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

E N V I R O N M E N
T A L P R O T E C T
I O N - C A R B O N
R E D U C T I O N -
E N E R G Y S A V I
N G - S Y N E R G Y

2016/2017

Annual Report
年報

CONTENTS

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

* The name of the Company's principal share registrar and transfer office in the Cayman Islands has been changed from "Codan Trust Company (Cayman) Limited" to "Conyers Trust Company (Cayman) Limited" with effect from 30 March 2017.

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

CLC International Limited
13/F, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

HONG KONG LEGAL ADVISERS

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

INVESTOR ENQUIRY HOTLINE

Tel: (852) 2121 8033

INVESTOR ENQUIRY EMAIL ADDRESS

info@synergy-group.com

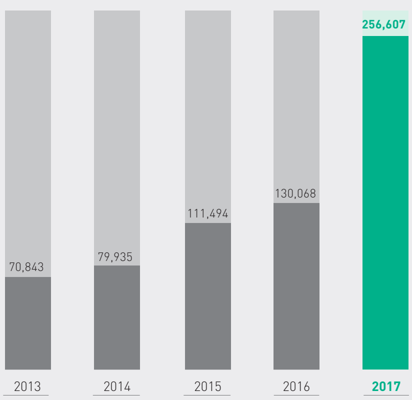
FINANCIAL SUMMARY

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**256,607**	130,068	111,494	79,935	70,843
Leasing services of lighting systems	**97,198**	21,383	8,831	10,020	8,672
Trading of lighting products	**137,440**	78,896	74,856	42,059	27,179
Consultancy service	**21,969**	29,789	27,807	27,856	34,992
Gross profit	**124,975**	69,213	63,839	50,994	49,825
Profit attributable to the owners of the Company	**74,072**	35,402	26,229	23,538	22,062
Basic earnings per share (HK cents)	**14.8**	7.1	6.3	5.7	5.3
Total assets	**409,782**	189,416	118,713	103,852	85,713
Total liabilities	**204,072**	57,180	21,810	68,782	34,165
Net assets	**205,710**	132,236	96,903	35,070	51,548

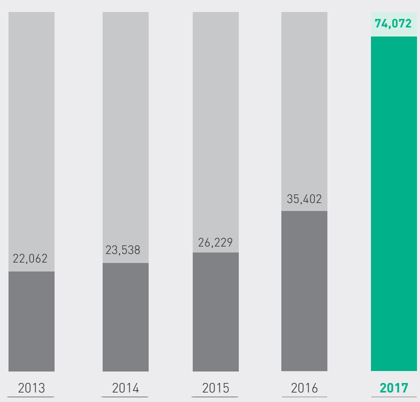
- Revenue increased by approximately 97.3% from approximately HK$130.1 million for the year ended 31 March 2016 to approximately HK$256.6 million for the year ended 31 March 2017.
- Gross profit increased by approximately 80.6% from approximately HK$69.2 million for the year ended 31 March 2016 to approximately HK$125.0 million for the year ended 31 March 2017.
- Profit attributable to the owners of the Company increased by approximately 109.2% from approximately HK$35.4 million for the year ended 31 March 2016 to approximately HK$74.1 million for the year ended 31 March 2017.
- Basic earnings per share increased by approximately 108.5% from HK7.1 cents for the year ended 31 March 2016 to HK14.8 cents for the year ended 31 March 2017.

FINANCIAL
SUMMARY

Analysis of Revenue
HK$'000



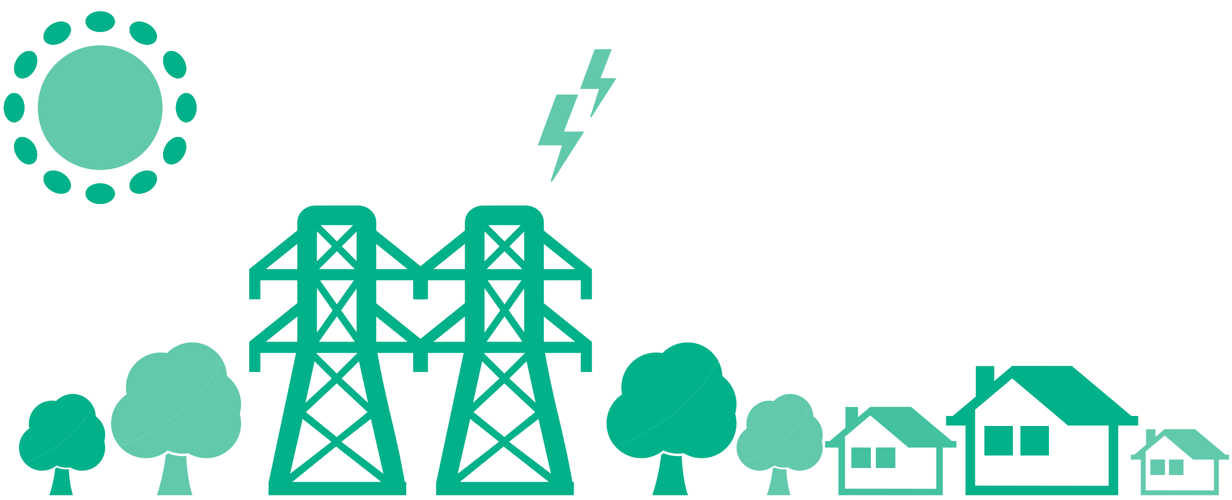
Analysis of Profit Attributable to the Owners of the Company
HK$'000



CHAIRMAN'S STATEMENT

"Synergy is committed to utilising its resources and green technology to share prosperity, which is also the underlying principle of The Belt and Road Initiative."

The year of 2016 marks the official commencement of the Paris Agreement, a global consensus to fight against the adverse climate change. It is also the beginning of the "13th Five-Year Plan" in China (the "**Plan**"), with a number of policies strongly emphasising the necessity of environmental improvement to create a greener economy by adopting low-carbon technologies, environmental management and monitoring systems. As part of the Plan, China is preparing to launch the national carbon trading scheme in 2017, limiting the overall amount of carbon dioxide to be emitted with the allowance of trading of credits for emissions. We believe that the implementation of the scheme and government policies would hasten the investment in clean technology by industrial and commercial entrepreneurs to lower carbon emissions. On the other hand, China has taken the lead in the Belt and Road Initiative to deepen the interconnection among different countries along the Silk Road to bring economic prosperity, cultural exchange, peace and brotherhood. Hong Kong, as one of the central business hubs of China and a key link to the Belt and Road, provides a diverse and well-developed environment for innovation, international trading and entrepreneurship. In particular, Hong Kong is a unique place which offers transparency, efficiency and political stability, replete with advanced technology, international funding and professionalism. With such a positive momentum around the world, we will continue to make remarkable growth as one of the prominent Energy Saving Companies ("**ESCOs**") in Southeast Asia. We are very confident in the future development of the industry and the Group strives to deliver energy saving and environmental protection solutions to create a win-win situation between us and our customers.



CHAIRMAN'S STATEMENT

"We successfully listed on the Main Board of the Stock Exchange and we will continue to strengthen our EMC business by exploring new market regions and devoting in research and development."

It has been an exciting and rewarding year since Synergy Group Holdings International Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**Synergy**") has reached an important milestone in its development history – first listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in October 2016. Our business value and strategy as well as sustainability efforts are truly recognised by investors and other stakeholders. Through major listing on the stage of the international financial centre, the Group not only enhanced its corporate value, competitiveness and market position, but also consolidated its financing capability for global expansion and strategic development in the future. Our success is also reflected in our financial results with approximately an 109.2% increase in profit to approximately HKD74.1 million this year, despite the lethargic growth in the global economy. This is mainly due to our expansion to the Indonesian market, which is an unexploited market craving for energy saving services and products. The Group targets to grow its energy saving business beyond Hong Kong, especially those potential countries involved in the Belt and Road Initiative which have also committed to the Paris Agreement. These countries are dedicated to stimulating economic growth without sacrificing the environment and to reducing carbon emissions.

Riding on the work we have done throughout the year, our commitment to environmental stewardship is recognised through a number of accolades including the Social Caring Awards for Green Excellence presented by the United Nations and SERI, BOCHK Corporate Environmental Leadership Awards and WGO Sustainable Business Award. Our development potential is also reflected in the selection of Synergy as the Top 100 Most Promising Public Listed Company in 2017 by Forbes China.

The year forward will be the year of transition. I believe that a sustainable business would require not only successful management of the existing business portfolio, but also the capability of capitalising the opportunity and seeking technological innovation and development to fulfil the customers' needs for the new era. Our long-term goal is to provide a fully integrated and centralised platform from technologies, funding, implementation, to operation and maintenance in the field of energy saving and management as well as environmental protection. Therefore, we are planning to cultivate in other environmental business sectors with growth potentials including renewables, energy storage and environmental remediation. It is no easy feat to pursue the development but we expect that it can stimulate a valuable return in the future.

I would like to extend my deepest gratitude to all the staff members for their dedication and continued contributions to the Group. The Group will remain ambitious and strive to conquer every challenge to integrate both environmental benefits and shareholders' interest to deliver promising results in the future.

WONG Man Fai Mansfield
Chairman, Chief Executive Officer and Executive Director

Hong Kong
28 June 2017

MANAGEMENT
DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2017, we had a record of success in our leasing service and trading segments. This was attributable to the effort we put forth in expanding into the overseas market, in view of the increase in the awareness of environmental protection and growing demand for energy saving products in developing countries in order to meet the emission reduction targets.

Revenue generated from our leasing service segment increased by over 3 times from approximately HK$21.4 million for the year ended 31 March 2016 to approximately HK$97.2 million for the year ended 31 March 2017 due to more energy management contracts under lease arrangement entered during the current year. Revenue generated from our trading segment increased by approximately 74.2% from approximately HK$78.9 million for the year ended 31 March 2016 to approximately HK$137.4 million for the year ended 31 March 2017 due to the increase in sales of LED products and sales to Indonesia, while revenue generated from our Consultancy services (as hereinafter defined) segment for the year ended 31 March 2017 decreased by approximately 26.3% to approximately HK$22.0 million from approximately HK$29.8 million for the year ended 31 March 2016 due to the decrease in resources we placed in such segment. The growth in revenue was mainly attributable to the expansion of the Group's business in the overseas markets, with revenue from overseas clients as a percentage to the Group's total revenue increased from approximately 60.7% for the year ended 31 March 2016 to approximately 84.6% for the year ended 31 March 2017.

Details of segment information are set out in Note 6 to the consolidated financial statements.

KEY FINANCIAL INFORMATION AND RATIOS

	Year ended 31 March	
	2017	2016
Gross profit (HK$'000)	**124,975**	69,213
Net profit (HK$'000)	**74,072**	35,402
Gross profit margin	**48.7%**	53.2%
Net profit margin	**28.9%**	27.2%

MANAGEMENT
DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

- Our consultancy services (the "**Consultancy Services**"), which are provided by our Group to third parties in assisting them in providing energy saving services in their markets, provided to our customers were project-based and demand for our consultancy services may fluctuate.
- We rely on our sub-contractors for providing services of deployment and installation of lighting products to customers.
- We rely on our key management to conduct the Group's business and the inability to retain or attract senior management personnel will adversely affect our performance.
- There may be changes in consumer preferences and habits in green technologies.
- Our borrowings and notes issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.
- We are exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate.

FINANCIAL REVIEW

Total revenue was approximately HK$256.6 million for the year ended 31 March 2017, representing a approximately 97.3% increase as compared to that for the year ended 31 March 2016. There has been an increasing demand for the Group's energy saving products and services. Gross profit margin decreased from approximately 53.2% for the year ended 31 March 2016 to approximately 48.7% for the year ended 31 March 2017. The drop is resulted from the increase in the Group's undertaking of leasing business and trading of lighting products which have a relatively lower gross profit margin when compared to Consultancy Services.

Other income and gains decreased from approximately HK$2.2 million for the year ended 31 March 2016 to approximately HK$1.4 million for the year ended 31 March 2017 mainly due to the cessation of monthly service fee of approximately HK$150,000 received from an associate of our Group since October 2016.

Selling and distribution costs

The Group's selling and distribution costs for the year ended 31 March 2017 were approximately HK$6.4 million, representing an increase of approximately 38.0% from approximately HK$4.6 million for the year ended 31 March 2016. The increase was mainly due to (i) the increase in salaries; (ii) the increase in amount of samples given to potential customers, some of which may enter into contracts with the Group and contribute to an increase in revenue in future; and (iii) the increase in marketing activities such as television advertisements and an investor luncheon.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2017 were approximately HK$22.3 million, representing an increase of approximately 42.8% from approximately HK$15.6 million for the year ended 31 March 2016. The increase was mainly due to (i) the increase in professional expenses for application for the transfer of listing from the Growth Enterprise Market ("**GEM**") to the Main Board of the Stock Exchange; and (ii) the increase in Directors' remuneration and salaries expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The Group's finance costs increased from approximately HK$421,000 for the year ended 31 March 2016 to approximately HK$2.2 million for the year ended 31 March 2017. The increase of over 4 times in the Group's finance costs was due to the interest expenses arising from the new bank and other borrowings and notes payable drawn down of approximately HK$198.3 million during the year.

Other expenses

The Group's other expenses increased to approximately HK$2.1 million for the year ended 31 March 2017 from approximately HK$1.5 million for the year ended 31 March 2016. The increase was mainly due to the provision for impairment loss of trade receivables of approximately HK$1.2 million during the year.

Income tax expense

The Group's income tax expense for the year ended 31 March 2017 was approximately HK$14.5 million, representing an increase of approximately 57.0% from approximately HK$9.2 million for the year ended 31 March 2016. The increase was mainly due to the increase in taxable income.

Profit for the year

As a result of the foregoing, our profit attributable to the owners of the Company increased by approximately 109.2% from approximately HK$35.4 million for the year ended 31 March 2016 to approximately HK$74.1 million for the year ended 31 March 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The shares of the Company were listed on GEM on 24 March 2015 (the "**Listing**") and were transferred to the Main Board on 26 October 2016.

The Group mainly finances its business with internally generated cash flows, bank and other borrowings and proceeds from the Listing. As at 31 March 2017, current assets of the Group amounted to approximately HK$243.8 million, representing an increase of approximately 64.3% from approximately HK$148.4 million as at 31 March 2016. The current assets of the Group mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK$56.0 million (2016: HK$29.1 million) and trade receivables of approximately HK$110.9 million (2016: HK$84.9 million).

As at 31 March 2017, the Group's current liabilities mainly comprised borrowings of approximately HK$107.2 million (2016: HK$25.3 million), trade payables of approximately HK$5.7 million (2016: HK$16.3 million) and accruals, other payables and deposits received of approximately HK$24.3 million (2016: HK$7.3 million).

The Group's current ratio decreased from approximately 2.6 times as at 31 March 2016 to approximately 1.7 times as at 31 March 2017. The Group has sufficient working capital to meet the current liquidity demand within at least 12 months from the date of this report.

The total outstanding borrowings of the Group as at 31 March 2017 was approximately HK$161.8 million (31 March 2016: HK$25.5 million) due to banks and independent third parties. The increase was due to the new bank and other borrowings and notes payable of approximately HK$198.3 million that were drawn during the year ended 31 March 2017.

As at 31 March 2017, the Group's equity attributable to the owners of the Company was approximately HK$205.7 million, representing an increase of approximately 55.6% from approximately HK$132.2 million as at 31 March 2016.

As at 31 March 2017, a time deposit of approximately HK$2.5 million was pledged as a security for the bank facilities (31 March 2016: HK$2.5 million). There is an assignment of receivables from one of the customers of the Group to the bank. Save as disclosed above, the Group has no other charges on its assets as at 31 March 2017.

MANAGEMENT
DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 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 36.59% (subsequently increased to approximately 49.84% and details are set out in the section headed "Subsequent Events" below) by the Group. 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 year ended 31 March 2017 was approximately HK$10.2 million, representing an increase of approximately 5.7% from approximately HK$9.6 million for the year ended 31 March 2016. It was mainly attributable to the continuous development of the market in Malaysia in accordance with Cooling Group's expansion strategy. The net loss attributable to the shareholders of the Cooling Group for the year ended 31 March 2017 was approximately HK$14.0 million which remained stable as compared to approximately HK$13.3 million for the year ended 31 March 2016. The Cooling Group is actively negotiating with potential new customers and it is expected to have an increase in revenue once new contracts are concluded.

As at 31 March 2017, advances of approximately HK$8.6 million were made by the Group to the Cooling Group at interest rate of 5% per annum (31 March 2016: HK$4.4 million).

On 18 April 2016, a subsidiary of the Group jointly incorporated Kedah Synergy Limited ("**KSL**") with independent third parties. KSL, which is owned as to 35% by the Group is an associated company of the Group and is principally engaged in the business of energy saving management at South Africa.

KSL did not have any revenue for the year ended 31 March 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 year ended 31 March 2017 was HK$2.5 million, which was mainly due to the sample expenses given to the major retailer in South Africa. It is expected that the relevant contracts can be concluded and thus generate revenue for the year ending 31 March 2018, respectively.

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 year ended 31 March 2017.

GUARANTEES

During the year, 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. Duration of the agreements were ranging from 48 months to 59 months, with average monthly rent charged to the associate of approximately RM21,000 each (equivalent to approximately HK$37,000 each).

Save as disclosed above, we did not have any material guarantees as at 31 March 2017.

MANAGEMENT
DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2017, the Group had 28 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 (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary.

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

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") adopted by the Company was approved by its shareholder on 5 March 2015 and amended on 26 October 2016. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 5 March 2015. Under the Share Option Scheme, the Directors may in its absolute discretion offer to grant to any qualified participant an option to subscribe for the number of shares at an exercise price determined by the Board, being at least the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company. The offer of a grant of options may be accepted within 20 business days from the date of the offer. HK$1.00 is payable by any qualified participant to our Company on acceptance of the option offer as consideration for the grant. Qualified participants include any Director or employee (whether full time or part time) of our Company and its subsidiaries and associated companies (as defined under the Companies Ordinance, Cap. 622 of the laws of Hong Kong).

