



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

2021/22

Annual Report

年 報



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FINANCIAL SUMMARY

	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	80,434	53,784	129,288	246,536	278,137
Continuing operations	80,434	53,784	126,547	245,381	278,137
Leasing services of energy saving systems	6,603	9,826	11,161	15,344	8,550
Trading of energy saving products	64,646	24,873	96,121	208,249	242,937
Consultancy service	9,185	19,085	19,265	21,788	26,650
Discontinued operations	-	-	2,741	1,155	-
Building AI (artificial intelligence) SaaS (Software-as-a-Service)	-	-	2,741	1,155	-
Gross profit	32,563	26,376	67,486	105,698	147,729
Continuing operations	32,563	26,376	70,108	106,563	147,729
Discontinued operations	-	-	(2,622)	(865)	-
EBITDA (note 1)	(341,351)	(246,211)	(84,507)	79,007	159,418
EBIT (note 1)	(346,541)	(251,237)	(95,722)	68,425	158,354
(Loss)/profit attributable to the owners of Synergy Group Holdings International Limited (the "Company")	(382,145)	(279,797)	(109,762)	44,554	125,704
Basic (loss)/earnings per share (HK cents)	(22.8)	(20.0)*	(20.0)	8.1	25.1
Diluted (loss)/earnings per share (HK cents)	(22.8)	(20.0)*	(20.0)	8.1	25.1
Adjusted (loss)/profit attributable to the owners of the Company excluding some major extraordinary or non-operating income and expenses (note 2)	(30,997)	(38,496)	16,061	60,287	86,720
Adjusted basic (loss)/earnings per share (HK cents) (note 2)	(1.8)	(2.8)*	2.9	11.0	17.3
Adjusted diluted (loss)/earnings per share (HK cents) (note 2)	(1.8)	(2.8)*	2.9	11.0	17.3
Total assets	417,811	404,890	650,588	777,569	707,626
Total liabilities	272,170	350,341	335,506	346,672	377,724
Net assets	145,641	54,549	315,082	430,897	329,902

* Restated

FINANCIAL SUMMARY

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)/profit 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 11 of this report.

- 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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors, I am pleased to present the audited annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2022.

2021 was a year of momentous change for Synergy Group. We steered through difficult times with strategic actions and explored improvement through decentralization. We continued to serve our clients while continuing to invest in and learn about leading and innovative green technologies.

For over a decade, Synergy Group has been positioned as an energy-saving solution provider. As for myself and the Group, building a "Sustainable Decentralized World" has become a persistent mission. To reflect our transformation, we are rebranding the Group with a new name – "Unity Group", subject to the approval at the upcoming shareholders' meeting. "Unity" refers to an old Chinese saying – "Unity of knowledge and action", which shows our dedication to aligning public's knowledge of "ESG" and helping to realise it into action through the capabilities and experience the Group possesses.

On behalf of the Board, I would like to express my gratitude for the continued support and trust from our shareholders, customers, management team, and employees. With the foundation and business opportunities laid out in the current year, I strongly believe that the Group will shine in the years to come.

Wong Man Fai Mansfield

Chairman, Chief Executive Officer and Executive Director

Hong Kong,
30 June 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$'000	2021 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	(30,997)	(38,496)

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

The Group will continue to hold the investment in InVinity as long-term investment as the management believes the investment is in line with the Group's business strategy and development in the global energy market.

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. Except for voluntary contribution, no forfeited contribution under the MPF scheme is available to reduce the contribution payable in future years.

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

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 ordinary 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. For further details of the proceeds from the Subscription, please refer to the paragraph headed "Use of Net Proceeds From Subscription Shares" below.

The Group also settled various creditor balances through issuance of new ordinary shares at the issue price of HK\$0.1 per share, in which a total of 600,940,000 ordinary shares were duly allotted and issued as fully-paid by the Company to the creditors.

For further details of the issues of shares during the year, please refer to the circular of the Company dated 15 November 2021 and the announcement of the Company dated 20 January 2022, and the announcements referred to therein.

