprehensive income for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Change in fair value of available-for-sale investments		<b>(2,086)</b>	–
Exchange difference arising on translation of financial statements of foreign operations		<b>1,230</b>	–
Share of other comprehensive income of an associate		<b>(10)</b>	20
<b>Other comprehensive income for the period, net of tax</b>		<b>(866)</b>	20
<b>Total comprehensive income for the period attributable to the owners of the Company</b>		<b>42,322</b>	42,186
<b>Earnings per share for profit attributable to the owners of the Company during the period</b>			
– Basic (HK cents)	9	<b>8.6</b>	8.4

Details of the proposed dividend for the period are disclosed in note 8.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	821	1,418
Interests in associates		40,036	19,325
Available-for-sale investments		9,900	–
Trade receivables	11	110,537	62,258
Finance lease receivables		76,037	82,667
Rental deposits		–	274
Deferred tax assets	7	32	52
		<b>237,363</b>	165,994
<b>Current assets</b>			
Inventories		2,304	2,236
Trade receivables	11	169,871	110,938
Finance lease receivables		14,412	14,120
Deposits and prepayments		24,394	46,527
Due from associates		18,272	14,002
Pledged bank deposits		2,500	2,500
Cash and cash equivalents		56,899	53,465
		<b>288,652</b>	243,788
<b>Current liabilities</b>			
Trade payables	12	3,726	5,700
Accruals, other payables and deposits received		25,940	24,346
Borrowings	13	165,710	107,201
Due to a related company		224	56
Provision for taxation		14,677	5,070
		<b>210,277</b>	142,373
<b>Net current assets</b>		<b>78,375</b>	101,415
<b>Total assets less current liabilities</b>		<b>315,738</b>	267,409
<b>Non-current liabilities</b>			
Trade payables	12	14,399	7,054
Deposits received		23	54
Borrowings	13	3,284	4,591
Notes payable		50,000	50,000
		<b>67,706</b>	61,699
<b>Net assets</b>		<b>248,032</b>	205,710
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	14	5,000	5,000
Reserves		243,032	200,710
<b>Total equity</b>		<b>248,032</b>	205,710

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Merger reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Foreign exchange reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>At 1 April 2017 (audited)</b>	<b>5,000</b>	<b>34,749</b>	<b>7,388</b>	<b>12,183</b>	-	(662)	147,052	205,710
Profit for the period	-	-	-	-	-	-	43,188	43,188
Other comprehensive income								
Change in fair value of available- for-sale investments	-	-	-	-	(2,086)	-	-	(2,086)
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	1,230	-	1,230
Share of other comprehensive income of an associate	-	-	-	-	-	(10)	-	(10)
Total comprehensive income for the period	-	-	-	-	(2,086)	1,220	43,188	42,322
<b>At 30 September 2017 (unaudited)</b>	<b>5,000</b>	<b>34,749</b>	<b>7,388</b>	<b>12,183</b>	<b>(2,086)</b>	<b>558</b>	<b>190,240</b>	<b>248,032</b>
<b>At 1 April 2016 (audited)</b>	5,000	34,749	7,388	12,183	-	(64)	72,980	132,236
Profit for the period	-	-	-	-	-	-	42,166	42,166
Other comprehensive income								
Share of other comprehensive income of an associate	-	-	-	-	-	20	-	20
Total comprehensive income for the period	-	-	-	-	-	20	42,166	42,186
<b>At 30 September 2016 (unaudited)</b>	5,000	34,749	7,388	12,183	-	(44)	115,146	174,422

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before income tax		52,815	51,813
Adjustments for:			
Interest income	4(b)	(229)	(144)
Interest expense	5	4,277	538
Depreciation of property, plant and equipment	6	298	627
Losses on disposals of property, plant and equipment	6	422	361
Share of results of associates		2,589	2,367
Warranty provision, net of reversal	6	258	908
Operating profit before working capital changes		60,430	56,470
Decrease/(increase) in inventories	16	439	(515)
Increase in trade receivables		(107,212)	(2,061)
Decrease/(increase) in finance lease receivables		6,338	(66,338)
Decrease/(increase) in deposits and prepayments		22,407	(28,967)
Increase in amounts due from associates		(3,270)	(602)
Increase/(decrease) in trade payables		5,371	(7,614)
Increase in amount due to a related company		168	168
Increase in accruals, other payables and deposits received		1,305	8,605
Cash used in operations		(14,024)	(40,854)
Income tax paid		-	(7,592)
<b>Net cash used in operating activities</b>		<b>(14,024)</b>	<b>(48,446)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(96)	(168)
Proceeds from disposals of property, plant and equipment		-	50
Advances to an associate		(1,000)	(2,700)
Interest received		229	144
Investment in an associate		(23,844)	-
Purchases of available-for-sale investments		(11,986)	-
<b>Net cash used in investing activities</b>		<b>(36,697)</b>	<b>(2,674)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4,277)	(538)
Gross borrowings		70,774	34,300
Repayment of borrowings		(13,572)	(1,022)
<b>Net cash generated from financing activities</b>		<b>52,925</b>	<b>32,740</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,204</b>	<b>(18,380)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>53,465</b>	<b>26,576</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>1,230</b>	<b>-</b>
<b>Cash and cash equivalents at end of the period</b>		<b>56,899</b>	<b>8,196</b>

