

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1539)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS	2022	2021
	HK\$'000	HK\$'000
For the year ended 31 March		
Revenue	80,434	53,784
Leasing services of energy saving systems	6,603	9,826
Trading of energy saving products	64,646	24,873
Consultancy service	9,185	19,085
Gross profit	32,563	26,376
EBITDA <i>(note 1)</i>	(341,351)	(246,211)
EBIT <i>(note 1)</i>	(346,541)	(251,237)
Loss attributable to owners of the Company	(382,145)	(279,797)
Basic loss per share <i>(HK cents)</i>	(22.8)	(20.0)
Diluted loss per share <i>(HK cents)</i>	(22.8)	(20.0)
Adjusted loss attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses <i>(note 2)</i>	(30,997)	(38,496)
Adjusted basic loss per share <i>(HK cents) (note 2)</i>	(1.8)	(2.8)
Adjusted diluted loss per share <i>(HK cents) (note 2)</i>	(1.8)	(2.8)
As at 31 March		
Total assets	417,811	404,890
Total liabilities	272,170	350,341
Net assets	145,641	54,549

Note 1: EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation. EBIT is defined as earnings before interest expenses and other finance costs and tax.

Note 2: Amounts are calculated based on adjusted loss after excluding some major extraordinary or non-operating income and expenses as defined by the Group's management. Details of which can be referred to page 29 of this announcement.

- The Group's revenue increased by 49.6% from approximately HK\$53.8 million for the year ended 31 March 2021 to approximately HK\$80.4 million for the year ended 31 March 2022.
- The Group's gross profit increased by 23.5% from approximately HK\$26.4 million for the year ended 31 March 2021 to approximately HK\$32.6 million for the year ended 31 March 2022.
- The Group's loss attributable to owners of the Company amounted to approximately HK\$279.8 million for the year ended 31 March 2021 while the Group's loss attributable to owners of the Company amounted to approximately HK\$382.1 million for the year ended 31 March 2022.
- The Group's adjusted loss attributable to owners of the Company excluding some major extraordinary or non-operating income and expenses decreased by 19.5% from approximately HK\$38.5 million for the year ended 31 March 2021 to approximately HK\$31.0 million loss for the year ended 31 March 2022.
- Basic or diluted loss per share was approximately HK20.0 cents for the year ended 31 March 2021 while basic or diluted loss per share was approximately HK22.8 cents for the year ended 31 March 2022. Adjusted basic or diluted loss per share calculated with reference to the adjusted loss decreased by 35.7% from approximately HK2.8 cents for the year ended 31 March 2021 to approximately HK1.8 cents for the year ended 31 March 2022.

ANNUAL 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 audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the year ended 31 March 2022 together with the comparative audited figures for the prior year as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5(a)	80,434	53,784
Cost of sales		<u>(47,871)</u>	<u>(27,408)</u>
Gross profit		32,563	26,376
Other income and gains	5(b)	9,595	19,676
Administrative expenses		(29,042)	(25,166)
Selling and distribution costs		(2,696)	(3,448)
Finance costs	6	(49,398)	(55,526)
Other expenses		(60,870)	(278,226)
Loss on derecognition of financial liabilities	7	(303,485)	–
Share of results of associates		<u>7,394</u>	<u>9,551</u>
Loss before income tax	7	(395,939)	(306,763)
Income tax credit	8(a)	<u>9,034</u>	<u>24,229</u>
Loss for the year		<u>(386,905)</u>	<u>(282,534)</u>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		556	2,160
Share of other comprehensive income of associates		488	(31)
		<u>1,044</u>	<u>2,129</u>
Other comprehensive income for the year, net of tax		1,044	2,129
Total comprehensive income for the year		<u>(385,861)</u>	<u>(280,405)</u>
Loss for the year attributable to:			
Owners of the Company		(382,145)	(279,797)
Non-controlling interests		(4,760)	(2,737)
		<u>(386,905)</u>	<u>(282,534)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(381,118)	(277,769)
Non-controlling interests		(4,743)	(2,636)
		<u>(385,861)</u>	<u>(280,405)</u>
Loss per share attributable to owners of the Company:			
	<i>10</i>		(Restated)
– Basic (<i>HK cents</i>)		<u>(22.8)</u>	<u>(20.0)</u>
– Diluted (<i>HK cents</i>)		<u>(22.8)</u>	<u>(20.0)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		6,979	15,553
Intangible assets		–	–
Goodwill		–	–
Interests in associates		65,795	57,913
Equity investment at fair value through profit or loss		29,140	28,000
Trade receivables	11	16,087	17,894
Finance lease receivables		2,184	8,206
Deposits and other receivables		693	45
Deferred tax assets	8(b)	43,365	34,331
		164,243	161,942
Current assets			
Inventories		1,257	832
Trade receivables	11	186,559	198,363
Finance lease receivables		7,903	7,928
Deposits, prepayments and other receivables		12,530	8,613
Due from an associate		19,008	19,008
Cash and cash equivalents		26,311	8,204
		253,568	242,948
Current liabilities			
Trade payables	12	31,636	17,269
Contract liabilities		546	641
Accruals, other payables and deposits received		122,696	137,458
Borrowings	13	32,999	82,425
Bonds payable		–	2,000
Lease liabilities		2,404	938
Notes payable	14	–	76,600
Due to a related company		280	952
Due to directors		12,135	9,421
Provision for taxation		2,548	2,548
Financial liabilities at fair value through profit or loss		3,717	3,729
		208,961	333,981
Net current assets/(liabilities)		44,607	(91,033)
Total assets less current liabilities		208,850	70,909

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Trade payables	<i>12</i>	2,263	11,017
Deposits received		2,849	4,160
Lease liabilities		3,100	1,183
Notes payable	<i>14</i>	54,997	–
		<u>63,209</u>	<u>16,360</u>
Net assets		<u>145,641</u>	<u>54,549</u>
EQUITY			
Share capital		23,857	6,600
Reserves		134,103	55,525
		<u>157,960</u>	<u>62,125</u>
Equity attributable to the owners of the Company		157,960	62,125
Non-controlling interests		(12,319)	(7,576)
		<u>145,641</u>	<u>54,549</u>
Total equity		<u>145,641</u>	<u>54,549</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2022