GRANT OF SHARE OPTIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

The movements in Company's share options during the year ended 31 March 2022 are set out in the table on pages 25 and 26 of this 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 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 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 Company will make announcement(s) regarding the progress of the Scheme as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2022.

PRINCIPAL BUSINESSES

The principal business of the Company is investment holding and the principal businesses of the Company's subsidiaries are set out in Note 37 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal businesses during the year ended 31 March 2022.

ANNUAL RESULTS AND DISTRIBUTIONS

The annual results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of comprehensive income on page 60. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2022.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 2. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2022 are set out in Note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 34 to the consolidated financial statements. As at 31 March 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounting to approximately HK\$148.8 million (31 March 2021: approximately HK\$3.1 million). This includes the Company's share premium, contributed surplus and share options reserve in the amounts of HK\$565.2 million, HK\$0.1 million and HK\$3.2 million, respectively as at 31 March 2022, which may be distributable to the shareholders of the Company subject to the provisions of the Company's memorandum and articles of association ("**Articles of Association**") and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

BANK AND OTHER BORROWINGS

The total borrowings of the Group as at 31 March 2022 amounted to HK\$33.0 million (31 March 2021: HK\$82.4 million). Particulars of borrowings are set out in Note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 March 2022 are set out in Note 14 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 March 2022 and as at the date of this report are as follows:

Executive Director

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

Non-executive Director

Mr. LAM Arthur

Independent non-executive Directors

Mr. CHUNG Koon Yan

Mr. CHEUNG Yick Hung Jackie

Dr. WONG Chi Ying Anthony

Mr. TANG Warren Louis

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

In accordance with the Articles 84(1) and (2) of the Articles of Association, Mr. CHUNG Koon Yan and Mr. CHEUNG Yick Hung Jackie shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Pursuant to Article 83(3) of the Articles of Association, Mr. TANG Warren Louis who was appointed by the Board on 26 April 2022 as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election. For details, please refer to the announcement of the Company dated 26 April 2022.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 54 to 56 of this Annual Report.

DIRECTORS' REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

During the year ended 31 March 2022 and to the date of this annual report, the Board at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the Independent non-executive Directors a written annual confirmation of his independence in relation to their services for the year ended 31 March 2022 pursuant to Rule 3.13 of the Listing Rules and the Company considers all independent non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

DIRECTORS' REMUNERATION

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

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

As at 31 March 2022, the interests 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 under Divisions 7 and 8 of Part XV of the SFO (including interests 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:

DIRECTORS' REPORT

Interests of Directors and Chief Executives in the shares and underlying shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares	Approximate percentage of issued share capital ^(Note 3)
WONG Man Fai Mansfield ^(Note 2)	Interest in controlled corporation	1,254,347,204 (L)	52.58%
	Beneficial owner	5,500,000 (L)	0.23%
LAM Arthur	Beneficial owner	25,654,000 (L)	1.08%
CHEUNG Yick Hung Jackie	Beneficial owner	125,000 (L) ^(Note 4)	0.005%
CHUNG Koon Yan	Beneficial owner	25,000 (L) ^(Note 5)	0.001%
WONG Chi Ying Anthony	Beneficial owner	25,000 (L) ^(Note 6)	0.001%

Notes:

1. The letter "L" denotes the person's long 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 31 March 2022 was 2,385,668,000.
4. These shares represented 7,000 underlying shares under the options granted by the Company on 2 April 2020 pursuant to the Share Option Scheme, and 118,000 shares beneficially owned by Mr. CHEUNG Yick Hung Jackie.
5. These shares represented 7,000 underlying shares under the options granted by the Company on 2 April 2020 pursuant to the Share Option Scheme, and 18,000 shares beneficially owned by Mr. CHUNG Koon Yan.
6. These shares represented 7,000 underlying shares under the options granted by the Company on 2 April 2020 pursuant to the Share Option Scheme, and 18,000 shares beneficially owned by Dr. WONG Chi Ying Anthony.

Save as disclosed above, as at 31 March 2022, 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.

