Synergy Group

Low carbon economy: our new economy

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

2018/19

Interim Report

中期報告

Synergy Group Holdings International Limited
Interim Report 2018/2019

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CORPORATE INFORMATION

(As at 14 December 2018)

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.)*

AUTHORISED REPRESENTATIVES

Mr. Wong Man Fai Mansfield
Mr. Tong Man Chun

REGISTERED OFFICE IN CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

CORPORATE INFORMATION

(As at 14 December 2018)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG LEGAL ADVISER

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

AUDITOR

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

PRINCIPAL BANKER

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

STOCK CODE

1539

COMPANY WEBSITE

www.synergy-group.com

INVESTOR ENQUIRY HOTLINE

Tel: (852) 2121 8033

INVESTOR ENQUIRY EMAIL ADDRESS

info@synergy-group.com

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September	
	2018 **HK$'000** **(Unaudited)**	2017 HK$'000 (Unaudited)
Revenue	**171,073**	135,112
Leasing services	**7,561**	3,659
Trading of energy saving products	**141,183**	114,706
Consultancy service	**21,788**	16,747
Building AI (artificial intelligence) SaaS (Software-as-a-Service)	**541**	–
Gross profit	**74,832**	70,919
EBITDA (note)	**96,741**	57,463
EBIT (note)	**91,441**	57,165
Profit attributable to the owners of the Company	**75,926**	43,188
Basic earnings per share (HK cents)	**13.8**	8.6
Diluted earnings per share (HK cents)	**13.7**	n/a

	As at 30 September 2018 **HK$'000** **(Unaudited)**	As at 31 March 2018 HK$'000
Total assets	**823,708**	707,626
Total liabilities	**364,881**	377,724
Net assets	**458,827**	329,902

Note: EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation. EBIT is defined as earnings before interest expenses and other finance costs and tax.

- The revenue of Synergy Group Holdings International Limited 滙能集團控股國際有限公司 (the "**Company**") and its subsidiaries (collectively, the "**Group**" or our "**Group**") for the six months ended 30 September 2018 was approximately HK$171.1 million, representing an increase of approximately 26.6% over the revenue of approximately HK$135.1 million for the six months ended 30 September 2017.

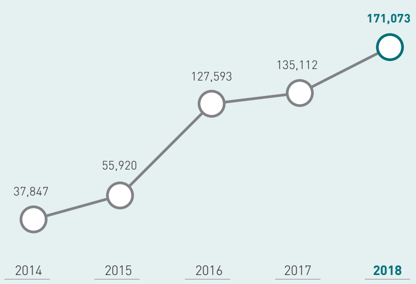
- The Group's gross profit for the six months ended 30 September 2018 was approximately HK$74.8 million, representing an increase of approximately 5.5% over the gross profit of approximately HK$70.9 million for the six months ended 30 September 2017.

- The Group's profit attributable to the owners of the Company for the six months ended 30 September 2018 was approximately HK$75.9 million, representing an increase of approximately 75.8% over the profit attributable to the owners of the Company of approximately HK$43.2 million for the six months ended 30 September 2017.

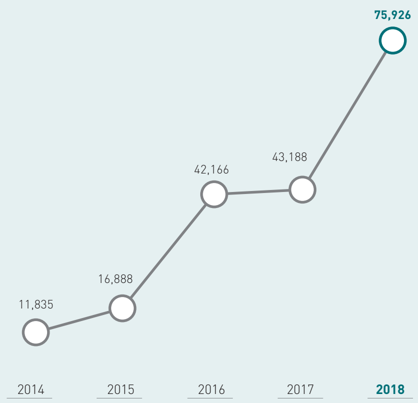
- Basic earnings per share increased by approximately 60.5% from approximately HK8.6 cents for the six months ended 30 September 2017 to approximately HK13.8 cents for the six months ended 30 September 2018.

FINANCIAL HIGHLIGHTS

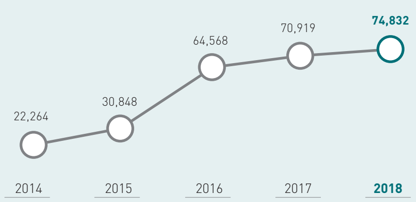
Analysis of Revenue
for the six months ended 30 September
HK$'000



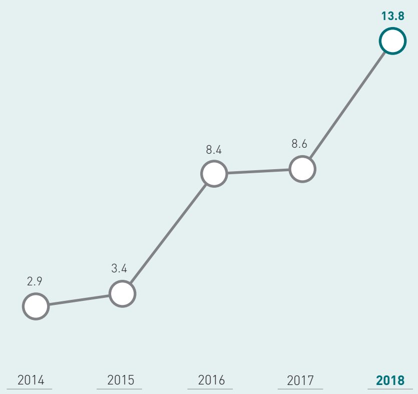
Analysis of Profit Attributable to the Owners of the Company
for the six months ended 30 September
HK$'000



Analysis of Gross Profit
for the six months ended 30 September
HK$'000



Analysis of Basic Earnings per Share
for the six months ended 30 September
HK cents



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our Group have been engaging in the energy saving and environmental protection industry since 2008. We are now one of the leading energy management contract providers in Hong Kong, with an integrated platform for providing solutions ranging from technologies and product customisation, investment, development and implementation, to operation and maintenance in the field of renewable energy, energy saving and management.

After years of rapid development aided by the capital market, we saw a gradual maturation in the energy-saving lighting/LED market, which is one of our core businesses in providing lighting services and solutions. Despite the competition becoming increasingly aggressive in the energy-saving lighting market, our Group, with the first-mover advantage in this market, continued to strengthen its position and outperformed by pursuing innovative business model and differentiated development strategies, product diversification and specialisation as well as continuously product and cost improvements. It is also reflected in our persistent positive financial performance as presented in the later sections.

The global renewable, energy saving and management industry has continued to experience steady growth with wide range of opportunities in 2018. Riding on the unprecedented support from the government policies across the globe and the "**One Belt One Road**" initiative led by China, our Group formulates a future strategic business direction where we proactively seeks different business opportunities and collaborates with other enterprises, institutions and authorities in 2018 to expand our business footprint, accelerate new project implementation and optimise resources distribution. The Group is in different stages of expansion in the overseas markets. Not only we made continuous progress in market expansion and technology research and development, but we also enhanced our corporate image and influence to the renewable and energy saving market.

The Group remains as ambitious as always with continuous progress in achieving its sustainable vision. For the six months ended 30 September 2018, the Group recorded a total revenue of approximately HK$171.1 million, representing an increase of 26.6% as compared to approximately HK$135.1 million for the six months ended 30 September 2017. For the six months ended 30 September 2018, profit attributable to the owners of the Company amounted to approximately HK$75.9 million, representing an increase of 75.8% as compared to the corresponding amount of approximately HK$43.2 million for the six months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated from our trading segment increased by 23.1% from approximately HK$114.7 million for the six months ended 30 September 2017 to approximately HK$141.2 million for the six months ended 30 September 2018 mainly due to the increase in sales of LED products. Revenue generated from our leasing service segment increased by 106.6% from approximately HK$3.7 million for the six months ended 30 September 2017 to approximately HK$7.6 million for the six months ended 30 September 2018 due to the effect from the business combination of Synergy Cooling Management Limited and its subsidiaries ("**SCML Group**"), the Company's non-wholly owned subsidiaries, while revenue generated from our Consultancy service segment increased by 30.1% from approximately HK$16.7 million for the six months ended 30 September 2017 to approximately HK$21.8 million for the six months ended 30 September 2018 due to increase in demand of consultancy services by our customer during the period. During the six months ended 30 September 2018, an additional segment, namely Building AI (artificial intelligence) SaaS (Software-as-a-Service), was introduced with reference to the newly acquired subsidiary, Negawatt Utility Limited ("**NU**"). This segment immediately contributed an income of approximately HK$0.5 million to the Group. Details of segment information are set out in Note 3 to the unaudited condensed consolidated financial statements in this report.