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 in Hong Kong is 15th Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new/revised HKFRSs – effective 1 April 2021

In current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are relevant to and effective for the Group’s consolidated financial statements for the annual year beginning on 1 April 2021.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

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

Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for the annual period beginning on or after 1 January 2022

² Effective for the annual period beginning on or after 1 January 2023

³ The amendments should be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new or amended HKFRSs will not result in significant impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Basis of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

(b) Historical cost convention

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

(c) Going concern basis

The Group incurred a loss of HK\$386,905,000 for the year ended 31 March 2022 and as of that date, the Group’s current liabilities amounted to HK\$208,961,000. Included in the current liabilities were borrowings of HK\$29,432,000 and the settlement payable of HK\$46,000,000, that were overdue and immediately repayable upon the request by the lenders. Out of the abovementioned overdue borrowings and settlement payable, a number of creditors had served statutory demands to the Company to demand for repayment of the overdue debts of HK\$58,461,000 in total owed by the Group, and failing to repay within 21 days upon the receipt of the statutory demands would entitle the lenders the rights to lodge a winding-up petition against the Company. However, the Group had cash and cash equivalents of HK\$26,311,000 as of 31 March 2022.

These events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Since the year ended 31 March 2021, the directors of the Company have been carrying out the rescue plans and measures to improve the liquidity and the cash flows of the Group, in which mainly include equity financing and debt restructuring. On 20 January 2022, the Company issued 1,100,000,000 new shares at HK\$0.1 for the fund raising of HK\$110,000,000 and issued 600,940,000 new shares at HK\$0.1 to settle the corresponding amount of debts of HK\$60,094,000. The directors of the Company are in the opinion that the liquidity and cash flows have been improved upon the completion of issuing the abovementioned new shares.

In addition, the Company has initiated the debt restructuring. This provides the creditors joining the debt restructuring with settlement options which include, but not limited to, a multi-year instalment plan that helps alleviate cash flow pressure of the Group. Creditors having a total debts of HK\$181,469,000 owed by the Group joined the debt restructuring.

In assessing the appropriateness of the use of the going concern basis in the preparation of the Group's consolidated financial statements, the directors of the Company prepared a cash flow forecast, covering a period of twelve months from the end of the reporting period (the "**Cash Flow Forecast**") with careful consideration to the future liquidity and performance of the Group and its available sources of financing. In preparing the Cash Flow Forecast, the directors of the Company have been taken account of, amongst others, the abovementioned debt restructuring.

The successful implementation of the debt restructuring is subject to obtaining necessary statutory, regulatory, and creditors' approvals at different stages. At the date of approval of these consolidated financial statements, a court hearing is expected to be held in July 2022 to consider the approval of the debt restructuring. Based on the negotiations between the creditors joining the debt restructuring and the Company and having regard to the view of the Company's legal adviser, the directors of the Company have a reasonable expectation that the necessary approvals would be obtained and the debt restructuring would be implemented successfully.

Based on the Cash Flow Forecast, assuming the above plan can be successfully implemented as scheduled, the directors of the Company are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due over the period of the Cash Flow Forecast so as to enable the Group to continue as a going concern. Therefore, the directors of the Company considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, there are inherent uncertainties associated with the futures outcomes of events or conditions, these include: (i) whether the Group will obtain necessary statutory, regulatory, and creditors' approval for implementation of the debt restructuring; (ii) the future operating performance of the Group and (iii) availability of finance for the successful implementation the debt restructuring.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

(d) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong Dollars ("**HK\$**"), which is the Company's presentation and functional currency and all values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

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

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

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

	Leasing service of energy saving systems <i>HK\$'000</i>	Trading of energy saving products <i>HK\$'000</i>	Consultancy service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2022				
Revenue from external customers	<u>6,603</u>	<u>64,646</u>	<u>9,185</u>	<u>80,434</u>
Reportable segment loss	<u>(17,774)</u>	<u>(23,194)</u>	<u>(1,702)</u>	<u>(42,670)</u>
Depreciation	<u>4,575</u>	<u>–</u>	<u>–</u>	<u>4,575</u>
Year ended 31 March 2021				
Revenue from external customers	<u>9,826</u>	<u>24,873</u>	<u>19,085</u>	<u>53,784</u>
Reportable segment (loss)/profit	<u>(7,673)</u>	<u>(178,960)</u>	<u>5,852</u>	<u>(180,781)</u>
Depreciation	<u>3,046</u>	<u>–</u>	<u>–</u>	<u>3,046</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reportable segment loss	(42,670)	(180,781)
Unallocated corporate income	8,881	3,332
Unallocated corporate expenses	(16,661)	(83,339)
Finance costs	(49,398)	(55,526)
Loss on derecognition of financial liabilities	(303,485)	–
Share of results of associates	7,394	9,551
	<u> </u>	<u> </u>
Loss before income tax	<u><u>(395,939)</u></u>	<u><u>(306,763)</u></u>

5. REVENUE AND OTHER INCOME AND GAINS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customer within the scope of HKFRS 15		
Trading of energy saving products	64,646	24,873
Consultancy service income	9,185	19,085
	<u> </u>	<u> </u>
	73,831	43,958
Revenue from other sources		
Leasing service income	6,603	9,826
	<u> </u>	<u> </u>
	<u><u>80,434</u></u>	<u><u>53,784</u></u>
Timing of revenue recognition		
At a point in time	<u><u>73,831</u></u>	<u><u>43,958</u></u>

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	31 March 2022 HK\$'000	31 March 2021 HK\$'000
Trade receivables	187,051	204,252
Contract liabilities	546	641

The contract liabilities are mainly related to the advance consideration of sales of goods received from customers.