The options granted may be exercised in whole or in part by the grantees. The exercise period of the options granted shall be a period of time to be notified by the Directors to the grantees, which the Directors may in its absolute discretion determine, save that such period shall not be more than 10 years commencing on the date of the offer of grant.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to the Company's shareholders' approval in a general meeting.

The maximum number of shares in respect of which options may be granted under this Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date which the Company's shares first commence trading on GEM, being 50,000,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

No share options were granted under the Share Option Scheme during the year ended 31 March 2017. As at 31 March 2017, there were no outstanding options granted under the Share Option Scheme. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

CAPITAL STRUCTURE

The trading of the shares of the Company on the Main Board of the Stock Exchange commenced on 26 October 2016. The Group mainly finances its business with internally generated cash flows, bank and other borrowings and proceeds from the Listing. The Group has bank borrowings of approximately HK$104.7 million (31 March 2016: HK$25.2 million) and notes payable of approximately HK$50.0 million (31 March 2016: Nil) as at 31 March 2017.

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.

For the sensitivity analysis of the Group's results for the year in regards to a 5% appreciation in Hong Kong dollar against the relevant foreign currencies, details are set out in note 35 to the consolidated financial statements in this Annual Report.

GEARING RATIO

As at 31 March 2017, the gearing ratio of the Group was 78.7% (31 March 2016: 19.3%), which is calculated on the basis of the amount of total debts divided by the total equity. Such increase was due to the new bank and other borrowings and notes payable that were drawn down during the year ended 31 March 2017.

FINAL DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 March 2017 (31 March 2016: Nil).

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

MANAGEMENT
DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Company's prospectus (the "**Prospectus**") dated 13 March 2015 with actual business progress for the year ended 31 March 2017 is as follows:

	Business objectives for the period from 1 April 2016 to year ended 31 March 2017 as stated in the Prospectus	**Actual business progress for the period from 1 April 2016 to year ended 31 March 2017**
Further expand in international markets through customisation of our lighting products and appointment of distributors	– Expand sales and marketing team for international markets – Identify and establish overseas distributorship for international markets – Conduct visits to existing overseas distributors for sales and marketing	– Our Group employed additional staff for international markets during the year – Our Group conducted several visits to overseas like Malaysia and Indonesia for exploring new potential cooperation and business opportunities, and secured new business during the year
Continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships	– Expand project management team to assist Consultancy Services customers – Identify and work with potential Consultancy Services customers	– Our Group conducted several visits to PRC for exploring new potential cooperation and business opportunities
Continue to expand our energy saving solutions business in Hong Kong	– Expand sales and marketing team for Hong Kong office – Expand project management team – Identify potential strategic partners and establish partnership	– Our Group expanded the sales and marketing team for Hong Kong office during the year

MANAGEMENT
DISCUSSION AND ANALYSIS

	Business objectives for the period from 1 April 2016 to year ended 31 March 2017 as stated in the Prospectus	Actual business progress for the period from 1 April 2016 to year ended 31 March 2017
Enhance our research and development capabilities	– Continue to enhance existing lighting products – Continue to source lighting products to diversify lighting solution – Expand our research and development team – Acquire additional lighting testing equipment for research and development – Register new patent if applicable	– Our Group was developing a series of LED lighting with higher lumen per watt, lesser lumen depreciation and longer life time – Our Group acquired additional lighting testing equipment for research and development during the year

MANAGEMENT
DISCUSSION AND ANALYSIS

	Business objectives for the period from 1 April 2016 to year ended 31 March 2017 as stated in the Prospectus	Actual business progress for the period from 1 April 2016 to year ended 31 March 2017
Engage in marketing activities to enhance our brand image and recognition	– Participate in Hong Kong lighting and energy saving related exhibition including Hong Kong International Lighting Fair (2016 Spring Edition and 2016 Autumn Edition) – Participate in international lighting and energy saving related exhibition including the lighting fairs in Japan	– Our Group won the "Green Social Care Excellence Award (綠色社會關愛卓越獎)" in the "Nobel Laureate Series: Social Caring Pledge Award Presentation Ceremonies" jointly launched by the Social Enterprise Research Institute and the Asian College of Knowledge Management during the year – Our Group won the "EcoPartner" in the "2015 BOCHK Corporate Environmental Leadership Awards" jointly launched by the Federation of Hong Kong Industries and Bank of China during the year – Our Group won the "Sustainable Business Award 2016" launched by the World Green Organisation during the year – Our Group made television advertisements during the year – Our Group held an investor luncheon during the year – Our Group sponsored the Green WALK HK 2016 held by the World Green Organisation during the year – Our Group was selected in the 2017 Forbes China Top 100 Most Promising Public Listed Company

MANAGEMENT
DISCUSSION AND ANALYSIS

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. 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 with actual usage for the year ended 31 March 2017 is as follows:

	Use of proceeds for the year ended 31 March 2017 in proportion to that as stated in the Prospectus HK$ million	**Actual use of proceeds for the year ended 31 March 2017** HK$ million
Expansion of our Group's business in international markets	1.0	1.0
Expansion of our Group's business in the PRC	0.3	0.3
Expansion of our Group's business in Hong Kong	0.6	0.6
Marketing activities to enhance our brand image and recognition	0.6	0.7
Enhance our research and development capabilities	0.5	0.5
Total	3.0	3.1

SUBSEQUENT EVENTS

Subsequent to the year ended 31 March 2017, on 22 May 2017, Synergy Group Worldwide Limited ("**Synergy Worldwide**"), a wholly-owned subsidiary of the Company, completed an acquisition of an aggregate of 13.25% in SCML from two other shareholders of SCML. Synergy Worldwide has become interested in approximately 49.84% of the issued shares of SCML upon completion.

Details of the acquisition are set out in the announcement of the Company dated 23 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

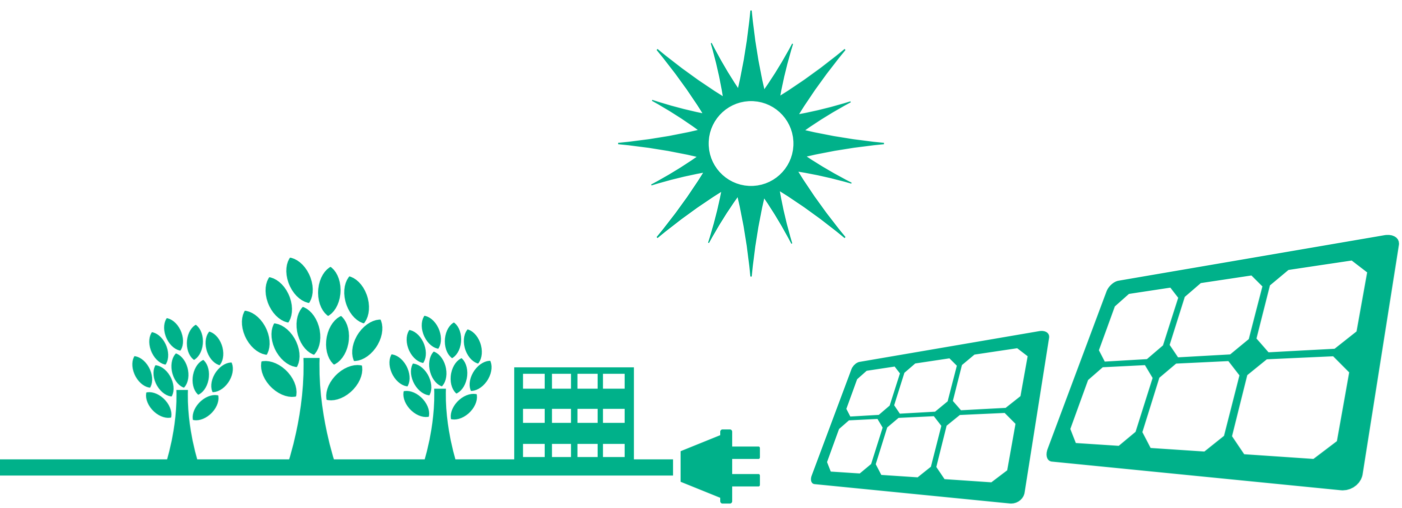
The enforcement of Paris Agreement on 4 November 2016 marks the embarkation of a new journey for a global alliance in transitioning to a low carbon future. On the other hand, 2016 opens a new page for China with the introduction of the 13th Five-Year Plan emphasising on resources conservation, environment restoration and protection as well as alternative energy. With such a positive momentum around the world, together with our expertise in the industry, we foresee the Group aspiring to a great height in the coming years as there will be a significant increase in the demand of energy saving and environmental protection services and products. In addition to the stable recurring revenue generated from our core business, the Group strives to firmly seize all these opportunities to achieve the maximum return to our stakeholders.

The Group currently has its footprints in over 20 countries. Particularly, we provide energy saving business to countries involved in the Belt and Road Initiative such as Indonesia, Malaysia, Singapore and South Africa. The Belt and Road Initiative offers a visionary blueprint to stimulate economic, technological and infrastructure development for countries along the Silk Road. With our solid foundation in some of these countries, our strategic imperatives and proactive involvement in The Belt and Road-related conferences, we have a staunch belief that the Belt and Road would facilitate immense development potential, especially in the emerging countries, for the Group to expand its business in countries along the Silk Road to share prosperity between us and our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Besides the persistent pursuit of expansion in our existing energy saving business to new markets and broadening of our customer base, we are devoted in exploring new technology innovation and advancement to diversify our business for sustainable growth of the Group. Apart from the lighting and cooling segments which we have invested in, we also see the growth potentials in other environmental business sectors, such as the renewable (solar) energy, energy storage and environmental remediation; and it is our business strategy to tap into and establish ourselves in these markets. Our expansion into these markets would be multifold and may take the form of strategic partnerships, collaborations with institutions, R&D or investments. Our long-term goal is to provide a fully integrated and centralised platform from technologies, funding, implementation, to operation and maintenance in the field of energy saving and management as well as environmental protection.

Overall, taking advantage of the favorable environmental policies adopted worldwide, together with our proprietary technology, highly professional team of engineers and scientists, in combination with our unique business model, the Group is well-positioned to utilise its full potential and strength to bring a new era of business development, to maintain sustainable growth and to maximise return to our stakeholders.



BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Man Fai Mansfield, aged 43, is the Chief Executive Officer, Chairman of the Board and an Executive Director of the Company. He is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and was appointed as the Chief Executive Officer of Synergy Lighting Limited on 1 July 2009. He was appointed as a Director of our Company on 30 December 2011. He is primarily responsible for the overall corporate strategies, development management and operation of our Group. Mr. Wong graduated from the University of Arizona, Arizona, United States with a Bachelor's degree in Electrical Engineering in May 1996. He also obtained a Master of Engineering (Electrical) from Cornell University, New York, United States in May 1997. He has over 12 years of management experience. Mr. Wong is the sole director and sole shareholder of Mpplication Group Limited, which provides information technology management services to our Group. Mr. Wong is the sole director and sole shareholder of Abundance Development Limited and one of our substantial shareholders. As at the date of this Annual Report, Abundance Development Limited holds 47,249,204 shares in the Company, representing approximately 9.45% of the issued shares of the Company.

Mr. Lam Arthur, aged 32, is the Vice Chairman of the Board, an Executive Director and one of the substantial shareholders of the Company. He was appointed as a Director and Vice Chairman of our Company on 30 December 2011 and 3 February 2016 respectively, and is responsible for overseas development and research and development of our Group. Mr. Lam is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company. Mr. Lam graduated from the University of Notre Dame, Indiana, United States, with a Bachelor's degree in Mechanical Engineering in May 2008. Before joining our Group, Mr. Lam was an Associate (Trade Support and Risk Management) in Myo Capital Advisers Limited from November 2008 to June 2009. Mr. Lam is a certified Carbon Audit Professional and a certified Energy Manager of The Association of Energy Engineers (Hong Kong Chapter). Mr. Lam is the cousin of Mr. Lam Chung Ho Alastair, who resigned as the Non-executive Director of the Company on 19 December 2016 but remains as a substantial shareholder of the Company. As at the date of this Annual Report, Mr. Lam holds 35,464,437 shares in the Company, representing approximately 7.09% of the issued shares of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Koon Yan, aged 53, is an Independent Non-executive Director, the Chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of the Company since 5 March 2015. He is a practicing and fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting in November 2000. Mr. Chung obtained the fellow membership of The Association of Chartered Certified Accountants in October 2003 and became a member of The Hong Kong Institute of Certified Public Accountants in October 1998, and was also admitted as an associate of The Institute of Chartered Accountants in England and Wales in October 2004. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and Dickson Wong C.P.A. Company Limited, and has more than 20 years' experience in accounting, auditing and taxation. Mr.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Chung has been an independent non-executive director of Great World Company Holdings Limited (stock code: 8003), the shares of which are listed on GEM, since May 2008, an independent non-executive director of Asian Citrus Holdings Limited (stock code: 73), the shares of which are listed on the Main Board of the Stock Exchange and were admitted to trading on AIM (a market operated by the London Stock Exchange) in 2005 but which have been cancelled from trading on AIM since 29 March 2017, since November 2013, and an independent non-executive director of Winson Holdings Hong Kong Limited (stock code: 8421), the shares of which are listed on GEM, since February 2017.

Mr. Cheung Yick Hung Jackie, aged 49, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company since 5 March 2015. Mr. Cheung has been a representative of KGI Asia Limited and KGI Futures (Hong Kong) Limited which carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO respectively since 29 March 2011. Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in November 1995 and as a solicitor of the Supreme Court of England and Wales in May 1997. He graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a degree of Bachelor of Laws and obtained the Postgraduate Certificate in Laws in November 1992 and November 1993 respectively. Mr. Cheung served as a District Councillor of the Central and Western District Council for the period from 1 January 2008 to 31 December 2015.

Dr. Wong Chi Ying Anthony, aged 61, is an Independent Non-executive Director, the Chairman of the Nomination Committee, member of the Audit Committee and member of the Remuneration Committee of the Company since 5 March 2015. He is currently the vice chairman and an executive director of Ngai Hing Hong Company Limited (stock code: 1047), a company listed on the Stock Exchange, in charge of its research and development centre and responsible for its business development. Dr. Wong was an Associate Professor in the Department of Industrial and Manufacturing Systems Engineering of The University of Hong Kong from 1997 to 2006. He obtained a B. Tech (Hons) degree and a Ph. D degree in Chemical Engineering from The University of Bradford U.K. in December 1980 and in December 1983 respectively. Dr. Wong became a Corporate Member of The Institution of Chemical Engineers (MIChemE) and Chartered Engineer (C.Eng) of the Engineering Council, UK, in November 1999 and December 1999 respectively. On 1 June 2004, he obtained a status as a Chartered Scientist (CSci) from The Institution of Chemical Engineers and The Science Council, UK. He was also admitted as a member of The Hong Kong Institution of Engineers on 16 March 2000.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Cheng Chi Kuen, aged 44, is our Chief Operation Officer since June 2011. He is responsible for overseeing our business operations, sales and marketing, office administration and human resources management. He has over 7 years of management experience. He was the cofounder and a director of Synergy Green Technology Limited. Synergy Green Technology Limited is one of the shareholders of Synergy Cooling Management Limited, which holds 40.2% interest of the entire issued share capital of Synergy Cooling Management Limited. Mr. Cheng was previously employed by Zymmetry Limited (formerly known as Mission System Consultant Limited), a global sourcing and manufacturing solutions provider for the apparel industry. During his time at Zymmetry Limited, Mr. Cheng had held various positions and subsequently as senior marketing manager of Asia Pacific region at the time when he left Zymmetry Limited. He has obtained a Master's degree in Business Administration through a distance learning course offered by the University of Bradford U.K. in July 2013.

Mr. Tong Man Chun, aged 43, is our Chief Financial Officer since December 2011 and was appointed as our Company Secretary on 16 December 2014. He is responsible for our Group's financial planning and management, and corporate governance. He is a Certified Public Accountant in Australia and member of The Hong Kong Institute of Certified Public Accountants. Mr. Tong graduated from the University of South Australia, Australia with a Bachelor's Degree in Accounting in March 1997. Mr. Tong was admitted as a Certified Public Accountant in Australia in October 2001 and was admitted as a member of The Hong Kong Institute of Certified Public Accountants in September 2005. Prior to joining our Group, he has over 17 years' experience in accounting taxation, financial reporting and consultancy management and had worked in various corporate services companies and certified public accountants firms in Hong Kong and held various positions such as senior management consultant.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL BUSINESSES

The principal business of the Company is investment holding and the principal businesses of the Company's subsidiaries are set out in Note 31 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal businesses during the year ended 31 March 2017.

ANNUAL RESULTS AND DISTRIBUTIONS

The annual results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of comprehensive income on page 66. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 4. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2017 are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 28 to the consolidated financial statements. As at 31 March 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounting to HK$25.0 million (31 March 2016: HK$33.6 million). This includes the Company's share premium and contributed surplus in the amounts of HK$34.7 million and HK$3.2 million, respectively as at 31 March 2017, which may be distributable to the shareholders of the Company subject to the provisions of the Company's memorandum and articles of association ("**Articles of Association**") and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 March 2017 are set out in Note 14 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year ended 31 March 2017 and as at the date of this report are as follows:

Executive Directors

Mr. WONG Man Fai Mansfield
(Chairman and Chief Executive Officer)

Mr. LAM Arthur *(Vice Chairman)*

Non-executive Director

Mr. LAM Chung Ho Alastair
(resigned on 19 December 2016)

Independent Non-executive Directors

Mr. CHUNG Koon Yan

Mr. CHEUNG Yick Hung Jackie

Dr. WONG Chi Ying Anthony

In accordance with the Company's Articles of Association, at each annual general meeting at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with any member of the Group which in order to entitle the Company to terminate the service contract, expressly requires the Company to give a period of notice of more than 1 year or to pay compensation or make other payments equivalent to more than 1 year's remuneration, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 20 to 22 of this Annual Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence in relation to their services for the year ended 31 March 2017 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Company considers all Independent Non-executive Directors to be independent.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 10(a) to the consolidated financial statements. Details of emolument policy are set out in the section headed "Remuneration Committee" to Corporate Governance Report in this Annual Report.