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

FINANCIAL REVIEW

The total revenue of the Group was approximately HK$171.1 million for the six months ended 30 September 2018, representing a 26.6% increase as compared to that for the six months ended 30 September 2017. Such increase was mainly a result of our development in the overseas markets. Gross profit margin decreased from 52.5% for the six months ended 30 September 2017 to 43.7% for the six months ended 30 September 2018. In light of the co-investment arrangement with an associated company for its business in South Africa, the Group has been providing lighting products to the associated company at a price which is approximately the same as cost; and this leads to a decrease in gross profit margin. The Group would benefit from the sharing of profit earned by the associated company according to our shareholding proportion instead of being rewarded through the sales of the lighting products to the associated company.

Other income and gains increased from approximately HK$0.3 million for the six months ended 30 September 2017 to approximately HK$47.7 million for the six months ended 30 September 2018. This was mainly attributable to the gain on deemed disposal of associates of approximately HK$47.2 million.

Selling and distribution costs

The Group's selling and distribution costs for the six months ended 30 September 2018 were approximately HK$3.1 million, representing an increase of 53.3% from approximately HK$2.0 million for the six months ended 30 September 2017. The increase was mainly due to (i) the increase in the amount of samples provided to potential customers; (ii) the increase in salary expenses as a result of the effect from the business combination of SCML Group; and (iii) the increase in marketing expenses due to more marketing activities such as the press conference held in July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The Group's administrative expenses for the six months ended 30 September 2018 were approximately HK$38.5 million, representing an increase of over 3 times from approximately HK$9.0 million for the six months ended 30 September 2017. The increase was mainly due to (i) the increase in unrealised foreign exchange loss of approximately HK$16.9 million derived from the revaluation of balances in foreign currencies mainly as a result of the depreciation of Indonesian rupiah against Hong Kong dollar; (ii) the amortisation of intangible assets of approximately HK$2.8 million derived from the business combination of SCML Group in March 2018; (iii) the increase in Directors' remuneration and salary expenses of approximately HK$3.1 million as a result of increase in headcount due to the Group's expansion, salary increment and the effect from the business combination of SCML Group; and (iv) the share-based payment expenses of approximately HK$5.1 million during the six months ended 30 September 2018, as a result of the share options granted by the Company in April 2018.

Finance costs

The Group's finance costs increased from approximately HK$4.4 million for the six months ended 30 September 2017 to approximately HK$8.9 million for the six months ended 30 September 2018. The increase was mainly due to the interest expenses arising from the new borrowings drawn in September 2017 and the note payable issued in November 2017. As at 30 September 2018, total outstanding borrowings and notes payable of the Group were approximately HK$260.7 million (31 March 2018: approximately HK$282.5 million).

Other expenses

The Group's other expenses increased from approximately HK$428,000 for the six months ended 30 September 2017 to approximately HK$1.3 million for the six months ended 30 September 2018. The increase was mainly due to the impairment losses of financial assets of approximately HK$1.2 million.

Income tax expense

The Group's income tax expense decreased from approximately HK$9.6 million for the six months ended 30 September 2017 to approximately HK$7.7 million for the six months ended 30 September 2018 due to decrease in taxable income.

EBITDA/EBIT

As a result of the foregoing, the Group's EBITDA increased from approximately HK$57.5 million for the six months ended 30 September 2017 to approximately HK$96.7 million for the six months ended 30 September 2018. The Group's EBIT increased from approximately HK$57.2 million for the six months ended 30 September 2017 to approximately HK$91.4 million for the six months ended 30 September 2018.

Profit for the period attributable to the owners of the Company

As a result of the foregoing, our profit attributable to the owners of the Company increased by 75.8% from approximately HK$43.2 million for the six months ended 30 September 2017 to approximately HK$75.9 million for the six months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly finances its business with internally generated cash flows and bank and other borrowings. As at 30 September 2018, current assets of the Group amounted to approximately HK$413.2 million, representing an increase of 27.3% from approximately HK$324.6 million as at 31 March 2018. The current assets mainly comprised cash and bank balances (including pledged bank deposits) of approximately HK$43.7 million (31 March 2018: approximately HK$39.5 million) and trade receivables of approximately HK$302.8 million (31 March 2018: approximately HK$229.5 million).

As at 30 September 2018, the Group's current liabilities mainly comprised borrowings of approximately HK$70.4 million (31 March 2018: approximately HK$91.7 million), note payable of HK$80.0 million (31 March 2018: HK$80.0 million), trade payables of approximately HK$18.2 million (31 March 2018: approximately HK$10.5 million) and accruals, other payables and deposits received of approximately HK$43.2 million (31 March 2018: approximately HK$49.1 million).

The Group's current ratio increased from approximately 1.3 times as at 31 March 2018 to approximately 1.7 times as at 30 September 2018. The Group has sufficient working capital to meet its current liquidity demand within at least 12 months from the date of this report.

The total outstanding notes payable and borrowings of the Group as at 30 September 2018 was approximately HK$260.7 million (31 March 2018: approximately HK$282.5 million), of which approximately HK$104.9 million (31 March 2018: approximately HK$121.4 million) was due to banks, approximately HK$25.8 million (31 March 2018: approximately HK$31.1 million) was due to independent third parties, and notes payable of HK$130.0 million (31 March 2018: HK$130.0 million). The decrease was due to the net effect of repayment of existing loans and new bank borrowings drawn during the six months ended 30 September 2018.

As at 30 September 2018, the Group's equity attributable to the owners of the Company was approximately HK$463.1 million, representing an increase of 38.8% from approximately HK$333.6 million as at 31 March 2018.

As at 30 September 2018, a time deposit of HK$2.5 million was pledged as a security for the bank facilities (31 March 2018: HK$2.5 million). There is an assignment of receivables from one of the customers of the Group and an assignment of investment in life insurance policy of the Group to the bank. Save as disclosed above, the Group has no other charges on its assets as at 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

PLACEMENT OF NEW SHARES AND USE OF PROCEEDS

On 4 April 2018, the Company successfully placed 50 million new shares of the Company, which represented approximately 9.09% of the issued share capital of 550 million of the Company as enlarged by the placing, to not less than six placees at the placing price of HK$1.09 per placing share. The placing shares rank pari passu in all respects among themselves and with the issued ordinary shares of the Company. The aggregate nominal value of placing shares is HK$500,000. The net price per placing share was approximately HK$1.06. The placing price of HK$1.09 per placing share represents: (a) a discount of approximately 12.8% to the closing price of HK$1.25 per share as quoted on the Stock Exchange on 14 March 2018, being the date of the relevant placing agreement; and (b) a discount of approximately 18.4% to the average closing price of HK$1.336 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the relevant placing agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the placees and their respective ultimate beneficial owners were independent third parties who are professional, institutional or other private investors procured by the relevant placing agent or its agent(s), and that none of the placees had, immediately upon completion of placing of 50 million new shares, become a substantial shareholder (as defined in the Listing Rules) of the Company. The net proceeds from the placing was approximately HK$52.9 million. The Company intended to use the net proceeds for general working capital of the Group.