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

	2022 HK\$'000	2021 HK\$'000
Interest income		
– from bank deposits	–	14
– from other financial assets at fair value through profit or loss (“FVTPL”)	–	66
– from other receivables	396	396
– from advance to non-controlling interests	–	17
	396	493
Exchange gain, net	–	15,403
Fair value gain on other financial assets at FVTPL	–	156
Fair value gain on equity investment at FVTPL	1,140	–
Gain on modification of financial liabilities	7,243	–
Government grants	22	1,460
Management service income	–	984
Others	794	1,180
	9,595	19,676

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses for financial liabilities carried at amortised cost:		
Interest on borrowings	15,327	14,983
Interest on notes payable	18,997	26,037
Interest on other payable	14,266	13,318
Interest on bonds payable	159	199
Interest on lease liabilities	180	164
	<u>48,929</u>	<u>54,701</u>
Interest on financial liabilities at FVTPL	469	425
Transaction costs on borrowings	–	400
	<u>49,398</u>	<u>55,526</u>

7. LOSS BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of intangible assets (included in administrative expenses)	–	577
Auditor's remuneration	1,450	1,450
Cost of inventories recognised as expenses		
– Cost of inventories sold	42,304	20,669
– Write-off of inventories	584	20
	42,888	20,689
Depreciation of property, plant and equipment		
– Owned	3,240	3,088
– Right-of-use assets	1,950	1,361
	5,190	4,449
Employee benefit expenses (including directors' remuneration)		
– Salaries and welfare	12,102	14,995
– Equity-settled share option expense	148	2,161
– Defined contributions	618	870
	12,868	18,026
Provision for/(reversal of) warranty provision, net	35	(632)
Bad debts written off	–	276
Provision for impairment loss of financial assets	51,066	156,558
Fair value (gain)/loss on equity investment at FVTPL	(1,140)	21,000
Fair value loss on financial liabilities at FVTPL	19	191
Impairment loss of goodwill	–	34,584
Impairment loss of property, plant and equipment	9,173	–
Loss on disposals of property, plant and equipment	–	61
Net foreign exchange loss/(gain)	62	(15,403)
Loss on derecognition of financial liabilities (<i>Note</i>)	303,485	–
Loss on modification of financial assets	–	66,016
Gain on modification of financial liabilities	(7,243)	–

Note:

On 20 January 2022, a total of 474,196,000 shares (the “**Settlement Shares**”) were duly allotted and issued as fully-paid by the Company to various creditors of the Group for the settlements of debts. The difference between the carrying amount of the financial liabilities extinguished and the fair value of issued at the date of derecognition has been recognised as loss on derecognition of financial liabilities in the profit or loss for the year ended 31 March 2022.

8. INCOME TAX CREDIT

(a) Income tax

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Over-provision in respect of prior years	–	(149)
Deferred tax		
– Current year	<u>(9,034)</u>	<u>(24,080)</u>
Income tax credit	<u><u>(9,034)</u></u>	<u><u>(24,229)</u></u>

Hong Kong profits tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity’s assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

Provision for the Enterprise Income Tax in the People’s Republic of China (the “**PRC**”) is calculated based on a statutory tax rate 25% (2021: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

A subsidiary in Malaysia has elected to pay a lump sum income taxation charge of Malaysian Ringgit 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.

(b) **Deferred tax**

Details of the deferred tax assets recognised and movements during the years are as follows:

	Impairment loss <i>HK\$'000</i>	Tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020	9,789	462	10,251
Credited to profit or loss for the year	<u>23,976</u>	<u>104</u>	<u>24,080</u>
At 31 March 2021 and 1 April 2021	33,765	566	34,331
Credited/(charged) to profit or loss for the year	<u>9,430</u>	<u>(396)</u>	<u>9,034</u>
At 31 March 2022	<u><u>43,195</u></u>	<u><u>170</u></u>	<u><u>43,365</u></u>

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2021: Nil).

10. LOSS PER SHARE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company	<u>(382,145)</u>	<u>(279,797)</u>
	2022 <i>'000</i>	2021 <i>'000</i> (Restated)
Number of shares		
Weighted average number of shares for the purpose of calculating basic loss per share	<u>1,676,200</u>	<u>1,398,579</u>

Bonus element arising from the issue of shares to the existing shareholders at the price lower than market value has been adjusted on the determination of weighted average number of shares. Weighted average number of shares for the year ended 31 March 2021 has been restated accordingly.

Diluted loss per share is the same as basic loss per share for the year ended 31 March 2022 and 31 March 2021. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

11. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	469,330	426,718
<i>Less:</i> Provision for impairment loss	<u>(266,684)</u>	<u>(210,461)</u>
Trade receivables, net	<u>202,646</u>	<u>216,257</u>
Classified as:		
Non-current assets (<i>note</i>)	16,087	17,894
Current assets	<u>186,559</u>	<u>198,363</u>
	<u>202,646</u>	<u>216,257</u>

Note: The Group 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 following table provides information about trade receivables from contracts with customers and other sources:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from contracts with customers	187,051	204,252
Trade receivables from other sources	15,595	12,005
	<u>202,646</u>	<u>216,257</u>

The Group's trading terms with its customers are mainly on credit. Generally, the credit period is ranging from cash on delivery to 365 days, except for a customer who has been granted the settlement schedules of 84 months from the Group.

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	34,333	21,029
31 to 90 days	8,132	15,874
91 to 180 days	6,939	4,704
181 to 365 days	38,656	8,782
Over 365 days	114,586	165,868
	<u>202,646</u>	<u>216,257</u>

12. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u>33,899</u>	<u>28,286</u>
Classified as:		
Non-current liabilities	2,263	11,017
Current liabilities	<u>31,636</u>	<u>17,269</u>
	<u>33,899</u>	<u>28,286</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	15,038	115
31 to 90 days	19	594
91 to 180 days	662	1,343
181 to 365 days	590	850
Over 365 days	<u>17,590</u>	<u>25,384</u>
	<u>33,899</u>	<u>28,286</u>

The Group generally made purchase with various terms, operating on cash on delivery or payment in advance terms, except for a supplier who has granted a settlement schedule of up to 60 months to the Group.

13. BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured and guaranteed bank loans: Amounts repayable within one year	2,849	31,595
Secured and guaranteed other loans: Amounts repayable within one year	13,800	23,097
Unsecured and guaranteed other loans: Amounts repayable within one year	16,350	23,233
Unsecured other loans: Amounts repayable within one year	—	4,500
Total borrowings	<u>32,999</u>	<u>82,425</u>

14. NOTES PAYABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
9.5% notes	—	54,000
2.5% notes	—	22,600
New 9.5% note	14,270	—
0% note	40,727	—
	<u>54,997</u>	<u>76,600</u>
Classified as:		
Non-current liabilities	54,997	—
Current liabilities	—	76,600
	<u>54,997</u>	<u>76,600</u>

15. EVENT AFTER REPORTING PERIOD

In April 2022, the Group has made an equity investment of 1.65% equity interest in an investee company, who has completed the purchase of land and premises in Hong Kong. Details of the transaction are set out in the Company's announcement dated 5 May 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

The total revenue of the Group was approximately HK\$80.4 million for the year ended 31 March 2022, representing an increase of approximately 49.6% as compared to that for the year ended 31 March 2021. The increase in revenue was the mixed effect of the (i) increase in revenue in the trading of energy saving products segment from approximately HK\$24.9 million for the year ended 31 March 2021 to approximately HK\$64.6 million for the year ended 31 March 2022 as a result of increase in demand from customer and catch up from previous delays in delivery of products when the customers and the distributors were adversely affected by the epidemic; and (ii) decrease in consultancy service income from HK\$19.1 million for the year ended 31 March 2021 to HK\$9.2 million for the year ended 31 March 2022 due to the decrease in the number of consultancy projects.

The Group's gross profit margin decreased from approximately 49.0% for the year ended 31 March 2021 to approximately 40.5% for the year ended 31 March 2022 mainly as a result of reduction of consultancy fee income which has a relatively higher gross profit margin than the leasing and trading segments.

Other income and gains

The Group's other income and gains for the year ended 31 March 2022 of approximately HK\$9.6 million mainly comprised (i) the fair value gain on equity investment at FVTPL of approximately HK\$1.1 million; (ii) interest income of approximately of HK\$0.4 million; (iii) reversal on warranty provision of approximately HK\$0.4 million; (iv) reversal of over booked expense of approximately HK\$0.4 million; and (v) gain on modification of financial liabilities of approximately HK\$7.2 million. The other income and gains for the year ended 31 March 2021 was approximately HK\$19.7 million, which mainly included the currency exchange gain of approximately HK\$15.4 million and the government grants of Enterprise Support Scheme of approximately HK\$1.5 million. The decrease in net foreign exchange gain of approximately HK\$15.4 million was mainly due to the exchange rate of Indonesian rupiah against Hong Kong dollar remained relatively stable during the year ended 31 March 2022 while there was a significant appreciation of Indonesia rupiah against Hong Kong dollar during the year ended 31 March 2021.

Selling and distribution costs

The Group's selling and distribution costs for the year ended 31 March 2022 were approximately HK\$2.7 million, representing a decrease of approximately 21.8% from approximately HK\$3.4 million for the year ended 31 March 2021. The decrease was mainly due to the decrease of salaries expenses from approximately HK\$2.5 million during the year ended 31 March 2021 to approximately HK\$1.6 million during the year ended 31 March 2022.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2022 were approximately HK\$29.0 million, representing an increase of approximately 15.4% from approximately HK\$25.2 million for the year ended 31 March 2021. The increase was mainly due to the increase in legal and professional fees from approximately HK\$5.3 million in the year ended 31 March 2021 to approximately HK\$10.2 million in the year ended 31 March 2022, which is mainly attributable to additional legal and professional fees incurred for the issuance of new shares completed in January 2022.

Finance costs

The Group's finance costs decreased to approximately HK\$49.4 million for the year ended 31 March 2022 from approximately HK\$55.5 million for the year ended 31 March 2021. The decrease was mainly due to the restructuring and settlement of a note payable with the proceeds from shares subscription, such that the amount of interest expenses on notes payable decreased from approximately HK\$26.0 million on 31 March 2021 to approximately HK\$19.0 million on 31 March 2022.

Other expenses

The Group's other expenses decreased to approximately HK\$60.9 million for the year ended 31 March 2022 from approximately HK\$278.2 million for the year ended 31 March 2021. The decrease was mainly due to the mixed effect of (i) decrease of provision for impairment loss of financial assets from approximately HK\$156.6 million for the year ended 31 March 2021 to approximately HK\$51.1 million for the year ended 31 March 2022; (ii) decrease of loss on modifications of financial assets from approximately HK\$66.0 million for the year ended 31 March 2021, which was made in relation to a one-off modification of settlement terms with a customer, to nil for the year ended 31 March 2022; (iii) decrease of provision for impairment of goodwill from approximately HK\$34.6 million during the year ended 31 March 2021, which was made as a result of delays in progress of major projects carried out by Synergy Cooling Management Limited and its subsidiaries (collectively "SCML Group"), to nil for the year ended 31 March 2022; (iv) decrease of fair value loss on equity investment at FVTPL from approximately HK\$21.0 million during the year ended 31 March 2021 as a result of fair value changes of the equity investment, to nil for the year ended 31 March 2022; and (v) increase in impairment of property, plant and equipment from nil for the year ended 31 March 2021 to approximately HK\$9.2 million for the year ended 31 March 2022, which was mainly made for certain fixed assets in Malaysia.

Loss on derecognition of financial liabilities

The Group recognised a loss on derecognition of financial liabilities of approximately HK\$303.5 million for the year ended 31 March 2022 (2021: nil). Such loss is recognised in accordance with the requirement of HK(IFRIC) Interpretation 19 as a result of the issuance of 474,196,000 shares at HK\$0.1 per share on 20 January 2022 to certain creditors that are independent third parties, for the purpose of settling the Group's liabilities with these creditors. The issue price is at a significant discount to the closing market price on the relevant date i.e. HK\$0.74 per share. Such loss was reflected in the statement of comprehensive income and in the share premium account of the statement of financial position and did not have any impact on the Group's net asset position.

Provision for expected credit losses on financial assets

The Group has elected to measure loss allowances for trade receivables and finance lease receivables using HKFRS 9 simplified approach and has calculated expected credit losses (“ECLs”) based on lifetime ECLs. The Group has established a provision matrix that is based on historical observed default rates, adjusted for forward looking factors specific to the debtors and the economic environment. To measure the ECLs using provision rates, trade receivables and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due or repayment schedule.

Under HKFRS 9, the losses allowances are measured on either of the following bases:

- (1) 12-month 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.

The expected credit losses were assessed taking into account the probability of default, exposure at default and loss given default.