DIRECTORS' REPORT

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

So far as our Directors are aware, as at 31 March 2022, 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 in the shares and underlying shares of the Company

Name of Shareholder	Nature of interest and capacity	Number of Shares ^(Note 1)	Approximate percentage of issued share capital ^(Note 5)
Abundance Development Limited ^(Note 2)	Beneficial owner	1,244,267,204(L)	52.16%
CAI Linda Xin Xin ^(Note 3)	Interest of spouse	1,259,847,204(L)	52.81%
Ancient Wisdom Limited ^(Note 4)	Person having a security interest in shares	1,229,147,920(L)	51.52%
WU Shang Tun Mason ^(Note 4)	Interest of controlled corporation	1,229,147,920(L)	51.52%
Beyond Ever Limited	Beneficial owner	178,366,000(L)	7.48%

Notes:

1. The letter "L" denotes the person's long 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. Ancient Wisdom Limited is wholly-owned by Mr. Wu Shang Tun Mason. Under the SFO, Mr. WU Shang Tun Mason is deemed to be interested in all the shares of the Company owned by Ancient Wisdom Limited.
5. The total number of issued shares of the Company as at 31 March 2022 was 2,385,668,000.

Save as disclosed above, as at 31 March 2022, the Directors were not aware of any persons/entities who had any interest or short position in the securities in the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 5 March 2015 (which was amended on 26 October 2016). The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) The purpose of the Share Option Scheme

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

(b) Who may join

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

(c) Grant of Option

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

(d) Subscription Price

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

DIRECTORS' REPORT

(e) Maximum number of shares

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

(f) Maximum entitlement of shares of each Qualified Participant

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

(g) Timing for exercise of options

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

(h) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing from 5 March 2015, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Share Option Scheme. As at the date of this report, the Share Option Scheme has remaining life of approximately three years.

DIRECTORS' REPORT

The following table discloses movements in the Company's share options during the year ended 31 March 2022:

Grantees	Date of grant	Exercise period	Exercise price per share (HK\$)	Closing price per share immediately before the date of grant (HK\$)	Number of share options					Outstanding as at 31 March 2022
					Outstanding as at 1 April 2021	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Cancelled during the year	
Directors										
WONG Man Fai Mansfield	2 April 2020	2 April 2020 to 1 April 2022	0.290	0.290	5,500,000	-	5,500,000	-	-	-
LAM Arthur	2 April 2020	2 April 2020 to 1 April 2022	0.290	0.290	5,500,000	-	5,500,000	-	-	-
CHUNG Koon Yan	2 April 2020	2 April 2020 to 1 April 2021	0.290	0.290	25,000	-	-	25,000	-	-
		2 July 2021 to 1 April 2023	0.290	0.290	6,250	-	6,250	-	-	-
		2 October 2021 to 1 April 2023	0.290	0.290	6,250	-	6,250	-	-	-
		2 January 2022 to 1 April 2023	0.290	0.290	6,250	-	5,500	-	-	750
		2 April 2022 to 1 April 2023	0.290	0.290	6,250	-	-	-	-	6,250
CHEUNG Yick Hung Jackie	2 April 2020	2 April 2020 to 1 April 2021	0.290	0.290	25,000	-	-	25,000	-	-
		2 July 2021 to 1 April 2023	0.290	0.290	6,250	-	6,250	-	-	-
		2 October 2021 to 1 April 2023	0.290	0.290	6,250	-	6,250	-	-	-
		2 January 2022 to 1 April 2023	0.290	0.290	6,250	-	5,500	-	-	750
		2 April 2022 to 1 April 2023	0.290	0.290	6,250	-	-	-	-	6,250
WONG Chi Ying Anthony	2 April 2020	2 April 2020 to 1 April 2021	0.290	0.290	25,000	-	-	25,000	-	-
		2 July 2021 to 1 April 2023	0.290	0.290	6,250	-	6,250	-	-	-
		2 October 2021 to 1 April 2023	0.290	0.290	6,250	-	6,250	-	-	-
		2 January 2022 to 1 April 2023	0.290	0.290	6,250	-	5,500	-	-	750
		2 April 2022 to 1 April 2023	0.290	0.290	6,250	-	-	-	-	6,250