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

As of 30 September 2018, all the net proceeds from the placing has been utilised in accordance with the intended use.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2018.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY OR ASSOCIATED COMPANY

On 4 July 2018, Synergy Group Worldwide Limited ("**Synergy Worldwide**"), a wholly-owned subsidiary of the Company, entered into an agreement with, among others, NU and its shareholders, pursuant to which Synergy Worldwide agreed to subscribe for new shares in NU at a consideration of HK$1.2 million payable in installments, and Synergy Worldwide became interested in approximately 60% of the shareholding in NU. Details of the acquisition are set out in the announcement of the Company dated 4 July 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Since the completion of the Subscription in Invinity in March 2018, our Group had participated in determining the overall policies and objectives of Invinity Group and had also been involved in its business planning and decision-making processes in operating and financial aspects. Invinity Group had been seeking for the most effective way to manage and operate the business, such as streamlining and shortening the decision making process. After careful consideration, on 26 September 2018, there was a consensus among other shareholders of Invinity that the board of directors of Invinity would not have involvement of our Group, and our Group would not nominate a director to the board of Invinity. Our Group has not been participating in the management and policy-making processes of Invinity Group since then. Our Group continues to hold approximately 23.6% equity interest in Invinity. Since our Group no longer has significant influence over Invinity Group, the above arrangement was accounted for as a deemed disposal of associates by the Group where Invinity Group ceased to be associates of the Group from 26 September 2018 and gave rise to a gain of approximately HK$47,240,000, being the difference between the fair value (HK$90,000,000) and the carrying amount of the approximately 23.6% retained equity interest in Invinity as at 26 September 2018 (i.e. approximately HK$42,760,000 (31 March 2018: approximately HK$43,209,000) after sharing approximately HK$449,000 loss from associates for the period from 1 April 2018 to 25 September 2018). As such, the Group's equity interest in Invinity was accounted for as an equity investment of the Group at fair value through profit or loss (the "**Equity Investment**") under the relevant accounting principle.

The fair value of the Equity Investment as at 26 September 2018 was approximately the same as that as at 30 September 2018. As such, no fair value gain or loss on the Equity Investment was recognised during the six months ended 30 September 2018. No dividend from Invinity was received by the Group and no dividend income from Invinity was recognised during the six months ended 30 September 2018.

As disclosed in the announcement of the Company dated 4 May 2018, Invinity is an investment holding company incorporated in the British Virgin Islands with three subsidiaries, namely Invinity Energy Limited ("**Invinity HK**"), Gu Zhang County Vanadium Industry Company Limited (古丈縣宏源釩業有限責任公司) ("**Guzhang**"), and Hunan Hongyuan New Energy Technology Company Limited (湖南宏源新能源科技有限公司) ("**Hongyuan**").

Invinity HK, a wholly-owned subsidiary of Invinity, is a limited liability company incorporated in Hong Kong and is principally engaged in investing in vanadium mining and processing assets including exploration, development, mining and extraction of vanadium as well as production and financing of various vanadium products and battery-grade vanadium electrolyte to support the VFBs energy storage industry.

Invinity HK has 70% of the equity interest in Guzhang, which in turn wholly owns Hongyuan. Hongyuan and Guzhang are principally engaged in the exploration and mining of vanadium-containing stone coals, mineral processing, production and sale of vanadium-related products including V_2O_5, vanadium alloys and other metallurgical products in the PRC.

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2018, US$1,600,000, being half of the subscription monies, had been paid and the balance of the consideration (US$1,600,000) is payable only upon the fulfilment of certain conditions precedent as provided in the relevant subscription agreement, including but not limited to the completion of the due diligence on, among others, the business operation and assets of Invinity Group and the achievement of a number of milestones in relation to the production and operation of Invinity Group.

Saved as disclosed above, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the six months ended 30 September 2018.

ASSOCIATED COMPANY

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

The revenue of KSL Group for the six months ended 30 September 2018 was approximately HK$78.5 million (for the six months ended 30 September 2017: Nil). The net profit attributable to the shareholders of KSL Group for the six months ended 30 September 2018 was approximately HK$26.0 million, improved from net loss of approximately HK$962,000 for the six months ended 30 September 2017, as it was in the stage of business negotiation and sampling with a major retailer in South Africa during the six months ended 30 September 2017 while installation of the customised LED products in the retail outlets of such major retailer has been commencing during the six months ended 30 September 2018.

During the six months ended 30 September 2018, Invinity Group ceased to be associates of the Group and the approximate 23.6% equity interest in Invinity Group was accounted for as an equity investment at fair value through profit or loss due to the loss of significant influence over Invinity Group. Details of the deemed disposal are set out in the section headed "Material Acquisition and Disposal of Subsidiary or Associated Company" to Management Discussion and Analysis in this report.

Saved as disclosed above, there were no other significant investments held, and other plans for material investments or capital assets during the six months ended 30 September 2018.

GUARANTEES

The Group had no material guarantees as at 30 September 2018.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2018, the Group had 59 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 (MPF) Scheme. Under the MPF Scheme, each of the Group companies (i.e. the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the MPF legislations. The contributions from each of the employers and employees are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has arranged for its Malaysian employees to join the Employees Provident Fund (EPF) Scheme. Under the EPF Scheme, each of the Group companies (i.e. the employer) and its employees make monthly contributions to the scheme at rate ranging from 11% to 13% of the employees' earnings. The Group has also arranged for its Malaysian employees to join the social security scheme by Social Security Organisation (SOCSO). The scheme is to guarantee cash payment and benefits in kinds to employees and their dependents in the event of a contingency. The rate of contribution comprises rates ranging from 0.5% to 1.75% of employees' monthly wages, which capped the maximum at RM4,000, from employer and employees.

The Company has adopted a share option scheme as an incentive to its Directors and eligible employees of the Group, details of which are set out in the paragraph headed "**Share Option Scheme**" in the section headed "Directors' Report" in our 2017/2018 Annual Report.

On 19 April 2018, the Company granted a total of 21,532,400 share options to subscribe for an aggregate of 21,532,400 ordinary shares of HK$0.01 each in the capital of the Company, comprising (i) 11,150,000 share options to five Directors; and (ii) 10,382,400 share options to certain qualified participants (as defined below), being employees of the Group, under the share option scheme adopted by the Company on 5 March 2015 (as amended on 26 October 2016) (the "**Grant**"). Details of the grant are set out in the Company's announcement dated 19 April 2018.

FOREIGN CURRENCY EXPOSURE

The Group's revenue and expenses are mainly in Hong Kong dollar which is the functional currency of most of the entities making up the Group. As it is expected that there will be a continuously increase in revenue from overseas markets, the Directors believe that the Group will be exposed to foreign exchange risk due to exchange rate fluctuations. After considering the current and future exchange rate level and the foreign currency market, the Group does not adopt any foreign currency hedging measure as at the date of this report. However, the Group will monitor its foreign exchange exposure and will consider hedging the foreign currency exposure should the need arises.