Probability of default is the risk that the borrower will be unable or unwilling to repay its debt in full or on time. The risk of default is derived by analysing the obligor’s capacity to repay the debt in accordance with contractual terms. It is generally associated with financial characteristics such as inadequate cash flow to service debt, declining revenues or operating margins, high leverage, declining or marginal liquidity, and the inability to successfully implement a business plan. The assessment of the default probabilities were referenced to Bloomberg, and the average cumulative issuer-weighted global default rates stated in “Annual Default Study: After a sharp decline in 2021, defaults will rise modestly this year” published by Moody’s. Forward-looking information has been considered in adjusting the historical default rates to reflect forecasts of future economic conditions when calculating the expected credit losses, with reference to the default rate forecasts projected by Moody’s. According to Moody’s, the macroeconomic and credit factors in formulating the default rate forecasts include performance of the economy, unemployment, high-yield spread, the availability of coronavirus vaccines, development and management of the pandemic, fiscal and monetary policies, trade tensions and geopolitical instability which demonstrated the potential for market swings and affected the pace of the global economic recovery.

Exposure at default is the amount of money that is invested in certain financial instrument that is exposed to credit risk. It represents the gross exposure under a facility upon default of an obligor, or a loss that a lender would suffer if the borrower (counterparty) fully defaults on his debt (e.g. cannot repay the loan received). The exposure at default was referenced to the amount of outstanding balances of the trade and finance lease receivables as at 31 March 2022.

Loss given default is the share of a financial asset that the lender shall lose if a borrower defaults and is calculated as “1 – recovery rate”, in which the recovery rate is the remaining share of a financial asset that is expected to recover when a borrower defaults. The recovery rates for the trade and finance lease receivables were referenced to the average senior unsecured bond recovery rates before default stated in Annual Default Study.

Provision for ECLs on financial assets during the year decreased from approximately HK\$156.6 million for the year ended 31 March 2021 to HK\$51.1 million during the year ended 31 March 2022. The provision for ECLs made for the year ended 31 March 2021 is the mixed result of (i) longer ageing of the trade receivables during the year due to the continual effect of the epidemic on debtors; and (ii) general decrease in overall default risk and credit risk of the debtors as the world start to resume to normal from pro-longed COVID-19 impact.

Settlement of trade receivables have improved generally while some customers still struggle with temporary cash flows difficulties. Management believed that the recoverability of trade receivables will continue to improve over time.

In respect of the determination of the ECLs of trade and finance lease receivables of the Group as at 31 March 2022 for financial reporting purpose, the Group has engaged an independent valuer (the “**Valuer**”), to assist in the relevant calculation of the ECLs. The Valuer is a professional surveyors firm in Hong Kong with appropriate qualification and experience to perform similar type of valuation.

The tables below set out the comparison in key inputs used in the valuation of the expected credit loss of trade and finance lease receivables as at 31 March 2022 and 31 March 2021:

	Valuation as at 31 March 2022	Valuation as at 31 March 2021
Expected loss rate of trade receivables by past due status		
Neither past due nor impaired	12.72%	24.70%
1 to 30 days past due	7.28%	27.42%
31 to 90 days past due	14.13%	27.61%
91 to 180 days past due	25.36%	28.49%
181 to 365 days past due	40.31%	42.57%
Over 365 days past due	74.36%	60.39%
	Valuation as at 31 March 2022	Valuation as at 31 March 2021
Expected loss rate of finance lease receivables by years		
Within 1 year	25.36%	28.50%
Within 1 – 2 years	34.90%	38.68%
Within 2 – 3 years	41.50%	45.61%
Within 3 – 4 years	46.47%	50.93%
Within 4 – 5 years	N/A	53.27%

Expected loss rates are based on historical observed default rates. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The decrease in expected loss rates was mainly due to the decrease in the historical observed default rates and the forward-looking adjustment that may impact the customer's ability to repay the outstanding balances.

With reference to valuation prepared by the Valuer and the internally assessed parameters and assumptions adopted in the calculation of expected credit loss of trade and finance lease receivables, the Directors and the audit committee of the Board (the “**Audit Committee**”) considered the relevant calculations of the ECLs for the year ended 31 March 2022 are fair and reasonable and the relevant calculations reflected a realistic forecast by taking into account the macro-economic factors, the historical credit loss and forward-looking information as mentioned above.

Given the objective assessment by the Valuer, and taking into consideration of the status of the receivables as discussed above, the management acknowledged that adopting a set of lower expected loss rates (except for long overdue balances) as compared to 31 March 2021 was in a reasonable range in arriving at the provision for ECLs regarding trade receivables and finance lease receivables amounted to approximately HK\$51.1 million during the year ended 31 March 2022.

Income tax credit

The Group recognised income tax credit amount to approximately HK\$9.0 million for the year ended 31 March 2022 (2021: approximately HK\$24.2 million), which were mainly deferred tax credit arises as a result of provision for expected credit losses on financial assets. The decrease was due to the decrease of provision for expected credit losses on financial assets from approximately HK\$156.6 million in the year ended 31 March 2021 to approximately HK\$51.1 million in the year ended 31 March 2022.

Share of results of associates

The Group’s share of results of associates for the year ended 31 March 2022 was approximately HK\$7.4 million gain, decreased from approximately HK\$9.6 million gain for the year ended 31 March 2021. The decrease was mainly due to the decrease in the amount of sharing of results of an associate and its subsidiaries, namely KSL Group (as defined below), as the trading revenue of customised LED product decreased.

EBITDA/EBIT

As a result of the foregoing, the Group’s EBITDA increased from a loss of approximately HK\$246.2 million for the year ended 31 March 2021 to a loss of approximately HK\$341.4 million for the year ended 31 March 2022. The Group’s EBIT increased from a loss of approximately HK\$251.2 million for the year ended 31 March 2021 to a loss of approximately HK\$346.5 million for the year ended 31 March 2022.

Loss for the year attributable to the owners of the Company

As a result of the foregoing, our loss attributable to the owners of the Company increased by approximately 36.6% from a loss of approximately HK\$279.8 million for the year ended 31 March 2021 to a loss of approximately HK\$382.1 million for the year ended 31 March 2022. Excluding some major extraordinary or non-operating income and expenses, the adjusted loss attributable to the owners of the Company decreased by approximately 19.5% from approximately HK\$38.5 million for the year ended 31 March 2021 to a loss of approximately HK\$31.0 million for the year ended 31 March 2022.