DIRECTORS' REPORT

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

As at 31 March 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 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
Mr. WONG Man Fai Mansfield [Note]	Interest in controlled corporation	47,249,204	9.45%
Mr. LAM Arthur	Beneficial owner	35,464,437	7.09%

Note: 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.

Save as disclosed above, as at 31 March 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 taken 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.

DIRECTORS' REPORT

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

So far as our Directors are aware, as at 31 March 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
Mr. LAM Chung Ho Alastair (Note 1)	Beneficial owner	49,800,734	9.96%
Abundance Development Limited (Note 2)	Beneficial owner	47,249,204	9.45%
Ms. CAI Linda Xin Xin (Note 3)	Interest of spouse	47,249,204	9.45%
Ms. LIANG Wai Yun Fiona (Note 4)	Interest of spouse	35,464,437	7.09%

Notes:

1. Mr. LAM Chung Ho Alastair resigned as a Non-executive Director of the Company with effect from 19 December 2016 but remains as a substantial shareholder of the Company.

2. Abundance Development Limited is wholly-owned by Mr. WONG Man Fai Mansfield.

3. 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.

4. 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.

Save as disclosed above, as at 31 March 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.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 5 March 2015 (which was amended on 26 October 2016). As at 31 March 2017, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) The purpose of the Share Option Scheme

The Share Option Scheme seeks to provide an incentive for the Qualified Participants (as hereinafter defined) to work with commitment towards enhancing the value of our Company and the shares for the benefit of the shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of our Group.

(b) Who may join

The Board may at its discretion grant options to any director or employee (whether full time or part time) of our Company and its subsidiaries and associated companies (as defined under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) (collectively, "**Qualified Participants**").

(c) Grant of Option

An offer of the grant of an option shall be made to the Qualified Participants by letter in such form as the Board may from time to time determine, requiring the Qualified Participants to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules). The offer shall remain open for acceptance for a period of twenty business days from the date on which it is made. Subject to the terms of the offer letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options. An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Qualified Participant.

DIRECTORS' REPORT

(d) Subscription Price

The subscription price ("**Subscription Price**") shall be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant ("**Offer Date**"); (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the shares.

(e) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of shares in issue as at 24 March 2015 (i.e. the date of listing of the shares of the Company on GEM, "**Listing Date**"), i.e. 50,000,000 shares. For the purpose of calculating the scheme mandate ("**Scheme Mandate**"), options which have been lapsed in accordance with the terms of the relevant scheme shall not be counted.

(f) Maximum entitlement of shares of each Qualified Participant

Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any option-holder if the acceptance of those options would result in the total number of shares issued and to be issued to that Qualified Participant on exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total shares then in issue.

(g) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme ("**Option Period**") shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

(h) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the Share Option Scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Share Option Scheme.

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2017.

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2017.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the section headed "Directors' Non-competition Undertaking" to Corporate Governance Report in this Annual Report, as of 31 March 2017, none of the Directors, the substantial shareholders or their respective close associates (as defined under the Listing Rules) had held any position or had any interest in any businesses or companies that were or might be materially, either directly or indirectly, competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the year ended 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2017, the aggregate percentage of purchase attributable to the Group's five largest suppliers is approximately 98.2% of the total purchases of the Group and the largest supplier included therein amounted to approximately 59.1%.

For the year ended 31 March 2017, the aggregate percentage of sales attributable to the Group's five largest customers is approximately 92.4% of the total sales of the Group and the largest customer included therein amounted to approximately 58.2%.

At no time during the year have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the Group's related party transaction are set out in Note 32 to the consolidated financial statements. Save for transactions disclosed under Note 32(a)(v) and (vi) which are continuing connected transactions that are exempt from annual reporting requirements under Chapter 14A of the Listing Rules, such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under the Listing Rules.

Saved as disclosed above, there were no other transactions which are required to be disclosed as continuing connected transactions in accordance with the requirements of the Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, CLC International Limited, as at 31 March 2017, save for the compliance adviser agreement dated 12 March 2015 entered into between the Company and CLC International Limited, neither CLC International Limited nor its directors, employees and close associates had any interest in relation to the Group which is required to be notified to 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 year ended 31 March 2017.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting the underwriting fees, capitalised professional service fee and related expenses) amounted to approximately HK$7.1 million. Details of the use of proceeds are set out in the section headed "Use of Proceeds" to Management Discussion and Analysis in this Annual Report.

CORPORATE GOVERNANCE

During the year ended 31 March 2017, the Company had complied with the code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (for the period from 1 April 2016 to 25 October 2016) and Appendix 14 to the Listing Rules on the Main Board of the Stock Exchange (for the period from 26 October 2016 to 31 March 2017).

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 47 to 60 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee of the Board 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), Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony.

DIRECTORS' REPORT

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the financial statements for the year ended 31 March 2017.

BUSINESS REVIEW

Details of review of the Group's business is set out in the "Management Discussion and Analysis" section on pages 8 to 19 of this Annual Report.

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the "Management Discussion and Analysis" section in this Annual Report.

In addition, various financial risks have been disclosed in the notes to the consolidated financial statements of this Annual Report.

An analysis using financial key performance indicators

The relevant financial key performance indicators relating to the business of the Group are set out in the "Management Discussion and Analysis" and the consolidated financial statements in this Annual Report.

Environmental policies and performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

Relationships with employees, customers, suppliers and other stakeholders

The Group ensures all staff is reasonably remunerated and regularly reviews the employment policies on remuneration and other benefits.

The Group maintains a good relationship with its customers and suppliers. The Group maintains close contacts with the customers and has regular review of requirements of customers and complaints. The Group will conduct appraisal of the performance of suppliers on regular basis.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group.

DIRECTORS' REPORT

Permitted indemnity provision

Pursuant to the Articles of Association of the Company, the Directors and other officers, for the time being acting in relation to the affairs of the Company, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

Charitable donations

The Group did not make any charitable donation for the year ended 31 March 2017.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2017 have been audited by BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the 2017 annual general meeting of the Company (the "**AGM**"). A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the 2017 AGM.

There has been no change in auditor of the Company in the preceding three years ended 31 March 2017.

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

Hong Kong, 28 June 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Synergy, headquartered in Hong Kong, was listed on the Main Board of the Stock Exchange in 2016. Our Group specialises in providing diverse and innovative energy saving and management solutions including our patented, energy-efficient lighting technology through Energy Management Contracting (the "**EMC**"), trading and consultancy services.

Synergy is pleased to present our first Environmental, Social and Governance Report (the "**ESG Report**"). The ESG report outlines our approach, performance, key achievements and challenges as we head towards the creation of a truly sustainable business.

As an Energy Service Company (the "**ESCO**"), we are actively integrating sustainability into our business. We play a vital role in resolving global environmental problems through implementation of energy-saving solutions in our customers' infrastructures to reduce energy consumption. Not only do we endeavour to operate our business in the most efficient, environmental-friendly and ethical way, but we also take the initiative to contribute and educate the community progressively to collaborate in framing a greener future. We believe our decision of adopting a well-rounded sustainability approach creates a positive impact to our stakeholders.

As part of the report preparation, besides presenting our ESG effort throughout the year, we reviewed our existing policies and practices to identify any gaps and potential opportunities in developing a better corporate ESG strategy.

REPORTING SCOPE AND BOUNDARIES

This ESG report covers the period from 1 April 2016 to 31 March 2017, unless otherwise indicated. The report is prepared in accordance with Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The information and statistics in the report mainly covers the operations in Hong Kong, unless otherwise stated. The financial data and corporate governance report are detailed in other sections of the 2016/2017 Annual Report.

STAKEHOLDER ENGAGEMENT

The materiality of ESG issues with respect to the enterprise depends on both the nature of our business operations and the interests of our stakeholders. Our business involves a wide variety of stakeholders and our major stakeholders include:

Our Group exchanges information with the above interest parties via a number of communication channels such as verbal and electronic systems, onsite visits, publications, events and seminars. By implementation of an interactive and open communication gateway, views and prospects from various groups can be identified and well-understood; which can be integrated into our development strategies.

MATERIALITY ASSESSMENT

In order to focus on the core environmental and social features and set forth the strategic direction to achieve our sustainability goals, we carried out an internal analysis to identify the critical, most relevant and influential material aspects as outlined in the table below. The internal analysis was carried out by senior executives with reference to the ESG Guide taking into account various facets including impact of our operations and products on environmental and social aspects, our Group's key policy, target and strategy, competencies of the Group, interests of stakeholders, relevant laws and regulations, the degree of ESG impacts, risks and opportunities, industrial views and practices from peers and competitors as well as any location-specific issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIAL ASPECTS AND THE CORRESPONDING BOUNDARIES

Material Aspect	Major Impact Location (within or outside of the Group)	
	Internal	External
Environment		
Environmental Emissions	✓	✓
Use of Resources		
• Energy	✓	
• Material (e.g. packaging)	✓	
General Impact on Environment & Natural Resources and Mitigation Policies		✓
Social		
Employment		
• General Working Conditions	✓	
• Benefits and Compensation	✓	
• Equal Opportunity, Diversity and Anti-Discrimination	✓	
Occupational Health & Safety	✓	
Development & Training	✓	
Labour Standards		
• Child Labour	✓	✓
• Forced Labour	✓	✓
Supply Chain Management	✓	✓
Product Responsibility		
• Quality Assurance, Customer Health and Safety		✓
• Advertising		✓
• Product Labelling		✓
• Data Privacy		✓
Anti-Corruption	✓	✓
Community Investment		✓

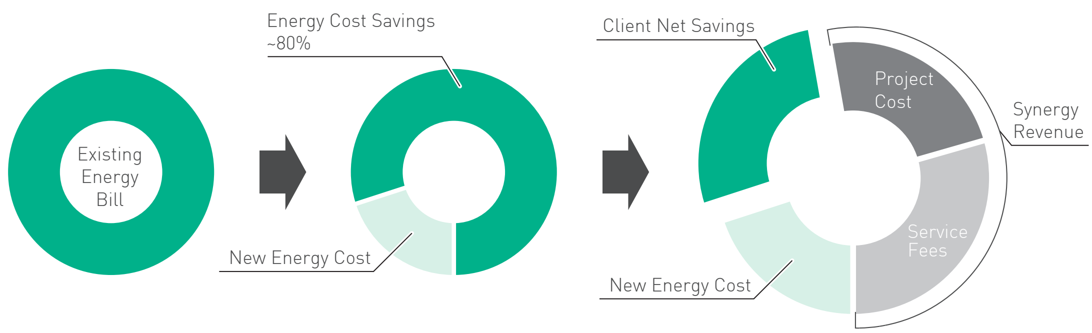
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABLE BUSINESS AND OPERATIONS

OUR COMMITMENT TOWARDS A GREENER FUTURE

The positive impact of the 2015 Paris Agreement in aligning 195 countries[1] to commit in the reduction of CO_2 emissions is huge, and so do the negative impact of Greenhouse Gas (GHG) emissions from the common practices and activities relying on high carbon energy sources. At the same time, Hong Kong has set a target to reduce carbon intensity by 50% – 60% from the 2005 level by 2020[2]. The wind of change is blowing in the power market. Renewable energy and energy conservation is our new future, and also our new economy for the children of tomorrow. It remains our staunch belief that Synergy is the new benchmark for energy saving, where we implement our business and operation in contributing to the future low carbon economy.

OUR BUSINESS



Our Group has been providing a full range of energy management services from product customisation, on-site inspection and measurement, project deployment to after-sales services. In particular, we focus on providing lighting and cooling solutions as well as solar power projects in aiding customers reduce carbon emissions and enhance energy efficiency. Our Group by its nature is a green and socially clean business. We are committed to invest in continual research and development to enhance and broaden our energy saving technologies. Today, our Group is one of the leading EMC providers in Asia.

The EMC module enables one to reduce energy expense, energy consumption and carbon footprint with no opportunity cost. In return, Synergy will share part of the total energy cost that has saved through enjoying our services.

Synergy provides all necessary capital investment, experienced professionals and project management team to provide consultation and energy auditing, design and implement energy saving schemes in order to achieve guaranteed energy savings for our customers. The range of services offered by Synergy and its associate companies is provided in the following sub-sections in detail.

1 United Nations Framework Convention on Climate Change – Paris Agreement: Status of Ratification, April 2017, Retrieved from: http://unfccc.int/paris_agreement/items/9444.php

2 Environment Bureau, "Hong Kong Climate Change Report 2015", November 2015

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABLE BUSINESS AND OPERATIONS

Lighting and Display Solutions

Our sustainability efforts are reflected in our eco-friendly lighting system design. Synergy has developed its own award-winning and cutting-edge energy-efficient LED luminaires, which can provide a high lamp and package efficacy and a long life expectancy. We also provide customised and patented "starter" control switch for intelligent control of lighting fixtures, enabling brightness regulation at any locations with varying building structures and lighting system specifications via power output adjustment.

Similarly, the Synergy LED Media Display excels in quality and design practices with outstanding specifications such as low power consumption, high brightness and light weight.

Cooling Solutions

Synergy "Coologic®" platform is an energy management platform for real-time monitoring, recording and analysing power usage of the entire cooling system. It provides diagnostics of the dominating energy-consuming sources and hence able to optimise and target on operational improvements in energy efficiency.

Renewables

Our Group is also involved in the investment, design, installation, operation, management and maintenance of solar energy systems through partnership in order to conserve our fossil fuel resources and work towards zero harmful pollutant emissions.

Up till today, Synergy Group as a whole has helped its customers in achieving **148,155,000** kWh of electricity reduction in total, which is equivalent to[3][4]:

104,119,778
kg CO_2 Reduction

4,782,191
Trees Planted

111,105,705
Pounds of Coal Burned

Electricity Usage for **15,375** Homes in a Year

GHG Emissions from **21,994** Passenger Vehicles driven for One Year

4,720 Garbage Truck of Waste Recycled instead of Landfilled

[3] The energy savings include all the business operations within the Synergy Group and its associated companies as a whole. There is uncertainty in the value due to variation in electricity price and actual monthly energy savings.

[4] The calculations are based on the Greenhouse Gas Equivalencies Calculator provided on US EPA website: http://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABLE BUSINESS AND OPERATIONS

OUR OPERATIONS

Apart from satisfying the growing need of energy saving, we pledge to create a green environment efficiently and ethically in all aspects of our operations.

During the reporting year, our Group was not aware of any non-compliance with relevant laws and regulations relating to air and Greenhouse Gas (GHG) emissions, discharges into water and land, as well as generation of hazardous and non-hazardous wastes that have a significant impact on our Group[5].

Our Carbon Footprint

Energy conservation is set at the heart of our business. Our Group endeavours to use resources in a sensible and responsible manner and reduce Greenhouse Gas (GHG) emissions as low as possible. During the year, carbon footprint of our business operations is mainly due to emissions arising from use of electricity, business travels as well as outsourced manufacturing and freight activities[6].

42,480 kWh Electricity Usage
33 tons CO_2-e

552 kg Paper Usage
2.65 tons CO_2-e

620,160 km Business Trip Distance Travelled
67 tons CO_2-e

Since we are in the progress of developing a systematic way to record our freight activities, currently we are not able to provide a comprehensive data statistics on the emissions arising from goods transport by land, ship and air. Nevertheless, we will continue to optimise our internal logistics system in order to align with international standards.

On the other hand, we will step up efforts to work with the manufacturers and suppliers in the future to incorporate eco-elements into every stage of the product life-cycle in order to develop a product with minimal environmental impact.

Office

A number of measures has been implemented in the office to strengthen employees' awareness and take prompt actions on environmental protection and conservation. Based on the concept of the 3Rs principle (Reduce, Reuse, Recycle), we have issued an office environmental policy and posted notices near bins and printers. Examples of measures include re-use of paper whenever possible, maintenance of office temperature at or above 25°C, enactment of review and approval procedures on purchasing request. We also promote the use of electronic document and filing, online communication platforms to reduce paper usage. In early 2017, we have introduced a recycling system in the office, aiming to recycle three waste categories, metal, plastic and paper. Moreover, all lighting fixtures in our office were retrofitted to more energy-efficient LED lighting systems.

In addition, we engage environmental stewardship to our customers and suppliers in which we have set up an e-service platform for online payment.

Business Travel

We understand that employees' overseas travelling activities significantly contribute to our CO_2 emissions. As such, we aim to minimise the number of trips by assessing the necessity of the travel, formulating a more effective travel plan and exploiting the use of online platforms. Video conferencing has been increasingly used for prompt and efficient communication between team members in Hong Kong and across the regions such as Malaysia and Indonesia.

Freight Activities

We also take an active role in curtailing emissions in our logistics. Efficient transport logistics can help in minimising costs and resource consumptions as well as ensuring timely and accurate delivery of our products. Our products are transported overseas either by ships or

[5] Our contribution to non-hazardous wastes and discharges to water and land are not significant considering our operations are mainly in offices.

[6] Emissions from the use of refrigerants in the air-conditioning unit in the office is not recorded as the volume of refrigerants involved is not significant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABLE BUSINESS AND OPERATIONS

planes to customers. To decrease carbon emissions with our best efforts, we transport our goods by sea as far as possible, which is of a lower carbon footprint compared to air-freight. We monitor and review quarterly the efficiency of our logistics performance to identify areas of improvement. We also bundle shipment volumes to the greatest extent by consolidation and optimisation of our suppliers and shipment planning to reduce the number of cargo containers and packaging material required.