GEARING RATIO

As at 30 September 2018, the gearing ratio of the Group was 57.4% (31 March 2018: 86.7%), which is calculated on the basis of the amount of total debts divided by the total equity of the Group. The decrease was mainly due to the placing of 50 million new shares during the six months ended 30 September 2018.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

Despite the slowing and less synchronised global economic growth with rising financial vulnerabilities, market volatility and trade tensions, the climate change imperatives continue to drive the development in the energy efficiency and clean energy market. Moreover, increasing global energy demand due to rising economic activity, heightened society demand in corporate social responsibility and necessary reduction in business operating cost will continue to increase the pursuit of adopting more clean and energy-efficient products and services. The continued decline in the capital cost of renewables, particularly for solar photovoltaic, favours the Group's development of projects in the renewable energy sector. As solar power is steadily reaching the grid parity, we will foresee power distribution reforms and solar power can rely on its own competitiveness and replace fossil fuel gradually with enormous room for further development. Huge energy efficiency improvement potential remains untapped since 66% of global energy use is not subject to mandatory energy efficiency policies and regulations. Together with the "**One Belt One Road**" initiative and the development of the "**Greater Bay Area**", the Group should benefit from all these driving forces to generate sustainable growth in the future.

Building on the strong and diversified business network, we have further acquired Negawatt Utility Limited, a company which uses artificial intelligence and big data analytics to reduce energy, operational and maintenance costs for buildings. The acquisition represents a further step towards achieving our company goals – enabling the world with greater efficiency and productivity to vitalise a sustainable world. The acquisition engenders a broader spectrum of service portfolio to bring differentiated services to the Group's customers, strengthen the Group's position in the industry as well as singularity to push forward its innovation and technological development. Digital and cognitive transformation is occurring throughout the building lifecycle. Increasing need and value are seen in data mining, processing and management through artificial intelligence, which can be used for better data visualisation, system control and optimisation. The evolution of the energy efficiency and clean energy market into smarter technologies is gradually changing the way the work is done. The Group will be able to leverage on this acquisition and its advantages to provide a technology infrastructure infused with intelligence in accelerating the company growth.

Looking ahead, the Group will continue to follow its fundamental objectives to reinforce its core strategic growth initiatives to capture any business opportunities, continuously expand its edges into new markets and new customers. With such a favourable growth momentum and governmental support, the Group is optimistic towards its development to maximise its return to its stakeholders.

CORPORATE GOVERNANCE

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

As at 30 September 2018, 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 (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to our Company and The Stock Exchange of Hong Kong Limited (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:

Interests or short positions in the ordinary shares of HK$0.01 each of the Company

Name of Director	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of issued share capital (Note 3)
Mr. WONG Man Fai Mansfield (Note 2)	Interest in controlled corporation	5,500,000 (L)	1.00%
		53,249,204 (S)	9.68%
Mr. LAM Arthur	Beneficial owner	7,550,000 (L)	1.37%
		35,464,437 (S)	6.45%
CHEUNG Yick Hung Jackie	Beneficial owner	50,000 (L)	0.01%
CHUNG Koon Yan	Beneficial owner	50,000 (L)	0.01%
WONG Chi Ying Anthony	Beneficial owner	50,000 (L)	0.01%

Notes:

1. The letters "L" and "S" denote the person's long position and short position in such shares respectively.

2. 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.

3. The total number of issued shares of the Company as at 30 September 2018 was 550,000,000.

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executives of our Company had any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE

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

So far as our Directors are aware, as at 30 September 2018, 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:

Interests or short positions in the ordinary shares of HK$0.01 each of the Company

Name of Shareholder	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of issued share capital (Note 6)
Abundance Development Limited (Note 2)	Beneficial owner	53,249,204 (S)	9.68%
Ms. CAI Linda Xin Xin (Note 3)	Interest of spouse	5,500,000 (L)	1.00%
		53,249,204 (S)	9.68%
Ms. LIANG Wai Yun Fiona (Note 4)	Interest of spouse	7,550,000 (L)	1.37%
		35,464,437 (S)	6.45%
Central Huijin Investment Ltd. (Note 5)	Interest of controlled corporation	110,001,641 (L)	20.00%
China Construction Bank Corporation (Note 5)	Interest of controlled corporation	110,001,641 (L)	20.00%
CCB International Group Holdings Limited (Note 5)	Interest of controlled corporation	110,001,641 (L)	20.00%
CCB Financial Holdings Limited (Note 5)	Interest of controlled corporation	110,001,641 (L)	20.00%
CCB International (Holdings) Limited (Note 5)	Interest of controlled corporation	110,001,641 (L)	20.00%
CCBI Investments Limited (Note 5)	Interest of controlled corporation	110,001,641 (L)	20.00%
Wan Tai Investments Limited (Note 5)	Person having a security interest in shares	110,001,641 (L)	20.00%

CORPORATE GOVERNANCE

Notes:

1. The letters "L" and "S" denote the person's long position and short position in such shares respectively.

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.

5. Wan Tai Investments Limited is wholly controlled by CCBI Investments Limited, which is in turn wholly controlled by CCB International (Holdings) Limited, which is in turn wholly controlled by CCB Financial Holdings Limited, which is in turn wholly controlled by CCB International Group Holdings Limited, which is in turn wholly controlled by China Construction Bank Corporation, which 57.11% shares in turn controlled by Central Huijin Investment Ltd..

6. The total number of issued shares of the Company as at 30 September 2018 was 550,000,000.

Save as disclosed above, as at 30 September 2018, 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.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 5 March 2015 (which was amended on 26 October 2016) ("**Share Option Scheme**"). Under the Share Option Scheme, the Board may in its absolute discretion grant options to directors or employees (whether full time or part time) of our Company and its subsidiaries and associated companies (the "**Qualified Participants**") to subscribe for its shares. The purpose of the Share Option Scheme is to enable the Company to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of our Company and its shares for the benefit of the shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of our Group. Details of which are set out in the paragraph headed "**Share Option Scheme**" in the section headed "Directors' Report" in our 2017/2018 Annual Report.

CORPORATE GOVERNANCE

The following table discloses movements in the Company's share options during the six months ended 30 September 2018:

Grantees	Date of grant	Exercise period	Exercise price	Number of share options: Outstanding as at 1 April 2018	Granted during the period	Lapsed/ forfeited during the period	Cancelled during the period	Outstanding as at 30 September 2018
Directors								
WONG Man Fai Mansfield	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	–	5,500,000	–	–	5,500,000
LAM Arthur	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	–	5,500,000	–	–	5,500,000
CHUNG Koon Yan	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	–	50,000	–	–	50,000
CHEUNG Yick Hung Jackie	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	–	50,000	–	–	50,000
WONG Chi Ying Anthony	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	–	50,000	–	–	50,000
Employees								
Employees in aggregate	19 April 2018	19 April 2018 to 18 April 2019	HK$1.268 per share	–	5,500,000	–	–	5,500,000
	19 April 2018	19 April 2019 to 18 April 2020	HK$1.268 per share	–	3,232,400	–	–	3,232,400
	19 April 2018	19 April 2020 to 18 April 2021	HK$1.268 per share	–	1,650,000	–	–	1,650,000
Total				–	21,532,400	–	–	21,532,400

CORPORATE GOVERNANCE

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 30 September 2018, 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 six months ended 30 September 2018.