The following table reconciles the adjusted loss attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses as defined by the Group's management for the years presented to the audited loss attributable to the owners of the Company for the years indicated:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Loss for the year attributable to the owners of the Company	(382,145)	(279,797)
Add back/(less) major extraordinary or non-operating expenses/(income):		
Amortisation of intangible assets (included in administrative expenses)	–	361
Impairment loss of property, plant and equipment	9,173	–
Fair value (gain)/loss on equity investment at FVTPL	(1,140)	21,000
Loss on derecognition of financial liabilities	303,485	–
Provision for expected credit loss on financial assets, net of deferred tax	42,032	132,582
Impairment of goodwill allocated to the cash generating unit of SCML Group	–	34,584
Loss on modification of financial assets	–	66,016
Gain on modification of financial liabilities	(7,243)	–
Finance cost on modification of financial liabilities	4,631	–
Share-based payment expenses in respect of share options	148	2,161
Net foreign exchange loss/(gain)	62	(15,403)
Adjusted loss attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses	<u>(30,997)</u>	<u>(38,496)</u>

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its business with internally generated cash flows and bank and other borrowings. As at 31 March 2022, current assets of the Group amounted to approximately HK\$253.6 million, representing an increase of 4.4% from approximately HK\$242.9 million as at 31 March 2021. The current assets mainly comprised cash and bank balances of approximately HK\$26.3 million (2021: approximately HK\$8.2 million), trade receivables of approximately HK\$186.6 million (2021: approximately HK\$198.4 million), and amount due from an associate of approximately HK\$19.0 million (2021: approximately HK\$19.0 million). As at 31 March 2022, the Group's current liabilities mainly comprised borrowings of approximately HK\$33.0 million (2021: approximately HK\$82.4 million), trade payables of approximately HK\$31.6 million (2021: approximately HK\$17.3 million) and accruals, other payables and deposits received of approximately HK\$122.7 million (2021: approximately HK\$137.5 million). The Group's current ratio increased from approximately 0.7 times as at 31 March 2021 to approximately 1.2 times as at 31 March 2022.

The total outstanding notes payable and borrowings of the Group as at 31 March 2022 was approximately HK\$88.0 million (2021: approximately HK\$159.0 million), of which approximately HK\$2.8 million (2021: approximately HK\$31.6 million) was due to banks, approximately HK\$30.2 million (2021: approximately HK\$50.5 million) was due to independent third parties and notes payable of approximately HK\$55.0 million (2021: approximately HK\$76.6 million). The decrease was due to the net effect of repayment of bank and notes payable and other payables drawn during the year ended 31 March 2022. As at 31 March 2022, the Group's net assets was approximately HK\$145.6 million, representing an increase of 167.2% from approximately HK\$54.5 million as at 31 March 2021. The Group has certain receivables, trading contracts and equity investment assigned to secure bank and other loan. Save as disclosed above, the Group has no other charges on its assets as at 31 March 2022.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2022.

GUARANTEES

The Group had no material guarantees as at 31 March 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY OR ASSOCIATED COMPANY

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 March 2022.

SIGNIFICANT INVESTMENTS

As at 31 March 2022, the Group held two investments with a value above 5% of the total assets of the Group. The two investments are (a) the interests in associates in Kedah Synergy Limited (“**KSL**”), together with its subsidiaries (the “**KSL Group**”), which accounted for approximately 15.7% of the Group’s total assets as at 31 March 2022 (the “**Investment in Associates**”); and (b) the equity investment at fair value through profit or loss in InVinity Energy Group Limited, which accounted for approximately 7.0% of the Group’s total assets as at 31 March 2022 (the “**Equity Investment**”).

Investment in Associates

The Investment in Associates represents the Group’s investment in the KSL Group. The KSL Group includes associated companies of the Group which were owned as to 47.5% by the Group as at 31 March 2022. The KSL Group is principally engaged in trading of energy saving products and provision of cost-saving energy management solutions. The total initial investment cost in the KSL Group was approximately HK\$27.7 million. As at 31 March 2022, the Investment in Associates was approximately HK\$65.8 million.

The Investment in Associates is accounted for by equity method in which 47.5% share of the results of the KSL Group is reflected in the carrying amount of the investment. During the year ended 31 March 2022, share of profits from the KSL Group amounted to approximately HK\$7.4 million (2021: approximately HK\$9.5 million) was recognised in the consolidated statement of comprehensive income of the Group.

The decrease was due to the decrease in the net profit attributable to the shareholders of the KSL Group from approximately HK\$20.1 million for the year ended 31 March 2021 to approximately HK\$15.6 million for the year ended 31 March 2022, as the trading revenue of customised LED product decreased.

No dividend income from KSL was recognised during the year ended 31 March 2022. The Group will continue to hold the investment in the KSL Group as long-term investment as the management believes the investment will continue to generate profit for the Group and the business of the KSL Group is in line with the Group's core business.

Equity Investment

The Equity Investment represents the Group's approximately 23.6% equity interest in InVinity Energy Group Limited ("**InVinity**", together with its subsidiaries, the "**InVinity Group**"). The InVinity Group is principally engaged in investing in mining activities in relation to vanadium. The total initial investment cost in InVinity was US\$3.2 million, or approximately HK\$24.8 million. As at 31 March 2022, the Equity Investment was approximately HK\$29.1 million (2021: approximately HK\$28.0 million).

Saved as disclosed above, there were no other significant investments held, and other plans for material investments or capital assets during the year ended 31 March 2022.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2022, the Group had 40 full-time employees. The Group offers a competitive remuneration package commensurate with industry practice and provides benefits to its employees, including bonuses, medical coverage and provident fund contributions.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("**MPF Scheme**"). Under the MPF Scheme, each of the Group companies (i.e. the employer) and its employees make monthly contributions to the scheme at 5% of the employees' monthly earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK\$1,500 per month and thereafter contributions are voluntary.