DIRECTORS' REPORT

Grantees	Date of grant	Exercise period	Exercise price per share (HK\$)	Closing price per share immediately before the date of grant (HK\$)	Number of share options					Outstanding as at 31 March 2022
					Outstanding as at 1 April 2021	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Cancelled during the year	
Employees										
Employees in aggregate	19 April 2018	19 April 2018 to 18 April 2021	1.268	1.250	1,650,000	-	-	1,650,000	-	-
	2 April 2020	2 April 2020 to 1 April 2022	0.290	0.290	11,000,000	-	11,000,000	-	-	-
	2 April 2020	2 April 2020 to 1 April 2021	0.290	0.290	3,875,000	-	-	3,875,000	-	-
	2 April 2020	2 July 2021 to 1 April 2023	0.290	0.290	968,750	-	954,500	14,250	-	-
	2 April 2020	2 October 2021 to 1 April 2023	0.290	0.290	968,750	-	862,500	106,250	-	-
	2 April 2020	2 January 2022 to 1 April 2023	0.290	0.290	968,750	-	857,000	106,250	-	5,500
	2 April 2020	2 April 2022 to 1 April 2023	0.290	0.290	968,750	-	-	106,250	-	862,500
					31,550,000	-	24,728,000	5,933,000	-	889,000

NOTES:

- For the grant of share options on 19 April 2018, 16,650,000 share options will vest on the date of grant and are exercisable in one year from the date of grant; 3,232,400 share options will vest on the first anniversary of the date of grant and are exercisable in two years from the date of grant; and 1,650,000 share options will vest on the second anniversary of the date of grant and are exercisable in three years from the date of grant.
- For the grant of share options on 2 April 2020, 4,525,000 share options granted will vest on the date of grant and are exercisable in one year from the date of grant; 27,510,000 share options granted will vest on the date of grant and are exercisable in two years from the date of grant; and 1,131,250 share options granted (being 25% of 4,525,000 share options granted) will vest on each of 2 July 2021, 2 October 2021, 2 January 2022 and 2 April 2022 and are exercisable in three years from the date of grant.
- The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year ended 31 March 2022 was HK\$0.76.

As at 31 March 2022, the total number of shares available for issue under the Share Option Scheme was 24,383,000 shares, representing approximately 1.022% of the total issued shares as at 31 March 2022 (i.e. 2,385,668,000 shares).

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed above, at no time during the year ended 31 March 2022 was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2022.

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2022.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2022.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2022, the aggregate percentage of purchase attributable to the Group's five largest suppliers is approximately 100% of the total purchases of the Group and the largest supplier included therein amounted to approximately 99.9%.

For the year ended 31 March 2022, the aggregate percentage of sales attributable to the Group's five largest customers is approximately 92.5% of the total sales of the Group and the largest customer included therein amounted to approximately 29.8%.

At no time during the year ended 31 March 2022 have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the Group's related party transaction are set out in Note 38 to the consolidated financial statements. Save for transactions disclosed under Note 38(a)(ii) which are continuing connected transactions that are exempt from annual reporting requirements under Chapter 14A of the Listing Rules, such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under the Listing Rules.

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

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.

CORPORATE GOVERNANCE

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 March 2022.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 32 to 51 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee of the Board was established with its written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision C.3.3 (re-numbered as D.3.3 for financial years commencing on or after 1 January 2022) of the Corporate Governance Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. CHUNG Koon Yan (Chairman of the Audit Committee), Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the financial statements for the year ended 31 March 2022.

BUSINESS REVIEW

A business review of the Group, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the fiscal year, an indication of likely future development in the Group's business, an analysis of the Group's financial performance and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the "Management Discussion and Analysis" on pages 5 to 17 of this Annual Report. These discussions form part of this Directors' Report.

DIRECTORS' REPORT

Risks and uncertainties

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

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

An analysis using financial key performance indicators

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

Environmental policies and performance

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

The environment policies and performance of the Group for the year ended 31 March 2022 are set out in the "Environmental, Social and Governance Report", which will be published separately on the Company's website (<http://www.synergy-group.com>) and the Stock Exchange's news website (<https://www.hkexnews.hk>) in due course.