CORPORATE GOVERNANCE

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

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

The Board is of the view that, throughout the six months ended 30 September 2018, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the Corporate Governance Code, except for the deviation from the code provision A.2.1 as explained below:

Code provision A.2.1 of the Corporate Governance Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. WONG Man Fai Mansfield is the Chairman of the Board and the Chief Executive Officer. Mr. WONG Man Fai Mansfield has been leading our Group as the Chief Executive Officer and one of our subsidiaries since 2009, thus, the Board believes that the combined roles of Mr. WONG promotes better leadership for both the Board and management and allows more focus on developing business strategies and the implementation of objectives and policies. 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. The structure is supported by the Company's well established corporate governance structure and internal control system. Therefore, the Board considers that the deviation from code provision A.2.1 is appropriate in the circumstances. The Board will review the management structure regularly and consider separating the roles of chairman and chief executive, if and when appropriate.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE MODEL CODE AND SECURITIES DEALING CODE

The Company has adopted its own code of conduct for dealing in securities of the Company by the Directors and the relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company (the "**Securities Dealing Code**") on terms no less exacting than the standard as set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors and relevant employees, all Directors and relevant employees have confirmed that they have complied with the Securities Dealing Code and therefore, complied with the Model Code throughout the six months ended 30 September 2018 and up to the date of this report.

AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2018 contained in this report had not been audited by the Company's auditor, but had been reviewed by the Audit Committee, which was of the opinion that such financial information complied with the applicable accounting standards and requirements and the Listing Rules, and adequate disclosures had been made.

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 Positions Held

Mr. CHEUNG Yick Hung Jackie, an independent non-executive Director of the Company, has served as a Consultant Solicitor of Messrs. Cheung & Yeung, Solicitors (張國鈞楊煒凱律師事務所) with effect from 1 March 2018.

Dr. WONG Chi Ying Anthony, an independent non-executive Director of the Company, ceased to be an executive director and vice chairman of Ngai Hing Hong Company Limited (stock code: 1047), a company listed on Main Board of the Stock Exchange, with effect from 22 November 2018, and remains in such company as a consultant until 31 March 2019.

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

Hong Kong, 30 November 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Synergy Group Holdings International Limited 滙能集團控股國際有限公司 (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**our Group**") for the six months ended 30 September 2018 together with the comparative figures for the corresponding period in 2017 as follows:

		Six months ended 30 September	
		2018	2017
			(Note 19)
	Notes	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Revenue	4(a)	**171,073**	135,112
Cost of sales		**(96,241)**	(64,193)
Gross profit		**74,832**	70,919
Other income and gains	4(b)	**47,735**	279
Administrative expenses		**(38,489)**	(8,988)
Selling and distribution costs		**(3,109)**	(2,028)
Finance costs	5	**(8,884)**	(4,350)
Other expenses		**(1,328)**	(428)
Share of results of associates		**11,800**	(2,589)
Profit before income tax	6	**82,557**	52,815
Income tax expense	7	**(7,651)**	(9,627)
Profit for the period		**74,906**	43,188
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**–**	(2,086)
Exchange difference arising on translation of financial statements of foreign operations		**(3,244)**	1,230
Share of other comprehensive income of an associate		**23**	(10)
Other comprehensive income for the period, net of tax		**(3,221)**	(866)
Total comprehensive income for the period		**71,685**	42,322

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 (Note 19) HK$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**75,926**	43,188
Non-controlling interests		**(1,020)**	–
		74,906	43,188
Total comprehensive income for the period attributable to:			
Owners of the Company		**72,690**	42,322
Non-controlling interests		**(1,005)**	–
		71,685	42,322
Earnings per share for profit attributable to the owners of the Company during the period			
– Basic (HK cents)	9	**13.8**	8.6
– Diluted (HK cents)	9	**13.7**	n/a

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 (Note 19) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**27,896**	30,913
Intangible assets		**8,883**	11,653
Goodwill		**93,413**	92,794
Interests in associates		**42,525**	73,462
Equity investment at fair value through profit or loss	18	**90,000**	–
Other financial assets at fair value through profit or loss	18	**10,274**	–
Available-for-sale investments		**–**	10,089
Trade receivables	11	**88,975**	105,889
Finance lease receivables		**48,197**	58,126
Rental deposits		**203**	38
Deferred tax assets		**164**	97
		410,530	383,061
Current assets			
Inventories		**2,300**	8,006
Trade receivables	11	**302,788**	229,462
Finance lease receivables		**11,580**	12,218
Deposits, prepayments and other receivables		**24,146**	18,871
Due from associates		**28,693**	16,485
Pledged bank deposits		**2,500**	2,500
Cash and cash equivalents		**41,171**	37,023
		413,178	324,565
Current liabilities			
Trade payables	12	**18,210**	10,511
Contract liabilities		**8,417**	–
Accruals, other payables and deposits received		**43,222**	49,084
Borrowings	13	**70,443**	91,692
Finance lease obligations		**1,296**	1,542
Notes payable		**80,000**	80,000
Due to a related company		**112**	28
Due to directors		**4,697**	4,697
Provision for taxation		**17,039**	12,461
		243,436	250,015
Net current assets		**169,742**	74,550
Total assets less current liabilities		**580,272**	457,611

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 (Note 19) HK$'000
Non-current liabilities			
Trade payables	12	9,952	11,197
Deposits received		16	3,724
Borrowings	13	60,305	60,816
Finance lease obligations		1,172	1,972
Notes payable		50,000	50,000
		121,445	127,709
Net assets		458,827	329,902
EQUITY			
Share capital		5,500	5,000
Reserves		457,605	328,562
Equity attributable to the owners of the Company		463,105	333,562
Non-controlling interests		(4,278)	(3,660)
Total equity		458,827	329,902

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital reserves HK$'000	Merger reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Foreign exchange reserves HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 March 2018 (audited) as originally presented	**5,000**	**34,749**	**-**	**7,388**	**12,183**	**(1,434)**	**2,920**	**272,756**	**333,562**	**(3,660)**	**329,902**
Initial application of HKFRS 9 (Note 2(b))	-	-	-	-	-	1,434	-	(2,545)	(1,111)	-	(1,111)
Adjusted balances at 1 April 2018	**5,000**	**34,749**	**-**	**7,388**	**12,183**	**-**	**2,920**	**270,211**	**332,451**	**(3,660)**	**328,791**
Acquisition of a subsidiary (Note 15)	-	-	-	-	-	-	-	-	-	387	387
Issue of shares, net of share issue expenses	500	52,411	-	-	-	-	-	-	52,911	-	52,911
Equity-settled share option arrangements	-	-	5,053	-	-	-	-	-	5,053	-	5,053
Profit for the period	-	-	-	-	-	-	-	75,926	75,926	(1,020)	74,906
Other comprehensive income											
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(3,259)	-	(3,259)	15	(3,244)
Share of other comprehensive income of an associate	-	-	-	-	-	-	23	-	23	-	23
Total comprehensive income for the period	-	-	-	-	-	-	(3,236)	75,926	72,690	(1,005)	71,685
At 30 September 2018 (unaudited)	**5,500**	**87,160**	**5,053**	**7,388**	**12,183**	**-**	**(316)**	**346,137**	**463,105**	**(4,278)**	**458,827**
At 1 April 2017 (audited)	5,000	34,749	–	7,388	12,183	–	(662)	147,052	205,710	–	205,710
Profit for the period	–	–	–	–	–	–	–	43,188	43,188	–	43,188
Other comprehensive income											
Change in fair value of available-for-sale investments	–	–	–	–	–	(2,086)	–	–	(2,086)	–	(2,086)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	1,230	–	1,230	–	1,230
Share of other comprehensive income of an associate	–	–	–	–	–	–	(10)	–	(10)	–	(10)
Total comprehensive income for the period	–	–	–	–	–	(2,086)	1,220	43,188	42,322	–	42,322
At 30 September 2017 (unaudited)	5,000	34,749	–	7,388	12,183	(2,086)	558	190,240	248,032	–	248,032