# 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 Group is principally engaged in the provision of leasing service, consultancy service and trading of lighting 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 34 issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Listing Rules.

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 2017 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 2017, as disclosed in the annual financial statements for the year ended 31 March 2017. The adoption of these new and revised HKFRSs does not have significant impact on the Group's results of operations and financial position.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 March 2017.

The Group has not applied the following new and 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 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments <sup>2</sup>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of compliance (Continued)

- 1 Effective for annual periods beginning on or after 1 January 2018
- 2 Effective for annual periods beginning on or after 1 January 2019
- 3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

### (b) Basis of measurement

These unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for available-for-sale investments 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 being 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 services of lighting systems;
- (2) Trading of lighting products; and
- (3) Provision of Consultancy service on leasing service of lighting systems.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENT INFORMATION (Continued)

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

	Leasing services of lighting systems HK\$'000	Trading of lighting products HK\$'000	Consultancy service HK\$'000	Total HK\$'000
<b>Six months ended 30 September 2017 (unaudited)</b>				
Revenue from external customers	3,659	114,706	16,747	135,112
Reportable segment profit	1,815	51,888	15,993	69,696
Capital expenditure	81	-	-	81
Depreciation	220	-	-	220
Six months ended 30 September 2016 (unaudited)				
Revenue from external customers	71,288	42,619	13,686	127,593
Reportable segment profit	34,894	14,849	12,927	62,670
Capital expenditure	8	-	-	8
Depreciation	545	-	-	545
<b>As at 30 September 2017 (unaudited)</b>				
Reportable segment assets	99,225	254,296	42,299	395,820
Reportable segment liabilities	9,119	30,288	11	39,418
As at 31 March 2017				
Reportable segment assets	106,991	179,665	32,052	318,708
Reportable segment liabilities	11,133	17,926	70	29,129

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENT INFORMATION (Continued)

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

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
Reportable segment profit	<b>69,696</b>	62,670
Unallocated corporate income	<b>235</b>	3,237
Unallocated corporate expenses (note)	<b>(10,177)</b>	(11,189)
Finance costs	<b>(4,350)</b>	(538)
Share of results of associates	<b>(2,589)</b>	(2,367)
Profit before income tax	<b>52,815</b>	51,813

Note: Unallocated corporate expenses mainly include legal and professional fees, salaries, other administrative expenses and other selling and distribution costs.

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
	Reportable segment assets	<b>395,820</b>
Interests in associates	<b>40,036</b>	19,325
Available-for-sale investments	<b>9,900</b>	–
Pledged bank deposits	<b>2,500</b>	2,500
Cash and cash equivalents	<b>56,899</b>	53,465
Due from associates	<b>18,272</b>	14,002
Deferred tax assets	<b>32</b>	52
Other corporate assets	<b>2,556</b>	1,730
Group assets	<b>526,015</b>	409,782

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENT INFORMATION (Continued)

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
Reportable segment liabilities	<b>39,418</b>	29,129
Borrowings	<b>168,994</b>	111,792
Notes payable	<b>50,000</b>	50,000
Provision for taxation	<b>14,677</b>	5,070
Due to a related company	<b>224</b>	56
Other corporate liabilities (note)	<b>4,670</b>	8,025
Group liabilities	<b>277,983</b>	204,072

Note: Other corporate liabilities mainly include accruals and other payables for legal and professional fees, salaries and other operating expenses.