Relationships with employees, customers, suppliers and other stakeholders

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

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

Compliance with laws and regulations

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

DIRECTORS' REPORT

Permitted indemnity provision

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

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

Charitable donations

The Group did not make any charitable donation for the year ended 31 March 2022.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding in the Shares.

DISCLOSURES PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 16 October 2020, two statutory demands were issued to the Company due to the defaults in payment in relation to the issuance of the deeds of settlement (the "**Deeds of Settlement**") to two companies incorporated in the British Virgin Islands. Under the statutory demands, the Company was demanded to pay the amount of approximately HK\$28,642,361.11 and HK\$21,962,083.33 respectively.

As disclosed in the announcement of the Company dated 6 November 2020, a statutory demand was issued to the Company due to a default in payment in relation to a loan (the "**Hitachi Loan**") provided by Hitachi Capital (Hong Kong) Limited. The Company has provided a guarantee for its subsidiary under the Hitachi Loan. Under the statutory demand, the Company was demanded to pay the amount of approximately HK\$12,481,617.92.

The Directors have been taking proactive steps to exhaust all feasible rescue plans, including but not limited to debt restructuring and equity and/or debt financing, which may or may not be bundled together, to enhance the cashflows and improve the financial position of the Group, and to continue discussions with creditors in order to restructure the outstanding indebtedness. Where the circumstances giving rise to the obligations under Rule 13.19 of the Listing Rules continue to exist, the Company will include relevant disclosures in subsequent interim and annual reports in accordance with Rule 13.21 of the Listing Rules, and will disclose further developments on this matter by way of further announcement(s) in a timely manner in accordance with requirements under the Listing Rules.

DIRECTORS' REPORT

USE OF NET PROCEEDS FROM SUBSCRIPTION SHARES

As disclosed in the circular of the Company dated 15 November 2021 and approved at the extraordinary general meeting of the Company held on 8 December 2021, the Company entered into the subscription agreement on 8 December 2021 (the "**Subscription Agreement**") with Abundance Development Limited in relation to the subscription of 1,100,000,000 ordinary shares of the Company at the subscription price of HK\$0.1 per share to raise capital for the Company. Completion of the Subscription took place on 20 January 2022. The total gross proceeds for the issue was HK\$110,000,000 and the net proceeds was approximately HK\$105,000,000. The table below sets out the actual application of net proceeds and usage up to 31 March 2022:

Intended use	Use of proceeds (HK\$ million)	Actual usage up to 31 March 2022	Unutilised proceeds up to 31 March 2022 (HK\$ million)	Expected timeline for utilising the remaining net proceeds (HK\$ million)
Repayment of outstanding debts	HK\$86.3 million	HK\$80.2 million	HK\$6.1 million	By 31 December 2022
General working capital	HK\$18.7 million	HK\$18.7 million	–	N/A

On 15 September 2021, being the date on which the parties proposed the terms of the Subscription Agreement, the closing price of the shares of the Company was HK\$0.54 per share as quoted on the Stock Exchange. The net subscription price was approximately HK\$0.095 per share.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2022 have been audited by BDO Limited, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming 2022 AGM (as defined in section headed "**Corporate Governance Report**"). A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the 2022 AGM.

There has been no change in auditor of the Company in the three years ended 31 March 2022.

On behalf of the Board

Synergy Group Holdings International Limited

Wong Man Fai Mansfield

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 June 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the Company's Annual Report for the year ended 31 March 2022.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as set out in 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 provision 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 under the paragraphs "Chairman and Chief Executive Officer" and "Company Secretary" below.

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 year ended 31 March 2022 and up to the date of this report.