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 (Note 19) HK$'000 (Unaudited)
Cash flows from operating activities			
Profit before income tax		**82,557**	52,815
Adjustments for:			
Interest income	4(b)	**(24)**	(229)
Interest expense	5	**8,834**	4,277
Amortisation of intangible assets	6	**2,770**	–
Bad debts written off	6	**5**	–
Depreciation of property, plant and equipment	6	**2,530**	298
Losses on disposals of property, plant and equipment	6	**126**	422
Gain on deemed disposal of associates	4(b)	**(47,240)**	–
Fair value gains on other financial assets at fair value through profit or loss	4(b)	**(186)**	–
Provision for impairment loss of financial assets	6	**1,151**	–
Share of results of associates		**(11,800)**	2,589
Equity-settled share option expense	6	**5,053**	–
Warranty provision, net of reversal	6	**573**	258
Operating profit before working capital changes		**44,349**	60,430
Decrease in inventories	17	**5,706**	439
Increase in trade receivables		**(58,154)**	(107,212)
Decrease in finance lease receivables		**10,530**	6,338
(Increase)/decrease in deposits, prepayments and other receivables		**(4,203)**	22,407
Increase in amounts due from associates		**(12,208)**	(3,270)
Increase in trade payables		**6,134**	5,371
Increase in amount due to a related company		**84**	168
(Decrease)/increase in contract liabilities and accruals, other payables and deposits received		**(3,359)**	1,305
Cash used in operations		**(11,121)**	(14,024)
Income tax paid		**(3,140)**	–
Net cash used in operating activities		**(14,261)**	(14,024)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 (Note 19) HK$'000 (Unaudited)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,565)**	(96)
Acquisition of a subsidiary, net of cash acquired	15	**(181)**	–
Advances to an associate		**–**	(1,000)
Interest received		**24**	229
Investment in an associate		**–**	(23,844)
Purchases of available-for-sale investments		**–**	(11,986)
Net cash used in investing activities		**(1,722)**	(36,697)
Cash flows from financing activities			
Net proceeds from issue of shares		**52,911**	–
Repayment of capital element of finance lease obligations		**(1,046)**	–
Interest paid		**(8,834)**	(4,277)
Proceed from borrowings		**12,800**	70,774
Repayment of borrowings		**(34,560)**	(13,572)
Net cash generated from financing activities		**21,271**	52,925
Net increase in cash and cash equivalents		**5,288**	2,204
Cash and cash equivalents at beginning of the period		**37,023**	53,465
Effect of exchange rate changes, net		**(1,140)**	1,230
Cash and cash equivalents at end of the period		**41,171**	56,899

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of compliance

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2018 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which are effective for the annual period beginning on 1 April 2018, as disclosed in the annual financial statements for the year ended 31 March 2018.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 March 2018.

(b) Change in accounting policies

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised in below.

HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Change in accounting policies (Continued)

HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

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

	HK$'000
Retained profits	
Balance as at 31 March 2018	272,756
Increase in expected credit losses ("**ECLs**") in trade receivables and finance lease receivables (note 2(b)(ii))	(1,111)
Reclassify investments from available-for-sale at fair value to fair value through profit or loss ("**FVTPL**") (note 2(b)(i))	(1,434)
Adjusted balance as at 1 April 2018 (unaudited)	270,211
Available-for-sale investment revaluation reserve	
Balance as at 31 March 2018	(1,434)
Reclassify investments from available-for-sale at fair value to FVTPL (note 2(b)(i))	1,434
Adjusted balance as at 1 April 2018 (unaudited)	–

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Change in accounting policies (Continued)

HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

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

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

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

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

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

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Change in accounting policies (Continued)

HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

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

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

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK$'000
Investments in life insurance policy	Available-for-sale (at fair value)	FVTPL	10,089	10,089
Trade receivables	Loans and receivables	Amortised cost	335,351	334,277
Finance lease receivables	Loans and receivables	Amortised cost	70,344	70,307
Other receivables	Loans and receivables	Amortised cost	35	35
Due from associates	Loans and receivables	Amortised cost	16,485	16,485
Pledged bank deposits	Loans and receivables	Amortised cost	2,500	2,500
Cash and cash equivalents	Loans and receivables	Amortised cost	37,023	37,023

(ii) Impairment of financial assets

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Change in accounting policies (Continued)

HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

Furthermore, the Group has applied the general approach and recorded twelve months expected losses on its other financial assets.

Presentation of ECLs

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

Impact of the ECL model – Impairment

To measure the ECLs, trade receivables and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has determined that there is no significant impact on the provision for impairment of other financial assets upon the initial adoption of the standard.

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

	HK$'000
Loss allowance as at 1 April 2018 under HKAS 39	–
Additional impairment recognised for trade receivables	1,074
Additional impairment recognised for finance lease receivables	37
Loss allowance as at 1 April 2018 under HKFRS 9 (unaudited)	**1,111**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Change in accounting policies (Continued)

HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(iii) Transition

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

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

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

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

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Change in accounting policies (Continued)

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

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

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

Saved as disclosed above, the adoption of these new and revised HKFRSs does not have significant impact on the Group's results of operations and financial position.

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

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Basis of measurement

These unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for equity investment at fair value through profit or loss and other financial assets at fair value through profit or loss/available-for-sale investments which are measured at fair values.

(d) Functional and presentation currency

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

3. SEGMENT INFORMATION

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

(1) provision of leasing services of energy saving systems;

(2) trading of energy saving products;

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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

	Leasing services of energy saving systems HK$'000	Trading of energy saving products HK$'000	Consultancy service HK$'000	Building AI SaaS HK$'000	Total HK$'000
Six months ended 30 September 2018 (unaudited)					
Revenue from external customers	**7,561**	**141,183**	**21,788**	**541**	**171,073**
Reportable segment profit/(loss)	**4,093**	**48,448**	**20,355**	**(144)**	**72,752**
Capital expenditure	**1,381**	**–**	**–**	**–**	**1,381**
Depreciation	**2,082**	**–**	**–**	**–**	**2,082**
Six months ended 30 September 2017 (unaudited)					
Revenue from external customers	3,659	114,706	16,747	–	135,112
Reportable segment profit	1,815	51,888	15,993	–	69,696
Capital expenditure	81	–	–	–	81
Depreciation	220	–	–	–	220
As at 30 September 2018 (unaudited)					
Reportable segment assets	**101,464**	**348,436**	**50,691**	**171**	**500,762**
Reportable segment liabilities	**9,994**	**46,247**	**25**	**64**	**56,330**
As at 31 March 2018					
Reportable segment assets	105,328	305,247	48,822	–	459,397
Reportable segment liabilities	8,461	43,506	11	–	51,978

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Reportable segment profit	**72,752**	69,696
Unallocated corporate income (note)	**47,450**	235
Unallocated corporate expenses (note)	**(40,561)**	(10,177)
Finance costs	**(8,884)**	(4,350)
Share of results of associates	**11,800**	(2,589)
Profit before income tax	**82,557**	52,815

Note: Unallocated corporate income mainly includes gain on deemed disposal of associates.