Chemical Waste Treatment

As our Group replaces the existing lighting fixtures with more energy-efficient lighting products, spent fluorescent tubes/lamps may sometimes be collected from our customers after removal. Under the Waste Disposal Ordinance (Cap. 354) and Regulations on chemical waste, fluorescent tubes are classified as hazardous due to the presence of mercury and they are required to be transported and properly treated by a licenced waste collector. Accordingly, we have implemented a systematic waste disposal procedure and we have registered with the Environmental Protection Department in respect of our warehouse where the chemical waste is stored after collection. When the chemical waste has accumulated to a designated level, we then engage external contractors which are registered chemical waste collectors for collection and recycling of these spent lamps for proper waste disposal. During this financial year, we have collected 24 tonnes of hazardous waste and no significant contamination to the environment is observed since establishment.

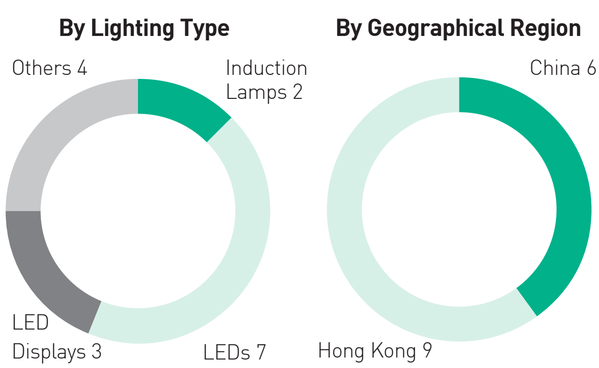
Future Development

We are devoted into environmental sustainability, and we will continue to do more in the coming years. The following best practices can be further implemented to contribute to environmental protection:

- *Work towards the goal of a paperless company by encouraging employees and customers in using e-service platforms, recycling, etc. and selecting green suppliers*
- *Develop a more comprehensive Environmental Policy to illustrate the different ways of improving green coverage by each staff in the next reporting year*
- *Develop a plan for measuring the CO_2 emissions produced by different freight activities to demonstrate the actual carbon footprint, thereby enabling long-term emission reduction planning and implementation*
- *Collaborate with key manufacturers/suppliers to understand more about the product life-cycle and identify major environmental improvements*

Our Supplier Chain Management

Our lighting products, "Tube-in-Tube" Fluorescent Lamps, LEDs, flood lights and induction lamps, are mainly sourced through our Original Equipment Manufacturer (OEM) as well as some other suppliers. We currently engage 15 suppliers in sourcing our lighting products:



Note: There is one supplier doing both LEDs and Induction Lamps and hence the number of total suppliers added up in the graph "By Lighting Type" is more than 15

Our Group has not faced any difficulty in respect of our co-operation with the suppliers. We have not faced any delay in delivery of orders, suppliers' refusal to accept our orders, legal disputes, quality problem or infringement of intellectual property rights of our Group by the suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABLE BUSINESS AND OPERATIONS

Supplier Evaluation

We have developed a generic supplier assessment procedure and maintained an approved supplier list for each product category. The suppliers are selected based on the following criteria to ensure high quality of products and services:

- Company Structure – company size, date of establishment, in compliance with all relevant laws and policies, social and environmental compliances (e.g. CSR policies, efficient use of energy and resources, raw material procurement)
- Track Record – the product history and customer reference
- Technical Capability – the product or service knowledge to supply to high level of specification, product certification
- Operation Capability – the process knowledge to ensure consistent, responsive, dependable and reasonable cost supply
- Financial Capability – the financial strength to fund the business in both short term and long term
- Managerial Capability – the management talent and energy to develop supply potential in the future
- Product Warranty – failure rate, lifespan, lux and lead time of replacement

A supplier assessment form is required to be filled and onsite audit and interview will be performed.

Future Development

Currently, we are in the progress of standardising our supplier assessment criteria and evaluation. One way is to enhance our suppliers assessment questionnaire in order to investigate the supplier in greater depth, particularly the environmental and social aspect. Also, an end-of-project evaluation is recommended to be conducted, particularly after the first project, to summarise and analyse the overall project execution and identify further improvements if required. We will develop a Code of Conduct specifically for the supplier as a complement to our own Code to promote ESG practices in the subcontracting companies.

Product Responsibility

Delivering high quality products and services are pivotal to the success of our enterprise. We strive to maintain our product quality through the implementation of a Quality Control Policy to ensure the expectations of our customers are being met. Inspections are carried out by our staff as well as appointed external parties on each delivery to ensure the quality and safety of product before sending to the customers. Our staff will also conduct ad hoc site visits to our suppliers to monitor their production schedule, quality, health and safety. We follow recognised code of practices including EMSD Code of Practices for Energy Efficiency of Lighting Installations and normally require the subcontractors to obtain certifications including RoHS, CE and UL for its quality management systems and products. Our Group provides warranty which replaces any malfunction of lighting products.

We also provide clear descriptions of our products to our customers in accordance with worldwide standards. All lighting products will be labelled under the Synergy trademark in a standardised manner to build up its brand image. The products will also be marked with a warning label to alert customers/users in areas of potential electrical hazards.

During the assessment year, we have not recalled a substantial number of products from an individual customer or received any complaints from our customers on the services or the quality of our lighting products.

Moreover, our Group strictly adheres to all regulatory requirements on data privacy. We have taken suitable measures in protecting personal and business data through administration and security systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPOWERING OUR PEOPLE

OUR PEOPLE

Our people is the catalyst to our growth as well as continued success and achievement. In addition to our business, Synergy is applied throughout our practices in corporate governance to foster a vigorous collaborative culture. We encourage our people to deliver both at work and the community. Our Group strictly conforms to the labour laws and other applicable regulations adopted in Hong Kong.

Our Group provides an open and well-established platform where we recruit staff through professional recruitment agencies, online channels and campus recruitment. We aim to provide equal employment opportunities and select the best candidate from various backgrounds based on their ability and qualifications as one of the major assessment criteria, regardless of factors such as gender, age or other measures of diversity.

A comprehensive staff orientation and job training will be provided by the Human Resources Manager and relevant individuals to the new employee within seven days of employment. The Staff Handbook will be distributed to all employees, detailing the requirement on Code of Conduct, employment conditions including working hours, holidays, compensation and benefits, equal employment opportunities, dismissal and other related matters. Our Group is dedicated to create a pleasant working environment with zero tolerance approach to any discrimination and harassment. A rational working hours of 8 hours per day is also followed in our Group to facilitate a work-life balance environment and remuneration will be provided for any additional work. In addition to standard fringe benefits such as medical and dental allowances, we offer compassionate allowances on deaths of immediate family and gifts on special occasions including birthdays, Chinese New Year, marriages, retirement, etc.

We value the opinions raised from our staff, including resigned people, which will help our organisation understand the reasons of departure and identify improvements to be made. Hence, an exit interview will be conducted by Human Resources Manager in order to gather statistics.

Occupational Health & Safety

Our Group values Safety and Health over everything. Our fundamental responsibility is to ensure the safety and health of our employees, customers, subcontractors, and the general public in order to prevent injury, fatal accident or damage to properties or the environment.

Based on the nature of work, our staff may face possible safety hazards such as trips and falls. Additionally, potential risks to health, for instance, electrical hazards, injuries in lifting operations or use of abrasive tools, may also arise during onsite visit for installation and inspection.

Our objective is underpinned by a set of stringent Safety and Health standard, in compliance with the statutory and contractual requirements as a minimum. A comprehensive Safety Management System was established in 2015 for implementation of the Safety and Health Policy.

We have reviewed our offices' ergonomics, conducted safety reviews and inspections over the past year to ensure the Safety Management System is executed effectively. Any violation of the safety standards will be recorded and recommendations will be provided accordingly. Accidents will also be investigated and documented. Safety induction training is carried out annually to reinforce staffs' awareness and knowledge in the Group's safety and health policy, procedures, worldwide accident sharing as well as job hazards realisation.

Besides, all frontline staff involving in high risk areas are well-trained with regard to health and safety. Suitable Personal Protective Equipment will be provided if required. Personnel entering the construction sites requires to have a Construction Industry Safety Training Certificate, in which they are trained with the latest regulations and subjects related to health and safety in construction work. Also, only registered electrical workers can work with electrical equipment.

Since the establishment of the Group, we have an excellent record of zero work injuries and fatalities.

Number of Work-Related Fatalities **0**

Lost Days due to Work Injury **0**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPOWERING OUR PEOPLE

Training & Development

Synergy aims to create an environment of continuous improvement in which our staff are encouraged to pursue excellence at work and career development. Our staff has attended several in-house/external training and seminars during the reporting year, covering a range of professional skills including legal knowledge, finance and accounting. Study leaves and sponsorship are provided for employees on any job-related external training and/or obtaining recognised qualifications.

In order to realise the state-of-the-art technology and enhance our competitive position in the market, our staff also regularly arranges and/or attends large-scale exhibitions such as ECO Expo Asia and Lighting Fair.

In 2016, our Group launched our first Management Trainee (MT) Program. The Program provides a path for university graduates to be effectively trained with practical skills and knowledge necessary for future career advancement. Support and feedback will be provided by seniors on their career planning.

Future Development

In order to further facilitate development of our employee, we will identify and list down the training potentials every year based on the discussions with the employee during performance appraisal. The accomplishment of certain training goals will be reviewed in the next year.

In addition to external training, we may organise regular internal training sessions led by the management team to provide a platform for exchange of know-how with up-to-date market trends and analysis and experiences in order to improve the professional knowledge of our employee.

Performance Appraisal & Recognition

We greatly appreciate the efforts provided by our staff. A Performance Management System is in place to identify key areas of improvement, enhance staff performance, recognise and award outstanding commitment of our people. It also provides a platform for staff to communicate with their managers on any concerns. During this year, we have also introduced the scheme "360 Feedback" to allow peer reviews of performance of work-related colleagues in order to improve their work quality and harmony among them.

Anti-Bribery & Corruption

All management and staff in Synergy are expected to observe the highest standards of ethical, personal and professional conduct. A Staff Code of Conduct, which is in compliance with pertinent legal requirements and regulations, is formulated to address the underlying principles and policies on anti-corruption, anti-fraud, whistleblowing, outside employment, handling of confidential information and computer systems usage. The Code of Conduct is distributed to all staff members prior to the start of work to staff to strengthen their consciousness pertaining to these rules. Any potential breach of the Code of Conduct, which can be reported verbally or in writing to direct supervisors or higher levels, will be fully investigated by the Executive Director. Any non-compliance is liable to disciplinary actions.

During the reporting period, there are no breaches of the Code and no concluded legal cases regarding corruption practices being brought against the Group.

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT

EMPOWERING OUR PEOPLE

Staff Engagement

We believe a high morale working atmosphere and teamwork spirit is vital for the foundation of a company. We have organised Chinese New Year and Christmas lunches annually to allow interactions between staff and managers and understanding of the Group's future strategic development.

Future Development

One of the important contributing factors to the success of a company is the employee. Therefore, we encourage a work-life balance environment and ensure our staff's understanding on our Group's business. One of the future plans is to organise a monthly Brown Bag session to allow our management level to share their view of the Group's future path and strategies, allow staff interacting with each other and expressing their concerns. Other activities such as sports event may also be arranged to maintain the highest standard of morale and health.

Labour Standard

Our Group is strictly obliged to the Employment Ordinance (Chapter 57) legally adopted in Hong Kong. In particular, we prohibit the use of forced labour and child as well as young workers against any hazardous work. We have low vulnerability to child and forced labour in our workspace since we will conduct interviews and background investigation to verify identities of any new joiners. In order to avoid the risk of supporting child and forced labour in our brand via our suppliers and contractors, we will enforce these legislations in our trade agreement and we will also carry out regular audits and inspections to assess if any potential violation of labour regulations may arise. We have not identified any breach of labour standards since the start of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTRIBUTING TO OUR COMMUNITY

SYNERGY ENERGY EFFICIENCY INDEX (SEEI)

One of our Group's missions is to promote the importance of carbon emission reduction so as to improve and protect the earth's condition for our next generation. To facilitate this, in 2016, our Group sponsored WGO in collaboration with Energy and Environmental Policy Research Unit of the City University of Hong Kong in developing the Synergy Energy Efficiency Index (SEEI) to diagnose the symptoms in energy wastage in residential and commercial sectors. This provides a scientific indication to the trend of energy usage over the last decade in Hong Kong and raises eco-awareness in our community to identify the necessary actions to improve efficiency in energy usage.

SEEI score for residential sector is 97%, which is 3% less energy was used in 2013 as compared to year 2000. SEEI score for commercial sector is 110%, which is 10% more energy was consumed in 2013 as compared to year 2000. One of the contributing factors we believe is the increase in energy usage in data centres and university campus.

We believe that contributing to the society is a vital role of a responsible enterprise for sustainable development. We conveyed our care to the community through different channels including funding and donations, sharing events/ workshops participation and volunteering.

Our Group took the initiative to provide opportunities for the development of the youth into future leaders by delivering speeches in universities, involving in education projects and arranging internships in our Group. We joined the Capstone Design Project this year which is the mandatory course under the Environmental Management and Technology Degree in Hong Kong University of Science and Technology. As an expertise in energy saving technologies, we provide guidance to the students in execution of an environmental project related to the global carbon tax scheme; comprising research and planning, feasibility studies and assessment as well as cost estimation.

Our Group has continuously supported WGO frequently on different events for the past few years such as the Energy Poverty Community Project in which we donated energy-efficient fans and lighting systems for 100 families living in subdivided flats in Hong Kong. We are elected as the Training Partner for the Green Office Awards Labelling Scheme (GOALS) since 2013 in providing training sections on green best practices in offices and retain chains following the WGO's guidelines. In 2016, our Group sponsored and participated in the "Green Walk" event in Hong Kong to encourage more people to walk in order to reduce carbon emissions to combat climate change.

In addition to WGO, we also supported other organisations over the past years such as Friends of the Earth and Green Sense. During this year, we supported the Hong Kong Institute of Certified Public Accountants as a guest speaker in the ESG Series seminars where we assisted professionals in developing their knowledge about the issues relating to sustainability reporting and data collection, practical environmental and social solutions.

Future Development

In the past decade, we have made noteworthy contributions to the society, however, community investment is a continual process and we believe we can do more in the coming years.

Our Group has been focusing on involvement in the education and environmental protection sector. Furthermore, we will identify the social needs and look into future possibilities to encompass other areas such as supporting the elderly and disabled as well as sports, arts and culture. In particular, we will organise a team dedicated to arranging community events for the Group.

In addition to sponsorship and donations, we will also encourage our staff to indulge in volunteering programs and/or community activities to help in developing a harmonious society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTRIBUTING TO OUR COMMUNITY

2010

- Sponsorship for Artiste Golf Association of Hong Kong Golf Competition and Charity Establishment

- Participation in the Distribution of Gifts for Elderly organised by The Against Elderly Abuse of Hong Kong

2011

- Eco Expo Asia and the Public Day Forum – Cool Heads and Cool Energy-Saving Solutions in the face of Global Warming

- Support in Little Hands Loving the Earth - Earth Summit organised by Junior Chamber International (JCI) City Lady - Planned field trips to a commercial building for understanding of the energy saving scheme in cooling

2012

- Build4Asia 2012 – A 4-in-1 Sustainable Architecture, Design, Building Services and Electrical Engineering Tradeshow

- Sponsorship and Participation in Hong Kong Environmental Industry Summit organised by JCI City Lady
- Participation in Hong Kong No Air Con Night organised by Green Sense
- Participation in Power Smart Contest organised by Friends of the Earth (HK)

2013

- Participation in the WGO Green Partners Programme (GPP) – Earth

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTRIBUTING TO OUR COMMUNITY

2014

Sponsorship for WGO Energy Poverty Community Project

2015

Participation in the CAPITAL ECO Forum – ECO Solutions Partner

Sponsorship for Cambridge Scholarly Luncheon (WGO and The University of Hong Kong) – Our Sustainable Energy Future

Participation in the WGO Green Heroes Triathlon Race & Bazaar

2016

Sponsorship for Development of Synergy Energy Efficiency Index (SEEI) by WGO and City University of Hong Kong

Platinum Sponsorship for WGO Green Walk Hong Kong

2017

HKICPA ESG Series Seminar Guest Speaker

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GREEN AWARDS AND RECOGNITION

Our substantial efforts in environmental protection in the past years are widely recognised by various awards as shown below. One of the notable awards for the year is the Social Caring Awards for Green Excellence presented by The Social Enterprise Research Institute (SERI) in partnership with The United Nations. The award is to honour our continual improvement and leadership in environmental protection as well as other corporate social responsibility including human rights, labour standards, anti-corruption, etc. in accordance with the United Nations Global Compact and the UN Principles for Responsible Investment (UNPRI).

United Nations and SERI
Social Caring Awards for Green Excellence 2016/17

WGO Sustainable Business Award 2016

- PCCW & YP The Excellence Brand Award 2016
- BOCHK Corporate Environmental Leadership Awards 2015/16
- HKPC Appreciation of our continued pursuit of Green Manufacturing Initiative and Participation in the Green Manufacturing Network 2011/12
- CAPITAL Entrepreneur Green Enterprise Award 2010
- Business Environment Council Prime Awards for ECO Business 2010
- Productwi$e Hong Kong Awards for Environmental Excellence 2010
- CAPITAL Outstanding Green Excellence Awards 2010

CORPORATE
GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the Company's Annual Report for the year ended 31 March 2017.

CORPORATE GOVERNANCE PRACTICES

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 contained in Appendix 14 to the Listing Rules.

The Company has adopted revised Terms of Reference of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 24 October 2016 in compliance with the Listing Rules following the transfer of listing of the Company's shares from the GEM to the Main Board of the Stock Exchange on 26 October 2016.