BOARD COMPOSITION

The Board currently consists of six Directors, comprising one executive Director, one non-executive Director and four independent non-executive Directors, who together, bring the skills, experience and diversity the Company needs to meet our long-term objectives. The Directors of the Company during the year and as at the date of this Annual Report are listed below:

Executive Director:

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

Non-executive Director:

Mr. LAM Arthur

Independent non-executive Directors:

Mr. CHUNG Koon Yan

Mr. CHEUNG Yick Hung Jackie

Dr. WONG Chi Ying Anthony

Mr. TANG Warren Louis

CORPORATE GOVERNANCE REPORT

There is no personal relationship (including financial, business, family, or other material/relevant relationship(s)) among the members of the Board. Biographical details of the Directors and the senior management are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 54 to 56 of this Annual Report.

RESPONSIBILITIES OF AND DELEGATION BY THE BOARD

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

Our Company's day-to-day management and operational decisions are made by the executive Director and the Group's senior management, who are experienced in managing the Group's businesses. The four independent non-executive Directors bring independent judgment to the decision-making process of the Board.

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

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

The Board is also responsible for the corporate governance functions under code provision D.3.1 (re-numbered as A.2.1 for financial years commencing on or after 1 January 2022) of the Corporate Governance Code. The Board has reviewed and discussed the corporate governance policies of the Group and is satisfied with the effectiveness of the corporate governance policies.

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman of the Board and Chief Executive Officer of the Company have been performed 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 the 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 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the year ended 31 March 2022, the Board at all times complied with Rules 3.10(1), 3.01(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

CORPORATE GOVERNANCE REPORT

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

The executive Director has entered into a supplemental service agreement with the Company for a fixed renewed term of three years commencing from 30 June 2020, his appointment may be terminated by either the Company or the Director by at least three months' written notice or payment in lieu to the other party.

The non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from 26 April 2022, his appointment may be terminated by either the Company or the Director on not less than three months' written notice.

Each independent non-executive Director has entered into a renewed appointment letter/appointment letter with the Company for a term of three years commencing from 23 March 2021 and 26 April 2022, respectively, their appointment may be terminated by either the Company or the Director on not less than one month's written notice.

According to the Company's Articles of Association, Directors who are appointed to fill casual vacancies or as an addition to the Board are subject to re-election at the next following general meeting of the Company after his or her appointment. In addition, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

During the year ended 31 March 2022, all the Directors (namely, Mr. WONG Man Fai Mansfield, Mr. LAM Arthur, Mr. CHUNG Koon Yan, Mr. CHEUNG Yick Hung Jackie and Dr. WONG Chi Ying Anthony) had participated in continuous professional development programmes, including trainings conducted by qualified professionals. The trainings that the Directors received during the year covered a wide range of areas relevant to the Company's operations, development, industry, and directors' duties and responsibilities, to ensure that the Directors understand the business and operations of the Group and their duties and obligations. A record of the training received by the respective Directors are kept and updated by the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORDS

Pursuant to code provision A.1.1 (re-numbered as C.5.1 for financial years commencing on or after 1 January 2022) of the Corporate Governance Code, the Board is scheduled to meet four times during a financial year as a minimum and, during the year ended 31 March 2022, it met six times. Details of the attendance of each Director at the meetings of the Board and its respective committees, and the annual general meeting and extraordinary general meeting during the year ended 31 March 2022 are as follows:

Name of Director	Attendance/No. of Meeting(s)					Annual General Meeting	Extraordinary General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee			
Mr. WONG Man Fai Mansfield	6/6	-/-	-/-	-/-		1/1	1/1
Mr. LAM Arthur	6/6	-/-	-/-	-/-		1/1	1/1
Mr. CHUNG Koon Yan	6/6	2/2	1/1	1/1		1/1	1/1
Mr. CHEUNG Yick Hung Jackie	6/6	2/2	1/1	1/1		1/1	1/1
Dr. WONG Chi Ying Anthony	6/6	2/2	1/1	1/1		1/1	1/1
Mr. TANG Warren Louis (Note)	-/-	-/-	-/-	-/-		-/-	-/-

Note: Appointed as an independent non-executive Director on 26 April 2022.

Apart from the regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of the then remaining executive Director during the year ended 31 March 2022.