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

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
Hong Kong (domiciled)	<b>23,524</b>	26,867
Australia	<b>22,208</b>	17,228
Indonesia	<b>58,755</b>	65,402
Japan	<b>15,659</b>	15,240
Malaysia	<b>1,623</b>	2,845
Singapore	<b>13,343</b>	–
Other overseas regions	<b>–</b>	11
	<b>135,112</b>	127,593

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENT INFORMATION (Continued)

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

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
Hong Kong (domiciled)	40,835	20,999
Malaysia	22	18
	<b>40,857</b>	21,017

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

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues. Revenue derived from these customers are as follows:

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
Customer A ##	15,659	15,240
Customer B ##	22,208	17,228
Customer C #	16,747	13,686
Customer D ###	58,755	65,402

# Attributable to segment of Consultancy service

## Attributable to segment of trading of lighting products

### Attributable to segments of leasing service of lighting systems and trading of lighting products

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. REVENUE AND OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Leasing service income	3,659	71,288
Trading of lighting products income	114,706	42,619
Consultancy service income	16,747	13,686
	<b>135,112</b>	127,593

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

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest income		
– from bank deposits	7	4
– charged to amount due from an associate	222	140
	<b>229</b>	144
Management service income received from an associate	–	900
Net foreign exchange gain	–	2,193
Others	50	–
	<b>279</b>	3,237

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. FINANCE COSTS

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	1,722	538
Interest on notes payable	2,555	–
Transaction costs on bank borrowings	73	–
	<b>4,350</b>	538

## 6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cost of inventories sold	56,057	46,180
Depreciation of property, plant and equipment	298	627
Employee benefit expenses		
– salaries and welfare	6,070	5,997
– defined contributions	212	197
	<b>6,282</b>	6,194
Warranty provision, net of reversal	258	908
Losses on disposals of property, plant and equipment	422	361
Net foreign exchange loss/(gain)	752	(2,193)
Minimum lease payments under operating leases in respect of offices, a warehouse and an office equipment	741	756

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. INCOME TAX EXPENSE

### (a) Income tax

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

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
Current tax		
– Tax for the period	<b>9,607</b>	9,734
Deferred tax		
– Current period	<b>20</b>	(87)
<b>Income tax expense</b>	<b>9,627</b>	9,647

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits.

A subsidiary in Malaysia has elected to pay a lump sum income taxation charge of RM20,000 per annum.

### (b) Deferred tax

Details of the deferred tax assets/(liabilities) recognised and movements during the period are as follows:

	<b>(Accelerated)/ decelerated tax depreciation HK\$'000</b>
<b>At 1 April 2017</b>	<b>52</b>
Charged to profit or loss for the period	<b>(20)</b>
<b>At 30 September 2017 (unaudited)</b>	<b>32</b>
At 1 April 2016	(118)
Credited to profit or loss for the period	87
At 30 September 2016 (unaudited)	(31)

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. DIVIDENDS

No dividend has been paid or declared by the Company during each of the six months ended 30 September 2017 and 2016.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company and the weighted average number of shares in issue during the period.

	<b>Six months ended 30 September</b>	
	<b>2017</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2016 HK\$'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to the owners of the Company	<b>43,188</b>	42,166

	<b>Six months ended 30 September</b>	
	<b>2017</b> <b>'000</b> <b>(Unaudited)</b>	2016 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of shares	<b>500,000</b>	500,000

No diluted earnings per share is presented as the Group had no potential ordinary shares during the six months ended 30 September 2017 and 2016.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment at costs of approximately HK\$96,000 (six months ended 30 September 2016: approximately HK\$168,000).

Items of property, plant and equipment with an aggregate net book value of approximately HK\$422,000 (six months ended 30 September 2016: approximately HK\$411,000) were disposed of by the Group during the six months ended 30 September 2017.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. TRADE RECEIVABLES

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
Trade receivables	<b>281,598</b>	174,386
Less: Provision for impairment loss	<b>(1,190)</b>	(1,190)
Trade receivables, net	<b>280,408</b>	173,196
Classified as:		
Non-current assets (note)	<b>110,537</b>	62,258
Current assets	<b>169,871</b>	110,938
	<b>280,408</b>	173,196

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

The Group's trading terms with its customers are mainly on credit. Generally, the credit period is ranging from cash on delivery to 180 days, except for a customer who has been granted a 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:

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
0 to 30 days	<b>43,748</b>	38,084
31 to 90 days	<b>43,108</b>	31,756
91 to 180 days	<b>57,034</b>	45,107
181 to 365 days	<b>101,707</b>	37,064
Over 365 days	<b>34,811</b>	21,185
	<b>280,408</b>	173,196

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. TRADE RECEIVABLES (Continued)

At each reporting date, the Group's trade receivables are individually determined for impairment testing. At 30 September 2017, the Group's trade receivables that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. Impairment losses in respect of trade receivables are recorded using allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The Group assigned receivables of a customer to a bank to secure banking facilities of HK\$100,000,000 granted to the Group (the "Assignment"). As at 30 September 2017, trade receivables of approximately HK\$136,786,000 (31 March 2017: approximately HK\$78,924,000) were subject to the Assignment.