The Board is of the view that, throughout the year ended 31 March 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 code provision A.2.1 as explained under the paragraph "Chairman and Chief Executive Officer" below.

MODEL CODE FOR SECURITIES TRANSACTIONS

Following the transfer of listing of the Company's shares from the GEM to the Main Board of the Stock Exchange on 26 October 2016, 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 in October 2016.

Specific enquiry has been made by the Company with all Directors and relevant employees and the Directors and relevant employees have confirmed that they have complied with the Securities Dealing Code and therefore, complied with the Model Code throughout the year ended 31 March 2017.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board currently consists of five Directors, comprising two Executive Directors and three Independent Non-executive Directors, who together, bring the skills and experience the Company needs to meet our long-term objectives. The Directors of the Company during the year and as at the date of this Annual Report are:

Executive Directors:

Mr. WONG Man Fai Mansfield
(Chairman and Chief Executive Officer)

Mr. LAM Arthur *(Vice Chairman)*

Non-executive Director:

Mr. LAM Chung Ho Alastair (resigned on 19 December 2016)

Independent Non-executive Directors:

Mr. CHUNG Koon Yan

Mr. CHEUNG Yick Hung Jackie

Dr. WONG Chi Ying Anthony

Mr. LAM Arthur is the cousin of Mr. LAM Chung Ho Alastair. Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 20 to 22 of this Annual Report, the relationships (including financial, business, family, or other material/relevant relationship(s)) between the members of the Board are also disclosed under the said section.

RESPONSIBILITIES OF AND DELEGATION BY THE BOARD

The Board is primarily responsible for leadership and control of the Company and oversees the Group's businesses, overall strategic decisions and performance, approving the financial statements and annual budgets, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders.

Our Company's day-to-day management and operational decisions are made by the Group's Executive Directors and senior management, who are experienced in managing the Group's business. The three Independent Non-executive Directors bring independent judgment to the decision-making process of the Board. Mr. Alastair LAM, who resigned as the Non-executive Director on 19 December 2016, did not participate in the daily management of our Group, but contributed to the overall corporate strategies and management directions of our Group during his tenure.

All Directors, including Non-executive Director and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

CORPORATE GOVERNANCE REPORT

All Directors have full and timely access to all the information of the Company as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the Corporate Governance Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 leader 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.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the year ended 31 March 2017, the Board at all times complied with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received the written confirmation from each of the Independent Non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Executive Directors has entered into a service agreement with the Company for a fixed term commencement from 24 March 2015 when its shares were listed on the GEM (the "**GEM Listing Date**") until and including the date of the third annual general meeting following the GEM Listing Date and will continue thereafter until terminated by at least three months' written notice or payment in lieu to the other party. Each of the Non-executive Director and Independent Non-executive Directors has entered into an appointment letter with the Company with a term of three years commencing from the GEM Listing Date.

According to the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director would receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

CORPORATE
GOVERNANCE REPORT

During the year ended 31 March 2017, the Company organised a training session conducted by the qualified professionals for all Directors. Such training session covers a wide range of relevant topics including Directors' duties and responsibilities, corporate governance, and update on Listing Rule amendments etc. In addition, relevant reading materials including Directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying, to ensure that the Directors understand the business and operations of the Group and their duties and obligations.

DIRECTORS' ATTENDANCE RECORDS

Pursuant to code provision A.1.1 of the Corporate Governance Code, the Board is scheduled to meet four times during a financial year as a minimum and, during the year ended 31 March 2017, it met six times. Details of the attendance of each Director at the meetings of the Board and its respective committees and the annual general meeting during the year ended 31 March 2017 are as follows:

	Attendance/No. of Meeting(s)				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. WONG Man Fai Mansfield	6/6	–/-	–/-	–/-	1/1
Mr. LAM Arthur	6/6	–/-	–/-	–/-	1/1
Mr. LAM Chung Ho Alastair (Note)	4/4	–/-	–/-	–/-	0/1
Mr. CHUNG Koon Yan	6/6	3/3	1/1	1/1	1/1
Mr. CHEUNG Yick Hung Jackie	6/6	3/3	1/1	1/1	1/1
Dr. WONG Chi Ying Anthony	6/6	3/3	1/1	1/1	1/1

Note: Mr. LAM Chung Ho Alastair resigned as the Non-executive Director on 19 December 2016. Four Board meetings were held before 19 December 2016.

Apart from regular Board meetings, the Chairman also held one meeting with the Independent Non-executive Directors without the presence of Executive Directors during the year ended 31 March 2017.

The Company generally gives written notice and draft agenda of regular Board meetings to each Director at least 14 days prior to the meetings. For other Board and committees meetings, written notice is generally given pursuant to the Company's Articles of Association and the respective terms of reference of the Board committees.

CORPORATE GOVERNANCE REPORT

Agendas for each meeting are prepared by the Company Secretary in consultation with the Directors, and based on a forward calendar that helps ensure that all relevant matters for the year ahead are considered by the Board in a timely manner. All Directors are encouraged to contribute to the agenda setting process. Agendas and accompanying papers are sent to all Directors at least 3 days before each Board meeting or committee meeting for their review and to keep the Directors apprised of the latest developments and financial position of the Company so as to enable them to make informed decisions.

In addition to board papers, information relevant to the Company's financial position and latest developments is made available to Directors to keep them up to date. Structured monthly updates on the Company's performance, position and prospects are provided to Directors. The Directors also have access to the Company Secretary and senior management where necessary.

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and a Director or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted as a quorum of such Board meetings.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs on its behalf, and report back to the Board. The roles and functions of the committees are set out in their respective terms of reference. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are of no less exacting terms than those set out in the Corporate Governance Code and are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All committees are provided with sufficient resources and support to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expenses.

AUDIT COMMITTEE

The Audit Committee of the Board was established on 5 March 2015, its written terms of reference has been revised and approved by the Board on 24 October 2016. As at 31 March 2017, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. CHUNG Koon Yan (Chairman), Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony, with Mr. CHUNG possessing the appropriate professional qualifications and accounting and related financial management expertise.

CORPORATE
GOVERNANCE REPORT

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee financial reporting system, and risk management and internal control systems of our Company.

The Audit Committee shall meet at least two times per year, or more frequently as circumstances require. The Audit Committee held three meetings during the year ended 31 March 2017. Individual attendance records of each Audit Committee member are set out in the table on page 51 of this Annual Report.

The Audit Committee's main work during the year ended 31 March 2017 included reviewing:

- 2015/2016 Annual Report and annual results announcement
- 2016/2017 Interim Report and interim results announcement
- 2016/2017 First Quarterly Report and first quarterly results announcement
- in relation to the external auditor, its plans, reports and letter of representation, fees, involvement in non-audit services, and its terms of engagement
- the effectiveness of the Company's financial reporting system and risk management and internal control systems
- the revised terms of reference of the Audit Committee

Our annual results for the year ended 31 March 2017 were reviewed by our Audit Committee, which was of the opinion that the preparation of such audited consolidated annual results of the Group complied with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures had been made.

The Audit Committee has also reviewed the relationship the Company has with BDO Limited, the Company's external auditor. The Audit Committee is satisfied with the effectiveness of the external audit process and the independence of BDO Limited and has recommended their re-appointment at the forthcoming annual general meeting. A resolution to this effect will be included in the notice of annual general meeting for the year 2017.

NOMINATION COMMITTEE

The Nomination Committee of the Board was established on 5 March 2015, its written terms of reference has been revised and approved by the Board on 24 October 2016. As at 31 March 2017, the Nomination Committee comprises three Independent Non-executive Directors, namely Dr. WONG Chi Ying Anthony (Chairman), Mr. CHUNG Koon Yan and Mr. CHEUNG Yick Hung Jackie.

The Nomination Committee is primarily responsible for reviewing the structure, size, composition and diversity of the Board, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

The Nomination Committee shall meet at least annually or more or less frequently as circumstances require. The Nomination Committee held one meeting during the year ended 31 March 2017. Individual attendance records of each Nomination Committee member are set out in the table on page 51 of this Annual Report.

In assessing the structure, size, composition and diversity of the Board, the Nomination Committee takes into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and experience. The Nomination Committee agrees on measurable objectives for achieving diversity on the Board as set out in the Board Diversity Policy, where necessary, and recommends them to the Board for adoption.

In identifying and selecting suitably qualified candidates for directorships, the Nomination Committee shall consider the candidates on merit and against the objective criteria, with due regard for the benefits of diversity of the Board.

During the year ended 31 March 2017, the Nomination Committee conducted an annual review of the structure, size, composition and diversity of the Board and assessed the independence of Independent Non-executive Directors pursuant to code provision A.5.2 of the Corporate Governance Code. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and no material matter was identified under review.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board was established on 5 March 2015, its written terms of reference has been revised and approved by the Board on 24 October 2016. As at 31 March 2017, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. CHEUNG Yick Hung Jackie (Chairman), Mr. CHUNG Koon Yan and Dr. WONG Chi Ying Anthony.

The primary duties of the Remuneration Committee are mainly to determine, with delegated responsibility, the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Non-executive and Independent Non-executive Directors.

The emoluments of Executive Directors are determined based on skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions.

The remuneration policy of Non-executive and Independent Non-executive Directors is to ensure that the Non-executive and Independent Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of Non-executive and Independent Non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends.

CORPORATE
GOVERNANCE REPORT

The Remuneration Committee shall meet at least annually or more or less frequently as circumstances require. The Remuneration Committee held one meeting during the year ended 31 March 2017. Individual attendance records of each Remuneration Committee member are set out in the table on page 51 of this Annual Report.

During the year ended 31 March 2017, the Remuneration Committee reviewed and recommended to the Board on the proposed amendments to the remuneration packages of the Executive Directors for the year ending 31 March 2018.

In conducting its work in relation to the remuneration of Directors and senior management, the Remuneration Committee ensured that no Director or any of his associates was involved in determining his own remuneration. It also ensured that remuneration levels should be sufficient to attract and retain Directors to run the Company successfully without paying more than necessary.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2017.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of insider information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 61 to 65 of this Annual Report.

REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration of members of the senior management by band for the year ended 31 March 2017 is set out below:

	Number of members of senior management
Nil to HK$1,000,000	2
Total	2

Details of the remuneration of each Director for the year ended 31 March 2017 are set out in note 10(a) to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 March 2017, the remuneration paid to the Company's external auditor, BDO Limited, is set out below:

Type of Services	Amount of Fees Payable/Paid HK$
Audit Services	920,000
Non-audit Services:	
Professional service fee in relation to the transfer of listing from GEM to the Main Board of the Stock Exchange	200,000
Total	1,120,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

The Company conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes and regulatory compliance. The Company effectively communicated its anti-fraud policy and procedures to all levels of employees and monitored the effectiveness of its controls related to mitigating fraud risk and remedied any deficiencies identified internally and by the external auditor in a timely manner.

The management, in coordination with department heads, assessed the likelihood of risk occurrence and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2017.

CORPORATE
GOVERNANCE REPORT

During the year ended 31 March 2017, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For internal audit function, the Company has an internal audit personnel and has engaged an external professional firm to conduct an independent review of the effectiveness of the risk management and internal control systems during the year ended 31 March 2017 respectively. The internal audit function covers the key issues in relation to the accounting practices and all material controls and has provided its findings and recommendations for improvement with written reports to the Audit Committee.

The Board, as supported by the Audit Committee as well as the written reports with the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

COMPLIANCE OFFICER

Mr. Mansfield WONG, the Chairman, Chief Executive Officer and Executive Director of our Group, has been designated as the Compliance Officer of our Group to oversee all compliance matters.

DIRECTORS' NON-COMPETITION UNDERTAKING

Each of Mr. Mansfield WONG, Mr. Arthur LAM and Mr. Alastair LAM (resigned on 19 December 2016), being the Directors of the Company, entered into a non-competition undertaking with the Company with effect from 24 March 2015 (the "**Directors' Non-competition Undertaking**"). Please refer to our Prospectus for additional information on the Directors' Non-competition Undertaking.

Each of Mr. Mansfield WONG and Mr. Arthur LAM has confirmed compliance with the terms of the Directors' Non-competition Undertaking during the year ended 31 March 2017. Mr. Alastair LAM has confirmed compliance with the terms of the Directors' Non-competition Undertaking for the period from 1 April 2016 up to his resignation of Non-executive Director on 19 December 2016. All the Independent Non-executive Directors are of the view that the above-mentioned Directors have been in compliance with the Directors' Non-competition Undertaking in favour of the Company.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. TONG Man Chun, our Company Secretary, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. TONG has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the year ended 31 March 2017.

Biographical details of the Company Secretary is set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 20 to 22 of this Annual Report.

SHAREHOLDERS' RIGHTS AND COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information. The Board endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings, to communicate with them/answer their enquiries, and encourage their participation.

To promote effective communication, the Company maintains a website (www.synergy-group.com), where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are available for public access.

The general meetings of the Company provide a forum for communication between the Board and shareholders. The Chairman of the Board, as well as the chairmen and/or other members of the Board's three committees will, in the absence of unforeseen circumstances, attend to answer questions raised at these meetings. The external auditor will be asked to attend the annual general meeting to answer questions about relevant matters including the conduct of the audit, the auditor's report and auditor independence.

To safeguard shareholders' interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, and poll results will be published on the websites of the Company and the Stock Exchange after each general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Company's Articles of Association, any one or more shareholders of the Company holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

CORPORATE
GOVERNANCE REPORT

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) himself (themselves), may convene the general meeting in the same manner, and all reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Note: Any such written requisition from the shareholders should be marked "Shareholders' Communication" on the envelope.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Shareholders may propose a person for election as Director, the procedures of which are available on the Company's website (www.synergy-group.com).

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETING

Within 10 days of the date on which a notice (the "**Notice**") is deemed to be received by shareholders in respect of any general meeting of the Company (the "**Relevant General Meeting**"), any one or more shareholders holding at least one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may together, by written notice to the Company at Room 404B, 4/F, Block B, Seaview Estate, Nos. 4-6 Watson Road, North Point, Hong Kong for the attention of the Board or the Company Secretary, propose a resolution to be proposed and considered at the Relevant General Meeting in addition to the resolutions set out in the Notice. Such written notice shall be accompanied by a statement in no more than 1,000 words explaining the matters referred to, and the reasons for, any such proposed resolution. Following the receipt of such written notice and accompanying statement by the Company, the Company may, in the Company's absolute discretion (taking into account, without limitation, legal, regulatory and practical considerations relating to the issue of any supplemental notice to all shareholders in relation to the Relevant General Meeting), include the proposed resolution in the business of (i) the Relevant General Meeting or (ii) in a general meeting of the Company that is subsequent to the Relevant General Meeting.

The Company will circulate a revised Notice including any proposed resolution and the accompanying statement to all shareholders in accordance with the Articles of Association provided that if, in the Company's sole opinion (without have to give reasons therefor), the above process is being abused in any way whatsoever, the Company has absolute discretion to not include such proposed resolution in the business of the Relevant General Meeting or a subsequent general meeting of the Company.

Note: Any such written notice from the shareholders should be marked "Shareholders' Communication" on the envelope.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available and appropriate to provide) from the Board and management by writing to:

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

Attention: Mr. Manfred TONG

CORPORATE GOVERNANCE REPORT

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

There was no change to the Memorandum and Articles of Association of the Company during the year ended 31 March 2017.

ANNUAL GENERAL MEETING

The AGM of the Company is planned to be held on Friday, 15 September 2017. A notice convening the AGM and other relevant documents will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be held on Friday, 15 September 2017) be closed from Monday, 11 September 2017 to Friday, 15 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 8 September 2017.

COMPLIANCE DISCLOSURES AND OTHER MATTERS

The Listing Rules require certain corporate governance disclosures to be made. This section of the report details certain disclosures that have not been covered above.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Other Major Position Held

On 21 February 2017, Mr. CHUNG Koon Yan was appointed as an independent non-executive director of Winson Holdings Hong Kong Limited, a company listed on the Stock Exchange (stock code: 8421).

Directors' Fees

On 22 March 2017, the Remuneration Committee recommended and the Board approved the increase of Director's remuneration of Mr. Mansfield WONG and Mr. LAM Arthur for their roles as Executive Directors to HK$1,080,000 per annum with effect from 1 April 2017.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF 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)

OPINION

We have audited the consolidated financial statements of Synergy Group Holdings International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 66 to 124, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT
AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of trade and finance lease receivables

(refer to note 4(j)(ii) on the significant accounting policies, notes 17 and 19 to the consolidated financial statements)

Trade and finance lease receivables were significant to the Group and represented approximately 66% of the total assets as at 31 March 2017.

Management has recorded provision for impairment loss of approximately HK$1,190,000 on the trade receivables and there is no provision made on the finance lease receivables as at 31 March 2017. This conclusion was based on the assessment on the existence of impairment indicators with respect to the specific risks associated with each customer and the estimation of the recoverable amount of each customer. These assessments and estimations involved significant management judgement.

Our response:

Our audit procedures in relation to the management's impairment assessment on trade and finance lease receivables included:

- Reviewing and testing subsequent settlements from customers;
- Reviewing and testing the ageing of trade receivables;
- Reviewing the analysis of the carrying amount of the assets and the present value of the estimated future cashflows under finance leasing arrangements; and
- Challenging the reasonableness of management's estimation in expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of the customer.

Impairment of interests in associates

(refer to notes 4(c) and 4(n) on the significant accounting policies, note 16 to the consolidated financial statements)

As at 31 March 2017, the Group's interests in associates amounting to approximately HK$19.3 million, were subject to impairment assessment.

Management concluded that there was no impairment on the interests in associates, the conclusion was based on value-in-use calculation that requires the estimation of recoverable amounts. The impairment assessment is considered to be a matter of most significance as it requires the application of judgement and use of assumptions made by management with respect to the discount rate and the underlying cash flows, in particular future revenue growth, which may affect the carrying amount of the Group's interests in associates.