Unallocated corporate expenses mainly include amortisation of intangible assets, legal and professional fees, salaries, other administrative expenses and other selling and distribution costs.

	As at 30 September 2018	As at 31 March 2018
	HK$'000	HK$'000
	(Unaudited)	
Reportable segment assets	**500,762**	459,397
Intangible assets	**8,883**	11,653
Goodwill	**93,413**	92,794
Interests in associates	**42,525**	73,462
Equity investment at fair value through profit or loss	**90,000**	–
Other financial assets at fair value through profit or loss	**10,274**	–
Available-for-sale investments	**–**	10,089
Pledged bank deposits	**2,500**	2,500
Cash and cash equivalents	**41,171**	37,023
Due from associates	**28,693**	16,485
Deferred tax assets	**164**	97
Other corporate assets	**5,323**	4,126
Group assets	**823,708**	707,626

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000
Reportable segment liabilities	**56,330**	51,978
Borrowings	**130,748**	152,508
Finance lease obligations	**2,468**	3,514
Notes payable	**130,000**	130,000
Provision for taxation	**17,039**	12,461
Due to a related company	**112**	28
Due to directors	**4,697**	4,697
Other corporate liabilities (note)	**23,487**	22,538
Group liabilities	**364,881**	377,724

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

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

	Six months ended 30 September	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Hong Kong (domiciled)	**58,671**	23,524
Australia	**39,151**	22,208
Indonesia	**6,682**	58,755
Japan	**18,902**	15,659
Malaysia	**28,592**	1,623
Singapore	**12,974**	13,343
Others	**6,101**	–
	171,073	135,112

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000
Hong Kong (domiciled)	146,126	179,449
Malaysia	26,794	29,411
	172,920	208,860

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

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

	Six months ended 30 September	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Customer A ##	18,902	15,659
Customer B ##	17,800	22,208
Customer C #	21,788	16,747
Customer D ###	n/a	58,755
Customer E ##	35,258	n/a
Customer F ##	23,901	n/a
Customer G ##	21,351	n/a

Attributable to segment of Consultancy service

Attributable to segment of trading of energy saving products

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Leasing service income	**7,561**	3,659
Trading of energy saving products income	**141,183**	114,706
Consultancy service income	**21,788**	16,747
Building AI SaaS income	**541**	–
	171,073	135,112

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest income		
– from bank deposits	**12**	7
– charged to amount due from an associate	**–**	222
– others	**12**	–
	24	229
Fair value gains on other financial assets at fair value through profit or loss	**186**	–
Gain on deemed disposal of associates (note)	**47,240**	–
Others	**285**	50
	47,735	279

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

Since the completion of the Subscription in Invinity in March 2018, our Group had participated in determining the overall policies and objectives of Invinity Group and had also been involved in its business planning and decision-making processes in operating and financial aspects. Invinity Group had been seeking for the most effective way to manage and operate the business, such as streamlining and shortening the decision making process. After careful consideration, on 26 September 2018, there was a consensus among other shareholders of Invinity that the board of directors of Invinity would not have involvement of our Group, and our Group would not nominate a director to the board of Invinity. Our Group has not been participating in the management and policy-making processes of Invinity Group since then. Our Group continues to hold approximately 23.6% equity interest in Invinity. Since our Group no longer has significant influence over Invinity Group, the above arrangement was accounted for as a deemed disposal of associates by the Group where Invinity Group ceased to be associates of the Group from 26 September 2018. As such, the Group's equity interest in Invinity was accounted for as an equity investment of the Group at fair value through profit or loss under the relevant accounting principle (note 18).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	**2,543**	1,722
Interest on notes payable	**6,165**	2,555
Interest on finance leases	**126**	–
	8,834	4,277
Transaction costs on bank borrowings	**50**	73
	8,884	4,350

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets (included in administrative expenses)	**2,770**	–
Cost of inventories sold	**90,479**	56,057
Depreciation of property, plant and equipment		
– owned	**2,107**	298
– held under finance leases	**423**	–
	2,530	298
Employee benefit expenses		
– salaries and welfare	**9,703**	6,070
– equity-settled share option expense	**5,053**	–
– defined contributions	**533**	212
	15,289	6,282
Warranty provision, net of reversal	**573**	258
Bad debts written off	**5**	–
Provision for impairment loss of financial assets	**1,151**	–
Losses on disposals of property, plant and equipment	**126**	422
Net foreign exchange loss	**17,484**	752
Minimum lease payments under operating leases in respect of offices, warehouses and an office equipment	**1,144**	741

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
– Tax for the period	**7,718**	9,607
Deferred tax		
– Current period	**(67)**	20
Income tax expense	**7,651**	9,627

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. Another subsidiary in Malaysia has been granted pioneer status under the Promotion of Investments Act, 1986 by the Malaysian Investment Development Authority which exempts 100% of statutory income in relation to its principal activity of provision of energy management systems solutions.

8. DIVIDENDS

No dividend has been paid or declared by the Company during each of the six months ended 30 September 2018 and 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE

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

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to the owners of the Company and the weighted average number of shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to the owners of the Company	**75,926**	43,188

	Six months ended 30 September	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**549,176**	500,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,395**	–
	552,571	500,000

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment at costs of approximately HK$1,565,000 (six months ended 30 September 2017: approximately HK$96,000).

Items of property, plant and equipment with an aggregate net book value of approximately HK$126,000 (six months ended 30 September 2017: approximately HK$422,000) were disposed of by the Group during the six months ended 30 September 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000
Trade receivables	393,988	335,351
Less: Provision for impairment loss	(2,225)	–
Trade receivables, net	391,763	335,351
Classified as:		
Non-current assets (note)	88,975	105,889
Current assets	302,788	229,462
	391,763	335,351

Note: The Group has offered settlement term to a customer attributed to the segment of trading of energy saving products, interest-bearing of 5% per annum with settlement schedule in 84 months. 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 365 days except for a customer who has been granted the settlement schedule of 84 months from the Group.

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

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000
0 to 30 days	82,137	72,022
31 to 90 days	36,467	21,165
91 to 180 days	27,222	30,456
181 to 365 days	111,439	132,511
Over 365 days	136,723	79,197
	393,988	335,351

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES (Continued)

The Group assigned receivables of a customer to a bank to secure banking facilities of HK$100,000,000 granted to the Group (the "**Assignment**"). As at 30 September 2018, trade receivables of approximately HK$194,492,000 (31 March 2018: approximately HK$207,364,000) were subject to the Assignment.