The principal works performed by the Board during the year ended 31 March 2022 are summarized as follows:

- approval of the 2020/2021 Annual Report and annual results announcement
- approval of the 2021/2022 Interim Report and interim results announcement
- review of the Company's compliance with the Corporate Governance Code
- review of the effectiveness of the internal control system
- recommendation to the shareholders regarding the proposal on the re-appointment of BDO Limited as auditor

CORPORATE GOVERNANCE REPORT

- recommendation to the shareholders regarding the proposals on the issuance of subscription shares, conversion shares and settlement shares under specific mandate under the subscription agreement, connected conversion agreements and settlement agreements
- received and considered recommendations from each Board Committee on a regular basis throughout the year at each Board meeting which followed a Committee meeting
- appointment of company secretary and chief investment officer

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs on its behalf, and report back to the Board. The Chairman of each Committee reports back to the Board following each meeting, to ensure the Board is fully briefed on all activities and retains responsibility for approving any actions where a committee role is advisory.

The roles and functions of the Board committees are set out in their respective terms of reference. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the three Board committees are of no less exacting terms than those set out in the Listing Rules and/or Corporate Governance Code and are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

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

AUDIT COMMITTEE

The Audit Committee was established on 5 March 2015 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 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 primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and play a key oversight role on the financial reporting system, and risk management and internal control systems of our Company and review its efficiency and effectiveness.

The Audit Committee shall meet at least two times per year, or more frequently as circumstances require. The Audit Committee held two meetings during the year ended 31 March 2022. Individual attendance records of each Audit Committee member are set out in the table on page 36 of this Annual Report.

The Audit Committee's main work during the year ended 31 March 2022 included:

- reviewing 2020/2021 Annual Report and annual results announcement
- reviewing 2021/2022 Interim Report and interim results announcement

CORPORATE GOVERNANCE REPORT

- in relation to the external auditor, reviewing its audit plans, reports and letter of representation, fees, involvement in non-audit services, and its terms of engagement and its re-appointment
- reviewing the effectiveness of the Company's financial reporting system and risk management and internal control systems
- reviewing the continuing connected transactions (fully exempt from all requirements under the Listing Rules)

The Group's annual results for the year ended 31 March 2022, including the accounting principles and practices adopted by the Group, were reviewed by our Audit Committee, which was of the opinion that the preparation of such audited consolidated annual results of the Group complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

The Audit Committee has also reviewed the relationship the Company has with BDO Limited, the Company's external auditor. The Audit Committee is satisfied with the effectiveness of the external audit process and the independence of BDO Limited and has recommended to the Board (which in turn endorsed the view) that, subject to shareholders' approval at the forthcoming annual general meeting, BDO Limited be re-appointed as the external auditor for the year 2022/2023. A resolution to this effect will be included in the notice of annual general meeting for the year 2022.

NOMINATION COMMITTEE

The Nomination Committee was established on 5 March 2015 with its defined written terms of reference. As at the date of this report, the Nomination Committee comprises four independent non-executive Directors, namely Dr. WONG Chi Ying Anthony (Co-Chairman of the Nomination Committee), Mr. TANG Warren Louis (Co-Chairman of the Nomination Committee), Mr. CHUNG Koon Yan and Mr. CHEUNG Yick Hung Jackie.

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

The Nomination Committee shall meet at least annually or more or less frequently as circumstances require. The Nomination Committee held one meeting during the year ended 31 March 2022. Individual attendance records of each Nomination Committee member are set out in the table on page 36 of this Annual Report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2022, the Nomination Committee conducted an annual review of the structure, size, composition and diversity of the Board and assessed the independence of the independent non-executive Directors pursuant to code provision A.5.2 (re-numbered as B.3.1 for financial years commencing on or after 1 January 2022) of the Corporate Governance Code and made recommendations to the Board on the re-election of retiring Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and no material matter was identified under review.

The Nomination Committee also conducted a review of its terms of reference during the year. It remained satisfied that its terms of reference remained appropriate.

BOARD DIVERSITY POLICY

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Group also recognises and embraces the benefits of having a diverse Board to enhance the quality of the Company's performance.