INDEPENDENT
AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Our response:

Our audit procedures in relation to the management's impairment assessment on interests in associates included:

- Understanding management's process for identifying the existence of impairment indicators in respect of the interests in associates;
- Understanding and reviewing the key assumptions in the value-in-use calculation used by management, taking into account historical performance and the associates' future operating plans; and
- Checking, on a sample basis, the accuracy and relevance of the data provided by the management, such as growth rates and discount rate used.

Accounting for income taxes

(refer to note 4(k) on the significant accounting policies, note 11 to the consolidated financial statements)

The Group operates in various jurisdictions/countries. The tax provision assessment was complex and involved significant management judgement to determine whether the Group's transactions were subject to tax, taking into consideration tax regulations, interpretations and practices prevailing in the jurisdictions/countries in which the Group operates.

Our response:

Our audit procedures in relation to the accounting for income taxes included:

- Obtaining an understanding of the Group's transaction nature and execution workflow;
- Examining correspondence with the relevant tax authorities; and
- Evaluating tax implications of the transactions and assumptions used to determine tax positions, with the assistance of our tax specialists.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT
AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT
AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092

Hong Kong, 28 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	7(a)	**256,607**	130,068
Cost of sales		**(131,632)**	(60,855)
Gross profit		**124,975**	69,213
Other income and gains	7(b)	**1,411**	2,180
Administrative expenses		**(22,279)**	(15,604)
Selling and distribution costs		**(6,364)**	(4,613)
Finance costs	8	**(2,220)**	(421)
Other expenses		**(2,054)**	(1,530)
Share of results of associates		**(4,937)**	(4,611)
Profit before income tax	9	**88,532**	44,614
Income tax expense	11(a)	**(14,460)**	(9,212)
Profit for the year		**74,072**	35,402
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		**(610)**	–
Share of other comprehensive income of an associate		**12**	(69)
Other comprehensive income for the year, net of tax		**(598)**	(69)
Total comprehensive income for the year attributable to the owners of the Company		**73,474**	35,333
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic (HK cents)	13	**14.8**	7.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,418**	2,696
Interests in associates	16	**19,325**	26,062
Trade receivables	19	**62,258**	–
Finance lease receivables	17	**82,667**	12,234
Rental deposits		**274**	–
Deferred tax assets	11(b)	**52**	–
		165,994	40,992
Current assets			
Inventories	18	**2,236**	13,721
Trade receivables	19	**110,938**	84,941
Finance lease receivables	17	**14,120**	2,510
Deposits and prepayments	20	**46,527**	9,509
Due from associates	21(a)	**14,002**	8,667
Pledged bank deposits	22	**2,500**	2,500
Cash and cash equivalents	22	**53,465**	26,576
		243,788	148,424
Current liabilities			
Trade payables	23	**5,700**	16,323
Accruals, other payables and deposits received	24	**24,346**	7,348
Borrowings	25	**107,201**	25,280
Due to a related company	21(b)	**56**	112
Provision for taxation		**5,070**	7,635
		142,373	56,698
Net current assets		**101,415**	91,726
Total assets less current liabilities		**267,409**	132,718
Non-current liabilities			
Trade payables	23	**7,054**	–
Deposits received	24	**54**	147
Borrowings	25	**4,591**	217
Notes payable	26	**50,000**	–
Deferred tax liabilities	11(b)	**–**	118
		61,699	482
Net assets		**205,710**	132,236
EQUITY			
Equity attributable to the owners of the Company			
Share capital	27	**5,000**	5,000
Reserves	28	**200,710**	127,236
Total equity		**205,710**	132,236

On behalf of the Board

Wong Man Fai Mansfield
Director

Lam Arthur
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK$'000 (note 27)	Share premium* HK$'000 (note 28)	Capital reserves* HK$'000 (note 28)	Merger reserve* HK$'000 (note 28)	Foreign exchange reserves* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 April 2015	5,000	34,749	7,388	12,183	5	37,578	96,903
Profit for the year	–	–	–	–	–	35,402	35,402
Other comprehensive income							
Share of other comprehensive income of an associate	–	–	–	–	(69)	–	(69)
Total comprehensive income for the year	–	–	–	–	(69)	35,402	35,333
At 31 March 2016 and 1 April 2016	**5,000**	**34,749**	**7,388**	**12,183**	**(64)**	**72,980**	**132,236**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**74,072**	**74,072**
Other comprehensive income							
Exchange difference arising on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**(610)**	**–**	**(610)**
Share of other comprehensive income of an associate	**–**	**–**	**–**	**–**	**12**	**–**	**12**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(598)**	**74,072**	**73,474**
At 31 March 2017	**5,000**	**34,749**	**7,388**	**12,183**	**(662)**	**147,052**	**205,710**

* These reserve accounts comprise the consolidated reserves of approximately HK$200,710,000 in the consolidated statement of financial position as at 31 March 2017 (2016: HK$127,236,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax		88,532	44,614
Adjustments for:			
Interest income	7(b)	(357)	(115)
Interest expense	8	1,841	321
Bad debts written off	9	–	12
Depreciation of property, plant and equipment	9	1,059	1,805
Losses on disposals of property, plant and equipment	9	773	906
Provision for impairment loss of trade receivables	9	1,190	–
Share of results of associates		4,937	4,611
Warranty provision, net of reversal	9	1,219	402
Write-off of inventories	9	–	43
Operating profit before working capital changes		99,194	52,599
Decrease/(increase) in inventories	33	13,026	(12,943)
Increase in trade receivables		(89,445)	(26,403)
Increase in finance lease receivables		(82,043)	(13,082)
(Increase)/decrease in deposits and prepayments		(37,292)	2,795
Increase in amounts due from associates		(1,175)	(6,487)
(Decrease)/increase in trade payables		(3,569)	9,920
Decrease in amount due to a related company		(56)	(8)
Increase in accruals, other payables and deposits received		15,686	5
Cash (used in)/generated from operations		(85,674)	6,396
Income tax paid		(17,195)	(9,209)
Net cash used in operating activities		(102,869)	(2,813)
Cash flows from investing activities			
Purchases of property, plant and equipment		(349)	(1,244)
Proceed from disposals of property, plant and equipment		93	56
Advances to an associate		(4,560)	–
Repayment from advances to an associate		400	–
Investment in an associate		(27)	(19,500)
Interest received		357	115
Increase in pledged bank deposits		–	(2,500)
Net cash used in investing activities		(4,086)	(23,073)
Cash flows from financing activities			
Interest paid on borrowings		(1,841)	(321)
Gross borrowings		148,310	25,300
Repayment of borrowings		(62,015)	(252)
Proceeds from issue of notes		50,000	–
Net cash generated from financing activities		134,454	24,727
Net increase/(decrease) in cash and cash equivalents		27,499	(1,159)
Cash and cash equivalents at beginning of the year		26,576	27,735
Effect of exchange rate changes on cash and cash equivalents		(610)	–
Cash and cash equivalents at end of the year		53,465	26,576

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 31 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

During the year, a formal application was made by the Company to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the transfer of listing of its shares from the Growth Enterprise Market to Main Board. The application was approved and the dealing of the shares of the Company on Main Board commenced on 26 October 2016 with the new stock code "1539".

The consolidated financial statements for the year ended 31 March 2017 were approved and authorised for issue by the board of directors on 28 June 2017.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2016

In current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are relevant to and effective for the Group's consolidated financial statements for the annual year beginning on 1 April 2016.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The adoption of these amendments has no material impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

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

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

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle[1,2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

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

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

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

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

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

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

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

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

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

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Basis of compliance

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

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment other than CIP is provided over their estimated useful lives, using the straight line method. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date. The estimated useful lives are as follows:

Leasehold improvements	3 years or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	2 years
Lighting systems	5 years

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss upon disposal.

CIP, which is stated at cost less impairment losses, representing lighting systems pending installation as well as cost incurred during the periods of installation and testing. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(e) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Leasing service income consists of:

(i) operating lease rental income and is recognised on a time proportion basis over the period of lease term; or

(ii) finance lease income including sales of goods recognised on transfer of risks and rewards of ownership and interest income recognised over the period of lease using the effective interest method.

Consultancy and management service income is recognised when services are rendered.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives as follows.

Exclusive rights to use technical know-how	5 years

(ii) Impairment

At the end of the reporting periods, the Group reviews the carrying amounts of its intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted-average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, form an integral part of the Group's cash management.

(j) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables, amount due to a related company, borrowings and notes payable, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent that they are incremental costs directly attributable to the equity transaction.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(l) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

Upon consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- interests in associates

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Related parties

(1) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related parties (Continued)

(2) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

No share option has been granted during the year.

(s) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

Each of the operating segments is managed separately as each of the segments requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Segment reporting (Continued)

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in this report prepared under HKFRS, except that:

(i) finance costs;

(ii) share of results of associates;

(iii) income tax expense; and

(iv) corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets included all assets except interests in associates, pledged bank deposits, cash and cash equivalents, amounts due from associates, deferred tax assets and corporate assets. Corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities included all liabilities except tax liabilities, borrowings, notes payable, amount due to a related company and corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in these financial statements, other key sources estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. Management reassesses the estimations at the reporting date. The carrying amount of inventories is disclosed in note 18.

(ii) Impairment of trade receivables

The Group's management assesses the collectibility of trade receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amount of trade receivables is disclosed in note 19.

(iii) Impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of finance lease receivables is disclosed in note 17.

(iv) Depreciation

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of property, plant and equipment is disclosed in note 14.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(v) Impairment of non-financial assets (including interests in associates)

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(vi) Warranty provision

The Group generally offers 2-5 years warranty for the lighting products during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The warranty provision provided during the year, depending on the product type, was based on the past experience of the failure rate of the products in the warranty service period. The carrying amount of warranty provision is disclosed in note 24.

(vii) Income tax

The Group is subject to income taxes in Hong Kong and overseas locations. Judgement is required in determining the provision for income taxes. There are transactions for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made. The carrying amount of provision for taxation amounted to approximately HK$5,070,000 (2016: HK$7,635,000). The carrying amounts of deferred tax assets and deferred tax liabilities are disclosed in note 11(b).

(viii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of group entities, judgement is required to determine and consider the currency that mainly influences sales prices of goods and services and of the country/jurisdiction whose competitive forces and regulations mainly determines the sales prices of goods and services; the currency that mainly influences labour, materials and other costs of providing goods or services; the currency in which funds from financing activities are generated; and the currency in which receipts from operating activities are usually retained. The functional currencies of group entities are determined based on management's assessment of the primary economic environment in which the entities operate. When the indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

6. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, financial information relating to these operations is reporting 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 lighting systems;

(2) Trading of lighting products; and

(3) Provision of consultancy services on leasing service of lighting systems ("Consultancy service").

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

	Leasing service of lighting systems HK$'000	Trading of lighting products HK$'000	Consultancy service HK$'000	Total HK$'000
Year ended 31 March 2017				
Revenue from external customers	97,198	137,440	21,969	256,607
Reportable segment profit	42,091	58,362	20,453	120,906
Capital expenditure	108	–	–	108
Depreciation	903	–	–	903
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

6. SEGMENT INFORMATION (CONTINUED)

	Leasing service of lighting systems HK$'000	Trading of lighting products HK$'000	Consultancy service HK$'000	Total HK$'000
Year ended 31 March 2016				
Revenue from external customers	21,383	78,896	29,789	130,068
Reportable segment profit	7,192	31,645	28,496	67,333
Capital expenditure	1,162	–	–	1,162
Depreciation	1,661	–	–	1,661
As at 31 March 2016				
Reportable segment assets	36,151	64,535	22,591	123,277
Reportable segment liabilities	7,515	12,271	29	19,815

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

	2017 HK$'000	2016 HK$'000
Reportable segment profit	**120,906**	67,333
Unallocated corporate income	**1,257**	2,007
Unallocated corporate expenses (note)	**(26,474)**	(19,694)
Finance costs	**(2,220)**	(421)
Share of results of associates	**(4,937)**	(4,611)
Profit before income tax	**88,532**	44,614

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

6. SEGMENT INFORMATION (CONTINUED)

	2017 HK$'000	2016 HK$'000
Reportable segment assets	**318,708**	123,277
Interests in associates	**19,325**	26,062
Pledged bank deposits	**2,500**	2,500
Cash and cash equivalents	**53,465**	26,576
Due from associates	**14,002**	8,667
Deferred tax assets	**52**	–
Other corporate assets	**1,730**	2,334
Group assets	**409,782**	189,416

	2017 HK$'000	2016 HK$'000
Reportable segment liabilities	**29,129**	19,815
Borrowings	**111,792**	25,497
Notes payable	**50,000**	–
Provision for taxation	**5,070**	7,635
Deferred tax liabilities	**–**	118
Due to a related company	**56**	112
Other corporate liabilities (note)	**8,025**	4,003
Group liabilities	**204,072**	57,180

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

6. SEGMENT INFORMATION (CONTINUED)

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

	Revenue from external customers	
	2017	2016
	HK$'000	HK$'000
Hong Kong (domiciled)	**39,541**	51,146
Japan	**31,845**	19,192
Australia	**25,073**	35,999
Malaysia	**8,991**	3,818
Indonesia	**149,435**	10,727
Other overseas locations	**1,722**	9,186
	256,607	130,068

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

	Specified non-current assets	
	2017	2016
	HK$'000	HK$'000
Hong Kong (domiciled)	**20,999**	28,758
Malaysia	**18**	–
	21,017	28,758

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6. SEGMENT INFORMATION (CONTINUED)

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

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

	Revenue from external customers	
	2017	2016
	HK$'000	HK$'000
Customer A #	**149,435**	n/a
Customer B ##	**31,845**	19,192
Customer C ##	**n/a**	35,999
Customer D ###	**n/a**	21,385

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

\## Attributable to segment of trading of lighting products

\### Attributable to segment of Consultancy service

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

7. 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:

	2017	2016
	HK$'000	HK$'000
Leasing service income	**97,198**	21,383
Trading of lighting products	**137,440**	78,896
Consultancy service income	**21,969**	29,789
	256,607	130,068

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7. REVENUE AND OTHER INCOME AND GAINS (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Interest income		
– from bank deposits	8	2
– charged to amount due from an associate	349	113
	357	115
Management service income received from an associate	900	1,800
Net foreign exchange gain	–	91
Others	154	174
	1,411	2,180

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	1,841	321
Transaction costs on bank borrowings and notes payable	379	100
	2,220	421

9. PROFIT BEFORE INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	920	820
Cost of inventories recognised as expenses		
– Cost of inventories sold	109,319	51,147
– Write-off of inventories	–	43
	109,319	51,190
Depreciation of property, plant and equipment	1,059	1,805
Employee benefit expenses (including directors' remuneration (note 10))		
– Salaries and welfare	12,536	9,512
– Defined contributions	415	330
	12,951	9,842
Warranty provision, net of reversal	1,219	402
Bad debts written off	–	12
Provision for impairment loss of trade receivables	1,190	–
Losses on disposals of property, plant and equipment	773	906
Net foreign exchange loss/(gain)	1,072	(91)
Minimum lease payments under operating leases in respect of offices, warehouses and an office equipment	1,506	1,237

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10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' emoluments are disclosed as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Defined contributions HK$'000	Total HK$'000
Year ended 31 March 2017				
Executive directors:				
Wong Man Fai Mansfield ("Mr. Mansfield Wong")	**–**	**900**	**18**	**918**
Lam Arthur ("Mr. Arthur Lam")	**–**	**900**	**18**	**918**
Non-executive director:				
Lam Chung Ho Alastair ("Mr. Alastair Lam") (note)	**154**	**–**	**–**	**154**
Independent non-executive directors:				
Chung Koon Yan	**216**	**–**	**–**	**216**
Cheung Yick Hung Jackie	**216**	**–**	**–**	**216**
Wong Chi Ying Anthony	**216**	**–**	**–**	**216**
Total	**802**	**1,800**	**36**	**2,638**
Year ended 31 March 2016				
Executive directors:				
Mr. Mansfield Wong	–	720	18	738
Mr. Arthur Lam	–	720	18	738
Non-executive director:				
Mr. Alastair Lam	180	–	–	180
Independent non-executive directors:				
Chung Koon Yan	180	–	–	180
Cheung Yick Hung Jackie	180	–	–	180
Wong Chi Ying Anthony	180	–	–	180
Total	720	1,440	36	2,196

Note: Mr. Alastair Lam resigned as the non-executive director with effect from 19 December 2016.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, 2 (2016: 2) directors are included.

The analysis of the emolument of the remaining 3 highest paid individuals for the year (2016: 3), whose remuneration fell within the band of nil to HK$1,000,000, are set out below:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**2,160**	1,920
Defined contributions	**54**	54
	2,214	1,974

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(c) During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2016: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group (2016: Nil).

11. INCOME TAX EXPENSE

(a) Income tax

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

	2017	2016
	HK$'000	HK$'000
Current tax		
– Tax for the year	**14,630**	9,498
Deferred tax		
– Current year	**(170)**	(286)
Income tax expense	**14,460**	9,212

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 Malaysian Ringgit ("RM") 20,000 per annum.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2017	2016
	HK$'000	HK$'000
Profit before income tax	**88,532**	44,614
Tax calculated at the rates applicable to profits or losses in the tax jurisdictions concerned	**11,053**	7,361
Effect of share of results of associates	**815**	761
Effect of non-deductible expenses	**1,633**	1,028
Effect of temporary differences	**979**	82
Tax concession	**(20)**	(20)
Income tax expense	**14,460**	9,212

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11. INCOME TAX EXPENSE (CONTINUED)

(b) Deferred tax

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

	(Accelerated)/ decelerated tax depreciation HK$'000
At 1 April 2015	(404)
Credited to profit or loss for the year	286
At 31 March 2016 and 1 April 2016	(118)
Credited to profit or loss for the year	170
At 31 March 2017	52

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 March 2017 (2016: Nil).