12. TRADE PAYABLES

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000
Trade payables	**28,162**	21,708
Classified as:		
Non-current liabilities	**9,952**	11,197
Current liabilities	**18,210**	10,511
	28,162	21,708

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

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000
0 to 30 days	**11,509**	8,653
31 to 90 days	**486**	1,079
91 to 180 days	**1,870**	3,374
Over 180 days	**14,297**	8,602
	28,162	21,708

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BORROWINGS

	Notes	**As at 30 September 2018 HK$'000 (Unaudited)**	As at 31 March 2018 HK$'000
Secured and guaranteed bank loans:			
Amounts repayable within one year		**35,273**	32,586
Unsecured and guaranteed bank loans:			
Amounts repayable within one year		**10,000**	30,000
Unsecured and guaranteed other loans:			
Amounts repayable within one year		**10,170**	10,356
Amounts repayable after one year but contain a repayable on demand clause	(b)	**15,000**	18,750
Current liabilities		**70,443**	91,692
Secured and guaranteed bank loans:			
Amounts repayable in second to fifth year	(a)	**59,631**	58,833
Unsecured and guaranteed other loans:			
Amounts repayable in second to fifth year		**674**	1,983
Non-current liabilities		**60,305**	60,816
Total borrowings		**130,748**	152,508

Notes:

(a) The bank loans classified as non-current liabilities of approximately HK$59,631,000 as at 30 September 2018 (31 March 2018: HK$58,833,000) represented bank loans scheduled for repayment after 30 September 2019. The related credit facilities agreements contain a clause that provides the bank with overriding right to demand repayment at any time after the committed period. The committed period will end in October 2019 and accordingly, the bank loans were classified as non-current liabilities as at 30 September 2018.

(b) The Group entered into a loan agreement with an independent third party which gives the independent third party the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations.

(c) As at 30 September 2018, the bank loans were secured by the pledge of bank deposits of HK$2,500,000 (31 March 2018: HK$2,500,000), finance lease receivables (before recognition of provision for impairment loss) of approximately HK$59,109,000 (31 March 2018: approximately HK$69,410,000) under the Assignment, trade receivables (before recognition of provision for impairment loss) of approximately HK$194,492,000 (31 March 2018: approximately HK$207,364,000) under the Assignment and other financial assets at fair value through profit or loss/available-for-sale investments of approximately HK$10,274,000 (31 March 2018: approximately HK$10,089,000). The bank loans and other loans are also under the corporate guarantees from the Company and/or Synergy Worldwide, a subsidiary of the Company.

(d) The Group's credit facilities amounted to approximately HK$174,759,000 (31 March 2018: approximately HK$194,759,000), of which full amount was utilised at 30 September 2018 (31 March 2018: approximately HK$181,959,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BORROWINGS (Continued)

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

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000
Within one year	**55,443**	72,942
In the second year	**28,669**	27,621
In the third to fifth year	**46,636**	51,945
	130,748	152,508

14. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Issued and fully paid ordinary shares:		
At 31 March 2018 and 1 April 2018	500,000,000	5,000
Issue of shares by placing (note)	50,000,000	500
At 30 September 2018 (unaudited)	550,000,000	5,500

Note: On 4 April 2018, the Company issued 50,000,000 shares of the Company by way of placing at the placing price of HK$1.09 per placing share. The net proceeds from the placing was approximately HK$52,911,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. BUSINESS COMBINATION

On 4 July 2018 (the "**Completion Date**"), Synergy Worldwide, a wholly-owned subsidiary of the Company, entered into an agreement with, among others, Negawatt Utility Limited ("**NU**") and its shareholders, pursuant to which Synergy Worldwide agreed to subscribe for new shares in NU at the consideration of HK$1.2 million payable in installments, and Synergy Worldwide became interested in approximately 60% of the shareholding in NU.

The fair value of identifiable assets and liabilities of NU as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	177
Trade receivables	488
Deposits, prepayments and other receivables	1,237
Cash and cash equivalents	119
Trade payables	(320)
Accruals and other payables	(733)
Total identifiable net assets at fair value	968
Non-controlling interests	(387)
Total identifiable net assets at fair value attributable to the Group	581
Goodwill	619
	1,200
Satisfied by:	
Cash consideration paid as of 30 September 2018	300
Deferred consideration as of 30 September 2018	900
	1,200

The fair value of trade receivables amounted to approximately HK$488,000. The gross amount of trade receivables is approximately HK$488,000. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of approximately HK$619,000, which is not deductible for tax purposes, mainly represents the control premium paid, skills and technical talent of NU's workforce and the expected synergies to be achieved from integrating NU into the Group's existing businesses and future market development. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group has elected to measure the non-controlling interests in NU at its proportionate share of the acquired net identifiable assets. The amount of the non-controlling interests at the acquisition date amounted to approximately HK$387,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration paid as of 30 September 2018	300
Cash and cash equivalents acquired	(119)
Net cash outflows arising from the acquisition as of 30 September 2018	181

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2018 **HK$'000** **(Unaudited)**	2017 HK$'000 (Unaudited)
Leasing service income from an associate	**–**	647
Sales to associates (note)	**35,258**	1,456
Computer software consultancy service fees paid to a related company	**168**	168
Rental expenses paid to a related company	**116**	115
Interest income charged to an associate	**–**	222
Subcontracting fees paid to an associate	**–**	204

Note: The total sales of goods amounted to approximately HK$35,258,000 during the period (six months ended 30 September 2017: approximately HK$1,456,000) was contributed from Kedah Synergy Hong Kong Limited (six months ended 30 September 2017: was contributed from both Kedah Synergy Hong Kong Limited and Synergy ESCO (Malaysia) Sdn. Bhd.). The transactions with associates were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

Except for the above, the nature and terms of the above related party transactions have not changed and were disclosed in the Group's audited consolidated financial statements for the year ended 31 March 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**2,898**	2,100
Equity-settled share option expense	**4,470**	–
Total compensation paid to key management personnel	**7,368**	2,100

17. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

During the six months ended 30 September 2017, the Group transferred certain inventories to construction in progress with net book amount amounting to approximately HK$30,000 upon the change of usage of lighting products acquired.

During the six months ended 30 September 2017, the Group transferred certain construction in progress and lighting systems to inventories with aggregate net book amount amounting to approximately HK$4,000 upon the change of usage of lighting products acquired.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS

Fair value measurement

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

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

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

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

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

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000	Fair value hierarchy
Equity investment at fair value through profit or loss	**90,000**	–	Level 3
Other financial assets at fair value through profit or loss/Available-for-sale investments			
Investments in life insurance policy	**10,274**	10,089	Level 2

Information about level 2 fair value measurements

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (Continued)

Information about level 3 fair value measurements

The fair value of unlisted equity investment is estimated using a discounted cash flow valuation model. The valuation requires the directors to make estimates about the expected future cash flows. Significant unobservable inputs include weighted average cost of capital (WACC) and discount for lack of marketability.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 September 2018:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Equity investment at fair value through profit or loss	Discounted cash flow method	Weighted average cost of capital (WACC)	15%	5% increase (decrease) in WACC would result in decrease (increase) in fair value by HK$5 million
		Discount for lack of marketability	35%	5% increase (decrease) in discount would result in decrease (increase) in fair value by HK$3 million

The movement in fair value measurements within Level 3 during the period are as follows:

	HK$'000
Equity investment at fair value through profit or loss:	
At 1 April 2018	–
Addition (note 4(b))	90,000
At 30 September 2018	90,000

There were no transfers between different levels during the period.

19. COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(b) to the unaudited condensed consolidated financial statements.

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

Room 404B, 4/F, Block B
Seaview Estate
Nos. 4-6 Watson Road
North Point
Hong Kong
香港北角屈臣道 4-6 號
海景大廈 B 座 4 樓 404B 室