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

ISSUE OF SHARES

During the year ended 31 March 2022, the Company entered into a subscription agreement with Abundance Development Limited (the “**Subscriber**”), a company wholly-owned by Mr. Wong Man Fai Mansfield (executive Director), pursuant to which the Subscriber subscribed for 1,100,000,000 newly issued shares at the subscription price of HK\$0.1 per subscription share (“the “**Subscription**”). After deducting expenses relating to the Subscription, the net proceeds from the Subscription was approximately HK\$105 million.

The Group also settled various creditor balances through issuance of new shares, in which a total of 600,940,000 shares were duly allotted and issued as fully-paid by the Company to the creditors.

GRANT OF SHARE OPTIONS

The Company did not grant any share options during the year ended 31 March 2022.

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**”) 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.

Further details of the Share Option Scheme and the movements in the Company’s share options during the year ended 31 March 2022 will be disclosed in the Company’s 2021/2022 Annual Report.

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 announcement. However, the Group will monitor its foreign exchange exposure and will consider hedging the foreign currency exposure should the need arises.

GEARING RATIO

As at 31 March 2022, the gearing ratio of the Group, which is calculated on the basis of the amount of total debts divided by the total equity, was 98.3%, which has decreased from 392.1% as at 31 March 2021.

DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 March 2022.

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

FUTURE OUTLOOK

The Group expects the global economic environment will continue to improve as global economic activities are gradually resuming to normal despite continual impact of COVID-19.

The completion of the new shares issuance in January 2022 remediated the distressed financial status of the Group. As mentioned in the relevant circular despatched by the Company on 15 November 2021, the Company is in the progress of preparing for a proposed scheme of arrangement between the Company and its creditors (the “**Scheme**”), which proposes to settle the outstanding principal of liabilities of the Company over a period of two and a half years. Management believes that the Scheme will be in the best interest of relevant creditors and the Company.

The Group is now focusing its efforts in its project in Malaysia (the “**Project**”), which is a green composite program consisting of two parts, the “Light Saving Program” which focuses on lighting energy efficiencies, and the “COVID Fighting Program”, which focuses on reducing airborne bacteria by air quality treatment and COVID-19 transmission risk. The Group targets to install approximately six million LED lights over 6,000 condominiums in Selangor with energy performance contract. It is estimated that the “Light Saving Program” will achieve an annual saving of MYR448 million with approximately 867 million kWh electricity savings, which is equivalent to a reduction of over 600,000 tons of CO2 emission per year, representing planting over ten million trees annually over ten years. The Group is in the process of building a strong pipeline of contracted condominiums from the Project and is also in the process of securing required financing to execute the Project.

The Group will continue its core business and strive to generate recurring and stable income while undertake business expansion, including but not limited to business opportunities in renewable energy and green property development, to promote business growth of the Group in the best interest of shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2022.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As of 31 March 2022, 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 businesses of the Group, or gave rise to any concern regarding conflict of interests during the year ended 31 March 2022.

CORPORATE GOVERNANCE

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

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

The Board is of the view that, throughout the year ended 31 March 2022, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the Corporate Governance Code, except for the deviation from code provisions A.2.1 (re-numbered as C.2.1 for financial years commencing on or after 1 January 2022) and F.1.2 (re-numbered as C.6.2 for financial years commencing on or after 1 January 2022) as explained below:

Code provision A.2.1 (re-numbered as C.2.1 for financial years commencing on or after 1 January 2022)

The roles of Chairman of the Board and Chief Executive Officer of the Company have been performed by Mr. Wong Man Fai Mansfield. Although under code provision A.2.1 (re-numbered as C.2.1 for financial years commencing on or after 1 January 2022) of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual, the combination of the roles of chairman and chief executive officer by Mr. Wong was considered to be in the best interests of the Company and its shareholders as a whole. Mr. Wong has been leading our Group as the Chief Executive Officer and one of its subsidiaries since 2009, thus, the Board believes that the combined roles of Mr. Wong promotes better leadership for both the Board and management and enables more focused development of business strategies and implementation of objectives and policies. The balance between power and authority is maintained by the openness and cooperative spirit of the senior management and the Board, which comprise experienced and high-calibre individuals. The Board currently comprises four 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 (re-numbered as C.2.1 for financial years commencing on or after 1 January 2022) 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.

Code provision F.1.2 (re-numbered as C.6.2 for financial years commencing on or after 1 January 2022)

Pursuant to code provision F.1.2 (re-numbered as C.6.2 for financial years commencing on or after 1 January 2022) of the Corporate Governance Code, a board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. Due to COVID-19 pandemic, the appointment of the current Company Secretary of the Company was dealt with by way of circulation of written resolutions in lieu of physical board meeting in November 2021. Prior to such appointment, all Directors were individually consulted with no dissenting opinion on the proposed matter. As such, it was considered that a physical board meeting was not necessary for approving the said appointment.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanations about how the provisions of the Corporate Governance Code have been applied will be included in the Company's 2021/2022 Annual Report.

COMPLIANCE WITH THE MODEL CODE AND SECURITIES DEALING CODE

The Company has adopted its own code of conduct for dealing in securities of the Company by the Directors and the relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company (the “**Securities Dealing Code**”) on terms no less exacting than the standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors and relevant employees, all Directors and relevant employees have confirmed that they have complied with the Securities Dealing Code and therefore, complied with the Model Code throughout the year ended 31 March 2022 and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

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 (re-numbered as D.3.3 for financial years commencing on or after 1 January 2022) of the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chung Koon Yan (Chairman of the Audit Committee), Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony, with Mr. Chung possessing the appropriate professional qualifications and accounting and related financial management expertise. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as reviewing the efficiency and effectiveness of the Group’s operations, external audit and of risk management and internal control systems.

The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 March 2022, including the accounting principles and practices adopted by the Group, 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) is scheduled to be held on Wednesday, 31 August 2022. A circular containing, among other matters, further information relating to the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be Wednesday, 31 August 2022) be closed from Thursday, 25 August 2022 to Wednesday, 31 August 2022, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 24 August 2022.