13. EARNINGS PER SHARE

	2017 **HK$'000**	2016 HK$'000
Earnings		
Profit attributable to the owners of the Company	**74,072**	35,402

	2017 **'000**	2016 '000
Number of shares		
Weighted average number of shares	**500,000**	500,000

No diluted earnings per share is presented as the Group had no potential ordinary shares during the years ended 31 March 2017 and 2016.

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Lighting systems HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2015					
Cost	183	236	9,789	307	10,515
Accumulated depreciation	(53)	(196)	(5,478)	–	(5,727)
Net book amount	130	40	4,311	307	4,788
Year ended 31 March 2016					
Opening net book amount	130	40	4,311	307	4,788
Additions	–	82	–	1,162	1,244
Transfer in/(out)	–	–	995	(995)	–
Reclassification	–	–	(131)	(438)	(569)
Disposals	–	–	(926)	(36)	(962)
Depreciation	(92)	(52)	(1,661)	–	(1,805)
Closing net book amount	38	70	2,588	–	2,696
At 31 March 2016 and 1 April 2016					
Cost	**183**	**318**	**8,427**	**–**	**8,928**
Accumulated depreciation	**(145)**	**(248)**	**(5,839)**	**–**	**(6,232)**
Net book amount	**38**	**70**	**2,588**	**–**	**2,696**
Year ended 31 March 2017					
Opening net book amount	**38**	**70**	**2,588**	**–**	**2,696**
Additions	**33**	**208**	**–**	**108**	**349**
Transfer in/(out)	**–**	**–**	**409**	**(409)**	**–**
Reclassification	**–**	**–**	**(9)**	**307**	**298**
Disposals	**–**	**(2)**	**(864)**	**–**	**(866)**
Depreciation	**(49)**	**(107)**	**(903)**	**–**	**(1,059)**
Closing net book amount	**22**	**169**	**1,221**	**6**	**1,418**
At 31 March 2017					
Cost	**216**	**467**	**5,957**	**6**	**6,646**
Accumulated depreciation	**(194)**	**(298)**	**(4,736)**	**–**	**(5,228)**
Net book amount	**22**	**169**	**1,221**	**6**	**1,418**

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

15. INTANGIBLE ASSETS

	Exclusive rights HK$'000
Cost	
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	3,851
Accumulated amortisation	
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	3,851
Net carrying amount	
At 31 March 2017	–
At 31 March 2016	–

The Group's intangible assets represented the exclusive rights to use some technical know-how of the lighting products and amortisation is provided on a straight-line basis over the estimated useful lives of 5 years.

16. INTERESTS IN ASSOCIATES

	2017 **HK$'000**	2016 HK$'000
Share of net assets	**3,104**	9,841
Goodwill	**16,221**	16,221
	19,325	26,062

NOTES TO THE FINANCIAL STATEMENTS

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16. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the associates, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of companies	Place and date of incorporation	Issued and fully paid up share capital	Percentage of equity interest attributable to the Company	Principal activities
Synergy Cooling Management Limited ("Synergy Cooling")	British Virgin Islands ("BVI") 1 April 2011	United States Dollar ("US$") 18,400	36.59%	Investment holding
Synergy Cooling Management (H.K.) Limited ("Synergy Cooling HK")	Hong Kong 21 April 2011	HK$1	36.59%	Leasing and maintenance services of cooling systems
Synergy Cooling Management (Malaysia) Limited	BVI 11 November 2013	US$100	36.59%	Investment holding
Synergy ESCO (Malaysia) Sdn. Bhd. ("Synergy ESCO (Malaysia)")	Malaysia 17 April 2014	RM500,000	36.59%	Provision of energy management systems solutions
Synergy Cooling ESCO (HK) Limited	Hong Kong 11 June 2014	HK$1	36.59%	Provision of energy management systems solutions
Kedah Synergy Limited ("Kedah Synergy")	BVI 18 April 2016	US$10,000	35%	Provision of cost-saving energy management solutions

All associates are unlisted corporate entities whose quoted market price is not available.

During the year, Kedah Synergy was incorporated and the Group has invested approximately HK$27,000 as initial investment and held 35% equity interest in Kedah Synergy accordingly.

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16. INTERESTS IN ASSOCIATES (CONTINUED)

Synergy Cooling is the holding company of other associates of the Group (collectively referred to as "Synergy Cooling Group"), except for Kedah Synergy.

The summarised financial information of Synergy Cooling Group extracted from management accounts prepared in accordance with HKFRS is set out below:

	2017 HK$'000	2016 HK$'000
Non-current assets	55,666	54,138
Current assets	9,521	6,866
Current liabilities	(35,452)	(26,079)
Non-current liabilities	(15,529)	(6,793)

	2017 HK$'000	2016 HK$'000
Revenue	10,162	9,616
Loss from continuing operations	(13,959)	(13,257)
Post-tax profit or loss from discontinued operation	–	–
Other comprehensive income	33	(192)
Total comprehensive income	(13,926)	(13,449)
Dividends received from Synergy Cooling Group	–	–

Reconciliation to the Group's interests in Synergy Cooling Group as at reporting dates:

	2017 HK$'000	2016 HK$'000
Net assets of Synergy Cooling Group	14,206	28,132
Percentage of equity interest attributable to the Group	36.59%	36.59%
The Group's share of Synergy Cooling Group's net assets	5,198	10,294
Other reconciliation items	(2,094)	(453)
Share of net assets	3,104	9,841
Goodwill	16,221	16,221
Carrying amount of the Group's interests in Synergy Cooling Group	19,325	26,062

16. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information of Kedah Synergy extracted from management accounts prepared in accordance with HKFRS is set out below:

	HK$'000
Carrying amount of interests in Kedah Synergy	–

	HK$'000
Amount of the share of Kedah Synergy during the year:	
Loss from continuing operations	(866)
Post-tax profit or loss from discontinued operations	–
Other comprehensive income	–
Total comprehensive income	(866)

The Group has discontinued recognition of its share of losses of Kedah Synergy. The amounts of unrecognised share of losses, both for the year and cumulatively, are as follows:

	HK$'000
Unrecognised share of losses of Kedah Synergy for the year	839
Accumulated unrecognised share of losses of Kedah Synergy as at 31 March 2017	839

Subsequent to the end of the reporting period, on 22 May 2017, the Group completed an additional investment of 13.25% in Synergy Cooling Group, through acquiring from two other existing shareholders of Synergy Cooling Group at an aggregate consideration of approximately HK$23,844,000 (the "Acquisition"). Upon completion of the Acquisition, the Group held equity interest of 49.84% in Synergy Cooling Group. As the Acquisition was completed close to the date of approval of these financial statements, it is not practicable to disclose further details and assess the impact to the Group in relation to the acquisition as at the date of the approval of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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17. FINANCE LEASE RECEIVABLES

The Group provides financial leasing service of lighting products. The Group's finance lease receivables are as follows:

	Minimum lease payments		Present values of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**19,850**	4,046	**14,120**	2,510
In the second to fifth years, inclusive	**75,908**	12,007	**62,868**	8,770
More than five years	**20,574**	3,779	**19,799**	3,464
	116,332	19,832	**96,787**	14,744
Less: Unearned finance lease income	**(19,545)**	(5,088)	**n/a**	n/a
Present value of minimum lease payments	**96,787**	14,744	**96,787**	14,744
Analysed for reporting purposes as:				
– Current assets			**14,120**	2,510
– Non-current assets			**82,667**	12,234
			96,787	14,744

The effective interest rates of the Group's finance leases are ranging from 5% to 221% per annum (2016: 6% to 221% per annum). There are no unguaranteed residual values of assets under finance leases. Finance lease receivables are secured over the lighting products. No contingent rent arrangements were made during the years ended 31 March 2017 and 2016.

As at 31 March 2017, included in the Group's finance lease receivables is the trading amount due from an associate, Synergy ESCO (Malaysia), of approximately HK$14,459,000 (2016: HK$2,952,000).

Included in finance lease receivables are the following amounts denominated in currencies other than the functional currencies:

	2017	2016
	HK$'000	HK$'000
RM	**14,459**	2,952
Indonesian Rupiah ("IDR")	**80,607**	10,223

During the year, the Group has 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 31 March 2017, there were bank loan balances of approximately HK$81,967,000 (2016: Nil) secured by the Assignment. As at 31 March 2017, finance lease receivables of approximately HK$80,607,000 (2016: Nil) were subject to the Assignment.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	**2,236**	13,721

19. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**174,386**	84,941
Less: Provision for impairment loss	**(1,190)**	–
Trade receivables, net	**173,196**	84,941
Classified as:		
Non-current assets (note)	**62,258**	–
Current assets	**110,938**	84,941
	173,196	84,941

Note: During the year, 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:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**38,084**	25,428
31 to 90 days	**31,756**	8,722
91 to 180 days	**45,107**	15,159
181 to 365 days	**37,064**	25,682
Over 365 days	**21,185**	9,950
	173,196	84,941

19. TRADE RECEIVABLES (CONTINUED)

Ageing analysis of the Group's trade receivables that are not impaired is as follows:

	2017 **HK$'000**	2016 HK$'000
Neither past due nor impaired	**94,372**	29,466
1 to 30 days past due	**11,131**	6,025
31 to 90 days past due	**22,843**	7,243
91 to 180 days past due	**16,856**	10,730
181 to 365 days past due	**24,578**	28,443
Over 365 days past due	**3,416**	3,034
	173,196	84,941

The below table reconciled the provision for impairment loss of trade receivables for the year:

	2017 **HK$'000**	2016 HK$'000
At beginning of the year	**–**	–
Impairment loss recognised	**1,190**	–
At end of the year	**1,190**	–

At each reporting date, the Group's trade receivables are individually determined for impairment testing. At 31 March 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. During the year, the Group has determined trade receivables of HK$1,190,000 (2016: Nil) were individually impaired (note 9) and Nil (2016: HK$12,000) (note 9) as irrecoverable and written off.

As at 31 March 2016, included in the Group's trade receivables are amounts due from two related companies, in which Mr. Alastair Lam's close relatives are the major shareholders and the key management personnel, with aggregate receivables, of approximately HK$232,000. The credit terms offered to those related companies are ranging from cash on delivery to 30 days. The maximum amount due from these two related companies during the year, individually amounted to approximately HK$295,000 and HK$110,000. These companies ceased to be related companies of the Group since Mr. Alastair Lam resigned as the non-executive director of the Company with effect from 19 December 2016.

19. TRADE RECEIVABLES (CONTINUED)

As at 31 March 2017, included in the Group's trade receivables is the trading amounts due from two (2016: one) associates, totally amounting to approximately HK$2,275,000 (2016: HK$495,000). The credit terms offered are ranging from 30 days to 90 days. The maximum amounts due from associates, Synergy ESCO (Malaysia) and Kedah Synergy, during the year amounted to approximately HK$1,229,000 and HK$1,468,000, respectively.

Included in trade receivables are the following amounts denominated in currencies other than the functional currencies:

	2017 **HK$'000**	2016 HK$'000
US$	**55,168**	54,876
RM	**807**	495
IDR	**78,924**	505
HK$	**1,468**	–

As at 31 March 2017, trade receivables of approximately HK$78,924,000 (2016: Nil) were subject to the Assignment as detailed in note 17.

20. DEPOSITS AND PREPAYMENTS

	2017 **HK$'000**	2016 HK$'000
Deposits (note)	**45,303**	7,640
Prepayments	**1,224**	1,869
	46,527	9,509

Note:

Deposits mainly represented the deposits paid to suppliers for purchase of goods.

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21. DUE FROM/TO ASSOCIATES/A RELATED COMPANY

(a) Amounts due from associates of approximately HK$14,002,000 as at 31 March 2017 (2016: HK$8,667,000) represented the net non-trading outstanding balances with Synergy Cooling Group and Kedah Synergy. As at 31 March 2017, included in the amounts due from associates is the advance to Synergy Cooling HK of approximately HK$8,570,000 (2016: HK$4,410,000) which is unsecured, interest-bearing at 5.0% (2016: 5.0%) per annum and repayable on demand. As at 31 March 2017, the remaining balances with Synergy Cooling Group and the balance with Kedah Synergy are unsecured, interest-free and repayable on demand.

(b) Amount due to a related company of HK$56,000 as at 31 March 2017 (2016: HK$112,000) represented the outstanding payables of computer software consultancy service to a related company as detailed in note 32(a)(v), wholly owned by Mr. Mansfield Wong. The balances were unsecured, interest free, and repayable on demand.

22. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2017 **HK$'000**	2016 HK$'000
Cash and bank balances	**55,965**	29,076
Less: Pledged bank deposits (note)	**(2,500)**	(2,500)
Cash and cash equivalents	**53,465**	26,576

Note: Bank deposits have been pledged to a bank as securities for banking facilities of HK$15,000,000 (2016: HK$15,000,000) granted to the Group. As at 31 March 2017, there were bank loan balances of approximately HK$15,000,000 (2016: HK$15,000,000), as set out in note 25.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies:

	2017 **HK$'000**	2016 HK$'000
US$	**5**	3
RM	**10**	–

The Group's cash at banks earns interest at floating rates based on daily bank deposit rates.

23. TRADE PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	**12,754**	16,323
Classified as:		
Non-current liabilities	**7,054**	–
Current liabilities	**5,700**	16,323
	12,754	16,323

Ageing analysis of the Group's trade payables is as follows:

	2017	2016
	HK$'000	HK$'000
0 to 30 days	**4,932**	10,748
31 to 90 days	**1,480**	2,751
91 to 180 days	**406**	2,448
Over 180 days	**5,936**	376
	12,754	16,323

The Group generally made purchase with various terms, operating on cash on delivery or payment in advance terms, except for a supplier who has granted a settlement schedule of up to 60 months to the Group. As such, the fair value of the consideration attributable to the supplier is determined by discounting the nominal amount of all future payments.

As at 31 March 2016, included in the Group's trade payables is the trading amount due to an associate, Synergy Cooling HK, of approximately HK$901,000.

Included in trade payables are the following amounts denominated in currencies other than the functional currencies:

	2017	2016
	HK$'000	HK$'000
US$	**453**	278
Renminbi ("RMB")	**7,273**	15,096

24. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2017 **HK$'000**	2016 HK$'000
Current liabilities:		
Accruals	**9,963**	2,808
Other payables	**11,949**	2,406
Warranty provision (note)	**1,930**	1,068
Deposits received	**504**	1,066
	24,346	7,348
Non-current liabilities:		
Deposits received	**54**	147

Note:

The movements in the warranty provision are as follows:

	2017 **HK$'000**	2016 HK$'000
At beginning of the year	**1,068**	917
Provision for the year	**1,373**	575
Unused amounts reversed	**(154)**	(173)
Amounts utilised	**(359)**	(251)
Exchange realignment	**2**	–
At end of the year	**1,930**	1,068

The Group records its warranty liability at the time of sales rendered based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty provision is reviewed yearly to verify it properly reflects the outstanding obligation over the warranty period.

Included in accruals and other payables are the following amounts denominated in currencies other than the functional currencies:

	2017 **HK$'000**	2016 HK$'000
RMB	**45**	–
RM	**535**	355
IDR	**13,079**	723

25. BORROWINGS

	Notes	2017 HK$'000	2016 HK$'000
Secured bank loans:			
Amounts repayable within one year	(a)(iv)	**49,592**	15,000
Amounts repayable after one year but contain a repayable on demand clause	(a)(iv)	**47,375**	–
Unsecured bank loans:			
Amounts repayable within one year	(a)(v)	**7,693**	1,942
Amounts repayable after one year but contain a repayable on demand clause	(a)(v)	**–**	8,218
Unsecured other loans:			
Amounts repayable within one year	(a)(ii)	**2,541**	120
Current liabilities		**107,201**	25,280
Unsecured other loans:			
Amounts repayable in second to fifth year	(a)(ii)	**4,591**	217
Non-current liabilities		**4,591**	217
Total borrowings		**111,792**	25,497

Notes:

(a) Bank loans and other loans

(i) 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.

(ii) During the year, the Group obtained an additional loan from an independent third party amounting to HK$7,500,000.

(iii) As at 31 March 2017, the Group's interest-bearing borrowings bore effective interest rate ranging from 2.70% to 6.49% per annum (2016: 2.74% to 6.49%).

(iv) As at 31 March 2017, the bank loans balance of approximately HK$96,967,000 (2016: HK$15,000,000) are secured by the pledge of bank deposits of approximately HK$2,500,000 (2016: HK$2,500,000) (note 22), finance lease receivables of approximately HK$80,607,000 (2016: Nil) (note 17) under the Assignment and trade receivables of approximately HK$78,924,000 (2016: Nil) (note 19) under the Assignment. The bank loans are also secured by corporate guarantees from the Company and Synergy Group Worldwide Limited ("Synergy Worldwide"), a subsidiary of the Company.

(v) The bank loans are under corporate guarantee offered by the Company.

(vi) The Group's credit facilities are amounting to approximately HK$124,210,000 (2016: HK$45,000,000), of which approximately HK$111,410,000 have been utilised as at 31 March 2017 (2016: HK$25,300,000).

25. BORROWINGS (CONTINUED)

Notes: (Continued)

(a) Bank loans and other loans (Continued)

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

	2017 HK$'000	2016 HK$'000
Within one year	**59,826**	17,062
In the second year	**15,387**	2,129
In the third to fifth year	**36,579**	6,306
	111,792	25,497

(b) The Group as borrower has entered into credit facility agreements with a bank in respect of revolving loan, straight line loan and corporate credit cards, pursuant to which, among others, the Group undertakes continual compliance with a gearing ratio covenant on one of the banking facilities amounting to HK$100,000,000.