## 12. TRADE PAYABLES

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
Trade payables	<b>18,125</b>	12,754
Classified as:		
Non-current liabilities	<b>14,399</b>	7,054
Current liabilities	<b>3,726</b>	5,700
	<b>18,125</b>	12,754

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

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
0 to 30 days	<b>1,710</b>	4,932
31 to 90 days	<b>2,324</b>	1,480
91 to 180 days	<b>4,008</b>	406
Over 180 days	<b>10,083</b>	5,936
	<b>18,125</b>	12,754

The Group generally made purchase with various manners, 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. BORROWINGS

	Notes	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000
Secured bank loans:			
Amounts repayable within one year	(c)	32,366	49,592
Amounts repayable after one year but contain a repayable on demand clause	(c)	67,645	47,375
Unsecured bank loans:			
Amounts repayable within one year	(d)	33,098	7,693
Unsecured other loans:			
Amounts repayable within one year	(b)	10,101	2,541
Amounts repayable after one year but contain a repayable on demand clause	(b)	22,500	-
Current liabilities		165,710	107,201
Unsecured other loans:			
Amounts repayable in second to fifth year	(b)	3,284	4,591
Non-current liabilities		3,284	4,591
Total borrowings		168,994	111,792

Notes:

- (a) The Group entered into bank loan agreements with banks which give the banks the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations.
- (b) During the six months ended 30 September 2017, the Group obtained an additional loan from an independent financial institution which mainly provides finance under finance leases amounting to HK\$30,000,000. The independent financial institution has the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations.
- (c) As at 30 September 2017, the bank loans balance of approximately HK\$100,011,000 (31 March 2017: HK\$96,967,000) were secured by the pledge of bank deposits of HK\$2,500,000 (31 March 2017: HK\$2,500,000), finance lease receivables of approximately HK\$75,107,000 (31 March 2017: approximately HK\$80,607,000) under the Assignment and trade receivables of approximately HK\$136,786,000 (31 March 2017: approximately HK\$78,924,000) under the Assignment. Part of the bank loans were also secured by the assignment of the investment in life insurance policy of approximately HK\$9,900,000 (31 March 2017: Nil). The bank loans were also secured by corporate guarantees from the Company and Synergy Worldwide, a subsidiary of the Company.
- (d) The bank loans are under corporate guarantee offered by the Company.
- (e) The Group's credit facilities are amounting to approximately HK\$164,972,000 (31 March 2017: approximately HK\$124,210,000), of which approximately HK\$152,172,000 have been utilised at 30 September 2017 (31 March 2017: approximately HK\$111,410,000).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. BORROWINGS (Continued)

Based on the schedule repayment dates set out in the bank loan and other loan agreements, the borrowings are repayable as follows:

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000
Within one year	75,565	59,826
In the second year	27,986	15,387
In the third to fifth year	65,443	36,579
	<b>168,994</b>	111,792

## 14. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Issued and fully paid:		
At 1 April 2016, 31 March 2017 and 30 September 2017	500,000,000	5,000

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	<b>2016 HK\$'000 (Unaudited)</b>
Leasing service income from related companies	-	560
Leasing service income from an associate	647	2,845
Sales to associates (note)	1,456	-
Computer software consultancy service fees paid to a related company	168	168
Rental expenses paid to a related company	115	115
Management service income received from an associate	-	900
Interest income charged to an associate	222	140
Subcontracting fees paid to an associate	204	204

Note: The total sales of goods amounted to approximately HK\$1,456,000 during the period (six months ended 30 September 2016: Nil) was contributed from both KSL and SE (Malay). The transactions with the associates were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

Except for the 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 2017.

## (b) Compensation of key management personnel

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

	<b>Six months ended 30 September</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	<b>2016 HK\$'000 (Unaudited)</b>
Short-term employee benefits	2,100	2,028

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### Major non-cash transactions

During the period, the Group has transferred certain inventories to construction in progress with net book amount amounting to approximately HK\$30,000 (six months ended 30 September 2016: approximately HK\$354,000) upon the change of usage of lighting products acquired.

During the period, the Group has transferred certain construction in progress and lighting systems to inventories with aggregate net book amount amounting to approximately HK\$4,000 (six months ended 30 September 2016: approximately HK\$152,000) upon the change of usage of lighting products acquired.

## 17. 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 value 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).

	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>	As at 31 March 2017 HK\$'000	<b>Fair value hierarchy</b>
Available-for-sale investments			
Investment in life insurance policy	<b>9,900</b>	–	Level 2

### 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.

There were no transfers between different levels during the period.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 18. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the six months ended 30 September 2017, on 13 November 2017, Synergy Worldwide, a wholly-owned subsidiary of the Company, completed an acquisition of an aggregate of 12.5% in KSL from two other shareholders of KSL. Synergy Worldwide has become interested in 47.5% of the issued shares of KSL upon completion of the acquisition.

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