PRE-EMPTIVE RIGHTS

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

SCOPE OF WORK OF BDO LIMITED

The financial figures in respect of the preliminary announcement of Group’s results for the year ended 31 March 2022 as set out in this announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 March 2022.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Synergy Group Holdings International Limited (the “**Company**”) and its subsidiaries (together the “**Group**”), which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Appropriateness of the going concern assumption

As disclosed in note 3(c) to the consolidated financial statements, the Group incurred a loss of HK\$386,905,000 for the year ended 31 March 2022 and as of that date, the Group’s current liabilities amounted to HK\$208,961,000. Included in the current liabilities were borrowings of HK\$29,432,000 (notes 28(a), (b) and (c)) and the settlement payable of HK\$46,000,000 (note 27(b)) that were overdue and immediately repayable upon the request by the lenders. However, the Group had cash and cash equivalents of HK\$26,311,000 as of 31 March 2022.

The above-mentioned events or conditions, along with other matters set forth in note 3(c) to consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of the above circumstances, the directors of the Company have prepared a cash flow forecast covering a period of twelve months from the end of the reporting period (the “**Cash Flow Forecast**”) with careful consideration to the future liquidity and performance of the Group and its available sources of financing. In preparing the Cash Flow Forecast, the directors of the Company have taken account of, amongst others, the debt restructuring as detailed in note 3(c) to the consolidated financial statements. Based on the directors’ assessment, assuming the debt restructuring can be successfully implemented as scheduled, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether the debt restructuring as detailed in note 3(c) can be successfully implemented as scheduled.

However, in respect of the assumption that the Group would successfully obtain the creditors’ approval on the debt restructuring in the creditors’ meeting, we were unable to obtain sufficient audit evidence to corroborate the representation by the directors of the Company in relation to the creditors’ approval that is expected to be obtained in the creditors’ meeting.

Due to the limitations on our scope of work as stated above and there are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the abovementioned debt restructuring can be successfully implemented, as a result, we were unable to obtain sufficient appropriate evidence to determine whether the directors’ conclusion that the Group is able to continue as a going concern and the directors’ use of the going concern basis of accounting to prepare the consolidated financial statements are appropriate.

Should the Group fail to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group’s assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

We disclaimed our opinion on the consolidated financial statements for the year ended 31 March 2021 relating to the going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 March 2021 would affect the balances of these financial statements items as at 1 April 2021, and the corresponding movements, if any, during the year ended 31 March 2022. The balances as at 31 March 2021 and the amounts for the year then ended are presented as comparative information in the consolidated financial statements for the year ended 31 March 2022. We disclaimed our audit opinion on the consolidated financial statements for the year ended 31 March 2022 also for the possible effect of the disclaimer of opinion on the consolidated financial statements on the comparability of 2022 figures and 2021 figures in consolidated financial statements for the year ended 31 March 2022.

THE VIEWS OF THE MANAGEMENT AND THE AUDIT COMMITTEE ON THE DISCLAIMER OPINION

(a) Management’s view on the disclaimer of opinion (the “Audit Qualification”) issued by the auditor of the Company (the “Auditor”)

As set out in the “Basis for Disclaimer of Opinion” in the Auditor’s opinion in this announcement, the Auditor considered that material uncertainties existed that may cast significant doubt on the Group’s ability to continue as a going concern. Accordingly, the Auditor issued a disclaimer opinion on the appropriateness of the going concern assumption.

The management of the Company understands that the Audit Qualification is a result of limitation of scope about the going concern assumption as the Auditor could not obtain sufficient appropriate audit evidence to support the proposed debt restructuring (“**Debt Restructuring**”) can be successfully implemented.

The management has been taking steps to ensure the successful implementation of the Debt Restructuring, including but not limited to preparing the necessary documents to convene a court hearing in the High Court of Hong Kong, for the purpose of approving and sanctioning the Debt Restructuring. Such court hearing is expected to be held in July 2022. Meanwhile, the management has been communicating with the majority of the relevant creditors in order to gain their support in the creditors' meeting, and are in advanced negotiation with them. Based on such advanced negotiation, the management is confident that majority creditors' approval would be obtained in the creditors' meeting. Taking into account of the steps taken to ensure the successful implementation of the Debt Restructuring, and the advanced negotiation with the majority of the relevant creditors, the management is confident that the Debt Restructuring would be executed successfully. However, as the Debt Restructuring is subject to obtaining necessary statutory, regulatory, and creditors' approvals at different stages which as of to date are not yet available, no documentary or other sufficient information could be provided to the Auditor for its assessment of the successful implementation of the Debt Restructuring at this stage.

On the assumption of the successful implementation of the Debt Restructuring, the management is satisfied that it is appropriate to prepare the Group's consolidated financial statements for the year ended 31 March 2022 on a going concern basis.

(b) Audit Committee's view on the Audit Qualification

The Audit Committee had critically reviewed the Audit Qualification, the management's assessment and the circumstances about the Debt Restructuring to address the Audit Qualification. The Audit Committee also had discussions with the Auditor, after which the Audit Committee has comprehended that the cause of the Audit Qualification is, as mentioned above, the unsuccessful capture of sufficient information as mentioned above to support on the Group's ability to continue as a going concern. In light of the above, the Audit Committee concurs with the management's view with respect to the Audit Qualification and acknowledged the plans and measures implemented by the Group to address the liquidity matter. The Audit Committee is also of the view that the management should continue its efforts in implementing the rescue plans and measure with the intention of mitigating the Group's liquidity pressure.

(c) Removal of the Audit Qualification

As the Audit Qualification is based on the Group's ability to continue as a going concern, if the Group's Debt Restructuring can be implemented successfully, the Directors believe that the Group will be able to realise its assets and discharge its liabilities in the normal course of business and continue as a going concern. However, as the management's assessment of the Group's ability to continue as a going concern for the purposes of preparing the Group's consolidated financial statements for the year ending 31 March 2023 has to take into consideration of the then conditions and circumstances and could only be made at the end of the relevant reporting period, the Auditor is unable to ascertain at this moment whether the qualified audit opinion can be removed in the next financial year purely based on the latest action plan. Further assessment of going concern basis in relation to the Group's liquidity situation for removing the qualified audit opinion for the year ending 31 March 2023 would be required.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.synergy-group.com>). The Annual Report of the Company for the year ended 31 March 2022 containing the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 30 June 2022

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