As at 31 March 2017, the Group's borrowings from this credit facility amounted to approximately HK$81,967,000 did not comply with the credit facility agreement and were classified as current liabilities.

Subsequent to the end of the reporting period, the Group has obtained an amendment to the original credit facility which also waived the Group's aforementioned non-compliance (the "Amendment"). The Group did not receive any demand notice for repayment of any bank loans as a result of the aforementioned non-compliance.

In the opinion of the directors, as at the date of approval of these financial statements, based on the Amendment obtained, the Group is no longer in breach of any covenants and cross-default provisions in the Group's credit facility agreements.

26. NOTES PAYABLE

	2017 HK$'000	2016 HK$'000
Notes payable	**50,000**	–

During the year, the Company issued redeemable senior notes with an aggregate principal amount of HK$50,000,000 at 10% per annum with a term of 36 months (the "Notes").

26. NOTES PAYABLE (CONTINUED)

The details of the redemption of the Notes are as follows:

(i) Redemption at maturity

Unless previously redeemed, purchased and cancelled, the Company shall pay to each holder of the Notes on the maturity date of the Notes an aggregate price of (i) the outstanding principal amount on the maturity date of the Notes, (ii) all accrued and unpaid interest and unpaid default interest of the Notes (if any) and (iii) all other outstanding amounts payable by the Company to the holder of such Notes.

(ii) Company's early redemption rights

The Company shall have the right to redeem the Notes, in whole or in part, at any time during the period between the expiration of the first month from the issue date and the last day immediately preceding the maturity date in an amount equivalent to the sum of (i) 100% of the outstanding principal of the Notes to be redeemed, (ii) all accrued but unpaid interest up to the redemption date and default interest (if any), and (iii) all other outstanding amounts payable by the Company to the holder of such Notes.

(iii) Noteholder's redemption rights

Should any of the event of default set out in the agreement of the Notes occurs and is continuing, the holder of the Notes may exercise a redemption right to demand the Notes held by such holder to become due and payable immediately, in whole or in part, in an amount equivalent to the sum of (i) the outstanding principal amount of the Notes, (ii) such amount as would result in an internal rate of return of 16% per annum on the outstanding principal amount of the Notes (inclusive of all interest and the default interest payable by the Company).

In the opinion of the directors, the economic characteristics and risks of the Company's early redemption rights are closely related to the host debt contract of the Notes. Therefore, the Company does not account for the Company's early redemption rights separately.

In the opinion of the directors, the economic characteristics and risks of the noteholder's redemption rights are not closely related to the host debt contract of the Notes. The noteholder's redemption rights are not recognised in the consolidated financial statements as the directors had assessed the fair values of the noteholder's redemption rights and considered the fair value is insignificant.

27. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Issued and fully paid:		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	500,000,000	5,000

28. RESERVES

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

Share premium

The share premium represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Capital reserves

Capital reserves represent the capital contributions made by a shareholder of Synergy Worldwide before a group reorganisation completed during the year ended 31 March 2015.

Merger reserve

Merger reserve of the Group represented the difference between the nominal value of the Company's shares issued, pursuant to the reorganisation and the nominal value of the aggregate share capital and the share premium of a subsidiary.

Company

	Share premium HK$'000	Contributed surplus HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	34,749	3,236	(203)	37,782
Loss for the year and total comprehensive income for the year	–	–	(4,133)	(4,133)
At 31 March 2016 and 1 April 2016	**34,749**	**3,236**	**(4,336)**	**33,649**
Loss for the year and total comprehensive income for the year	**–**	**–**	**(8,691)**	**(8,691)**
At 31 March 2017	**34,749**	**3,236**	**(13,027)**	**24,958**

Note:

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to a reorganisation completed during the year ended 31 March 2015.

29. OPERATING LEASE ARRANGEMENT

(a) As lessor

As at 31 March 2017, future minimum lease rental receivables under non-cancellable operating leases of the Group in respect of lighting systems are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	544	1,850
Within second to fifth year	298	501
	842	2,351

The Group leases lighting systems under operating leases. The leases run for average initial period of 3 years. None of these leases includes any contingent rentals.

The Group has signed leasing contracts with a customer, where both parties authorised and agreed that the Group would place a security deposit of approximately HK$150,000 (the "Security Deposit") in a bank (the "Security Bank") in favour of the customer, the customer shall have the right and sole discretion to demand the Security Bank an amount equal to any cost, loss or damage suffered by itself as the direct or indirect result of any breach of the leasing arrangement by the Group. As at 31 March 2017 and 2016, the Security Deposit was not yet made by the Group.

(b) As lessee

As at 31 March 2017, future minimum rental payables under non-cancellable operating leases of the Group in respect of offices, warehouses and an office equipment are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	1,576	613
Within second to fifth year	603	25
	2,179	638

The Group leases offices, warehouses and an office equipment under operating leases. The leases run for an initial period of 1 to 5 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 **HK$'000**	2016 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	**7,386**	7,386
Current assets		
Prepayments	**209**	335
Due from subsidiaries	**77,117**	31,773
	77,326	32,108
Current liabilities		
Accruals and other payables	**4,754**	845
Net current assets	**72,572**	31,263
Total assets less current liabilities	**79,958**	38,649
Non-current liabilities		
Notes payable	**50,000**	–
Net assets	**29,958**	38,649
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**5,000**	5,000
Reserves	**24,958**	33,649
Total equity	**29,958**	38,649

On behalf of the Board

Wong Man Fai Mansfield
Director

Lam Arthur
Director

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

31. INTERESTS IN SUBSIDIARIES

Details of subsidiaries as at 31 March 2017 are as follows:

Company name	Place and date of incorporation	Particulars of issued and fully paid up share capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Synergy Worldwide	BVI 8 August 2008	US$22,608	100%	–	Investment holding	Hong Kong
Synergy Lighting Limited	Hong Kong 3 December 2008	HK$100	–	100%	Leasing, consultancy services and trading of lighting products	Hong Kong
Synergy Energy Saving Company Limited	Malaysia 17 October 2016	US$1	–	100%	Trading of lighting products	Malaysia
Synergy Energy Efficiency Technology (China) Company Limited	Hong Kong 2 March 2017	HK$100	–	100%	Inactive	Hong Kong

32. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these financial statements, the Group had the following material related party transactions during the year:

	Notes	**2017** **HK$'000**	2016 HK$'000
Leasing service income from related companies	(i)	**651**	1,328
Leasing service income from an associate	(ii)	**8,991**	3,818
Sales to a related company	(iii)	**–**	5
Sales to an associate	(iv)	**1,507**	–
Computer software consultancy service fees paid to a related company	(v)	**336**	336
Rental expenses paid to a related company	(vi)	**230**	219
Management service income received from an associate	(vii)	**900**	1,800
Interest income charged to an associate	(viii)	**349**	113
Purchases from an associate	(ix)	**–**	1,901
Subcontracting fees paid to an associate	(x)	**408**	119

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32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

Notes:

(i) The total leasing service income amounted to approximately HK$651,000 during the year (2016: HK$1,328,000) was contributed from related companies, in which Mr. Alastair Lam's close relatives are the major shareholders and the key management personnel. The transactions with the related companies were negotiated and carried in the ordinary course of business and at terms agreed between the parties. These companies ceased to be related companies of the Group since Mr. Alastair Lam resigned as the non-executive director of the Company with effect from 19 December 2016. The trade receivables due from the related companies as at 31 March 2016 are detailed in note 19.

(ii) The total leasing service income amounted to approximately HK$8,991,000 during the year (2016: HK$3,818,000) was contributed from Synergy ESCO (Malaysia). The transactions with Synergy ESCO (Malaysia) were negotiated and carried in the ordinary course of business and at terms agreed between parties. The trade receivables due from Synergy ESCO (Malaysia) as at 31 March 2017 amounted to approximately HK$807,000 (2016: HK$495,000).

(iii) The total sales of goods amounted to approximately HK$5,000 during the year ended 31 March 2016 was contributed from a related company, in which Mr. Alastair Lam's close relatives are the major shareholders and the key management personnel. The transactions with the related company were negotiated and carried in the ordinary course of business and at terms agreed between the parties. This company ceased to be a related company of the Group since Mr. Alastair Lam resigned as the non-executive director of the Company with effect from 19 December 2016.

(iv) The total sales of goods amounted to approximately HK$1,507,000 during the year (2016: Nil) was contributed from Kedah Synergy. The transactions with Kedah Synergy were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The trade receivables due from Kedah Synergy as at 31 March 2017 amounted to approximately HK$1,468,000.

(v) The Group has paid computer software consultancy service fees of HK$336,000 during the year (2016: HK$336,000) to a related company, which is wholly owned by Mr. Mansfield Wong. The transactions with the related company were negotiated and carried in the ordinary course of business and at terms agreed between parties. The non-trading outstanding balances due to this related company as at 31 March 2017 and 2016 are detailed in note 21(b).

(vi) The Group has paid rental expenses of approximately HK$230,000 during the year (2016: HK$219,000) to a related company, in which Mr. Arthur Lam's close relative is a shareholder. The transactions with the related company were negotiated and carried in the ordinary course of business and at terms agreed between parties.

(vii) The Group has received management service income of HK$900,000 from an associate, Synergy Cooling HK, during the year (2016: HK$1,800,000). The transactions with Synergy Cooling HK were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

(viii) The Group has charged interest income of approximately HK$349,000 to an associate, Synergy Cooling HK, during the year (2016: HK$113,000). The transactions with Synergy Cooling HK were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

(ix) The total purchases of goods amounted to approximately HK$1,901,000 during the year ended 31 March 2016 were made from Synergy Cooling HK. The transactions with Synergy Cooling HK were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The trade payables due to Synergy Cooling HK as at 31 March 2016 are detailed in note 23.

(x) The Group has paid subcontracting fees of approximately HK$408,000 during the year (2016: HK$119,000) to an associate, Synergy Cooling HK. The transactions with Synergy Cooling HK were negotiated and carried in the ordinary course of business and at terms agreed between parties.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) During the year, 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. The duration of the agreements were ranging from 48 months to 59 months, with average monthly rent charged to the associate of approximately RM21,000 (2016: RM23,000). The potential outstanding total contractual cash flows of these agreements amounted to approximately HK$5.1 million as at 31 March 2017 (2016: HK$5.4 million). The corporate guarantees include the guarantee of the due payments and discharge of any and all of the moneys, obligations and liabilities from time to time due or incurred by the associate to the independent third parties with respect to the transactions under agreement, and also undertaking with the independent third parties that whenever the associate does not pay any amount in full when due or expressed to be due under or in connection with the agreements, the Hong Kong subsidiary of the Group shall immediately after the demand for payment pay that amount to the independent third parties.

The directors are of the opinion that the fair values of these guarantees are insignificant.

(c) Compensation of key management personnel

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

	2017 **HK$'000**	2016 HK$'000
Short-term employee benefits	**3,994**	3,312

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, the Group has transferred certain inventories to construction in progress with net book amount amounting to approximately HK$307,000 (2016: Nil) upon the change of usage of lighting products acquired.

During the year, the Group has transferred certain construction in progress and lighting systems to inventories with aggregate net book amount amounting to approximately HK$9,000 (2016: HK$569,000) upon the change of usage of lighting products acquired.

34. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") adopted by the Company was approved by its shareholder on 5 March 2015 and amended on 26 October 2016.

Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 5 March 2015. Under the Share Option Scheme, the directors may in its absolute discretion offer to grant to any qualified participant an option to subscribe for the number of shares at an exercise price determined by the directors, being at least the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company. The offer of a grant of options may be accepted within 20 business days from the date of the offer. HK$1.00 is payable by any qualified participant to the Company on acceptance of the option offer as consideration for the grant. Qualified participants include any director or employee (whether full time or part time) of the Company and its subsidiaries and associated companies (as defined under Hong Kong Companies Ordinance, Cap. 622).

The options granted may be exercised in whole or in part by the grantees. The exercise period of the options granted shall be a period of time to be notified by the directors to grantees, which the directors may in its absolute discretion determine, save that such period shall not be more than 10 years commencing on the date of the offer of grant.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share options schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to the Company's shareholders' approval in a general meeting.

The maximum number of shares in respect of which options may be granted under this Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the listing date of the Company's shares, being 50,000,000 shares.

No share options were granted under the Share Option Scheme during the year (2016: Nil). As at 31 March 2017, there were no outstanding options granted under the Share Option Scheme (2016: Nil). Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings and notes payables. Borrowings and notes issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The interest rates of the Group's borrowings and notes payable are disclosed in notes 25 and 26, respectively. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

The following table details the interest rate profile of the Group's borrowings and notes payable at the end of the reporting period.

	2017		2016	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Floating rate borrowings	**2.70% to 3.00%**	**104,661**	2.74% to 3.00%	25,160
Fixed rate borrowings	**4.65% to 6.49%**	**7,131**	6.49%	337
Fixed rate notes payable	**10%**	**50,000**		–
		161,792		25,497

At 31 March 2017, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's results for the year by approximately HK$523,000 (2016: HK$126,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for year ended 31 March 2016.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. As at 31 March 2017, the Group's assets and liabilities denominated in currencies other than functional currencies are disclosed in notes 17, 19, 22, 23 and 24. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is mainly exposed to the foreign currency risk of RMB, US$, RM and IDR. As HK$ is pegged to US$, the Group does not expect any significant movement in the US$/HK$ exchange rate and this is excluded from the sensitivity analysis below as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at the reporting dates.

The following table details the Group's sensitivity of the Group's results for the year in regards to a 5% appreciation in the underlying functional currencies against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's best assessment of the reasonably possible change in foreign exchange rates. A 5% depreciation in the underlying functional currencies against the relevant foreign currencies would have the same but opposite magnitude on the Group's results for the year.

	2017	2016
	HK$'000	HK$'000
RMB	**(1,397)**	232
RM	**(763)**	(155)
IDR	**(7,977)**	(500)
HK$	**(73)**	–

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk. The analysis is performed on the same basis for the year ended 31 March 2016.

Credit risk

The Group enters into trading transaction with the recognised and reputable third parties. Before accepting any new lease contract, the Group assesses the credit quality of each potential leasee and might demand certain customers to place deposits with the Group at the time the lease arrangement is entered into. In addition, the Group monitors and controls the trade receivables regularly to mitigate the risk of significant exposure from bad debts, reviews the recoverable amount of each individual trade receivables at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral from customers.

The Group has concentration risk upon finance lease receivables and trade receivables through provision of leasing service of lighting systems and trading of lighting products contributing from an overseas customer in Indonesia (the "Indonesian Customer") during the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The Group's revenue derived from the Indonesian Customer, amounted to approximately HK$149,435,000 (2016: HK$10,727,000) which accounted for approximately 58% (2016: 8%) of the Group's total revenue for the year. The corresponding aggregate amount of finance lease receivables and trade receivables amounted to approximately HK$159,531,000 as at 31 March 2017.

The Group closely monitors the credit risk on individual customers based on their credit worthiness. In addition, the Group has assessments which involve the customer's past payments history and current ability to pay and take into account information specific to customers as well as pertaining to the economic environment in which the customers operate.

Credit risk in cash and cash equivalents is mitigated as cash is deposited in bank of high credit rating.

Fair values

The fair values of the Group's current portion of financial assets and liabilities 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 are not disclosed because the values are not materially different from their carrying amounts.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

The maturity profile of the Group's financial liabilities, based on the contractual undiscounted payments, are as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 6 months or on demand HK$'000	Within 6-12 months HK$'000	Within 1-2 years HK$'000	Within 2-3 years HK$'000	Over 3 years HK$'000
At 31 March 2017							
Trade payables	12,754	12,754	4,249	1,451	1,928	1,928	3,198
Accruals and other payables	15,147	15,147	15,147	–	–	–	–
Borrowings (note)	111,792	116,844	50,465	11,540	16,800	16,035	22,004
Notes payable	50,000	65,000	2,500	2,500	5,000	55,000	–
Due to a related company	56	56	56	–	–	–	–
	189,749	209,801	72,417	15,491	23,728	72,963	25,202

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 6 months or on demand HK$'000	Within 6-12 months HK$'000	Within 1-2 years HK$'000	Within 2-3 years HK$'000	Over 3 years HK$'000
At 31 March 2016							
Trade payables	16,323	16,323	16,323	–	–	–	–
Accruals and other payables	5,214	5,214	5,214	–	–	–	–
Borrowings	25,497	26,311	16,180	1,179	2,359	2,313	4,280
Due to a related company	112	112	112	–	–	–	–
	47,146	47,960	37,829	1,179	2,359	2,313	4,280

Note: Taking into account of the Group's financial position and the Amendment obtained for certain covenants (as detailed in note 25), the directors of the Company consider that Group's financial liabilities will be repaid in accordance with the original scheduled repayment dates set out in the loan agreements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments are as follows:

Financial assets

	2017 HK$'000	2016 HK$'000
Loans and receivables		
Trade receivables	**173,196**	84,941
Finance lease receivables	**96,787**	14,744
Due from associates	**14,002**	8,667
Pledged bank deposits	**2,500**	2,500
Cash and cash equivalents	**53,465**	26,576
	339,950	137,428

NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	2017 HK$'000	2016 HK$'000
At amortised cost		
Trade payables	**12,754**	16,323
Accruals and other payables	**15,147**	5,214
Borrowings	**111,792**	25,497
Notes payable	**50,000**	–
Due to a related company	**56**	112
	189,749	47,146

37. CAPITAL MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings and notes payable less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratio at the end of reporting period was as follows:

	2017 HK$'000	2016 HK$'000
Borrowings	**111,792**	25,497
Notes payable	**50,000**	–
Less: Cash and cash equivalents	**(53,465)**	(26,576)
Net debt	**108,327**	(1,079)
Total equity	**205,710**	132,236
Net debt to equity ratio	**53%**	n/a

ENERGY SAVING SYNERGY

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