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

In identifying and selecting suitably qualified candidates for directorships, the Nomination Committee shall consider the candidates on merit and against the objective criteria, with due regard for the benefits of diversity of the Board. A range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional and industry experience, skills, knowledge and time commitments, will be considered on selection of individuals to become members of the Board. The Nomination Committee also takes into account the Company's own business model and specific needs from time to time. All Board appointments will be based on merit and contribution that the selected candidates will bring to the Board. External recruitment professionals might be engaged to assist with the selection process when necessary.

NOMINATION POLICY

The Board has adopted a nomination policy (the "**Nomination Policy**"), which aims to set out the relevant selection criteria and nomination procedures to assist the Nomination Committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group's businesses. A summary of the Nomination Policy is disclosed as below.

CORPORATE GOVERNANCE REPORT

1. Criteria

The Nomination Committee and the Board shall consider the following criteria in evaluating and selecting candidates for directorships:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.
- Commitment of available time and ability to devote adequate time and attention to the affairs of the Company and to discharge duties as a Board member and other directorships and significant commitments.
- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee or the Board for achieving diversity on the Board.
- Such other perspectives appropriate to the Company's business.

2. Nomination Process

2.1 Appointment of New Director

2.1.1 The Nomination Committee or the Board shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in section 1 above to determine whether such candidate is qualified for directorship.

2.1.2 If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

2.1.3 The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.

2.1.4 For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and the Board shall evaluate such candidate based on the criteria as set out in section 1 above to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

CORPORATE GOVERNANCE REPORT

2.2 Re-election of Director at General Meeting

2.2.1 The Nomination Committee and the Board shall review the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

2.2.2 The Nomination Committee shall also review and determine whether the retiring director continues to meet the criteria as set out in section 1 above.

2.2.3 The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

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

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

REMUNERATION COMMITTEE

The Remuneration Committee was established on 5 March 2015 with its defined written terms of reference. As at the date of this report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. CHEUNG Yick Hung Jackie (Chairman of the Remuneration Committee), Mr. CHUNG Koon Yan and Dr. WONG Chi Ying Anthony.

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

The Remuneration Committee shall meet at least annually or more or less frequently as circumstances require. The Remuneration Committee held one meeting during the year ended 31 March 2022. Individual attendance records of each Remuneration Committee member are set out in the table on page 36 of this Annual Report.

During the year ended 31 March 2022, the Remuneration Committee reviewed and recommended to the Board on the proposed remuneration packages of the individual executive Directors, independent non-executive Directors and senior management for the year ending 31 March 2023.

CORPORATE GOVERNANCE REPORT

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

The Remuneration Committee also conducted a review of its terms of reference during the year. It remained satisfied that its terms of reference remained appropriate.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2022.

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

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

The Directors are aware of the Group's incurred losses of HK\$386,905,000 for the year ended 31 March 2022 and its current liabilities amounted to HK\$208,961,000 as at 31 March 2022. Included in the current liabilities of HK\$208,961,000 were borrowings of HK\$29,432,000 (the "**Borrowings**") and settlement payable of HK\$46,000,000 (the "**Settlement Payable**") as at 31 March 2022, 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.

The above-mentioned circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Further discussion on these issues has been set out in note 3(c) to the Consolidated Financial Statements in this Annual Report.

The Directors prepared a cash flow forecast which takes into account of rescue plans and measures as set out in note 3(c) to the Consolidated Financial Statements. Based on the Directors' assessment, assuming the plans and measures 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. In this connection, the Directors are of the opinion that 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.

CORPORATE GOVERNANCE REPORT

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 57 to 59 of this Annual Report.

REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision B.1.5 (re-numbered as E.1.5 for financial years commencing on or after 1 January 2022) of the Corporate Governance Code, the remuneration of members of the senior management by band for the year ended 31 March 2022 is set out below:

	Number of members of senior management
Nil to HK\$1,000,000	3
HK\$1,000,001 to HK\$1,500,000	2
Total	5

Details of the remuneration of each Director for the year ended 31 March 2022 are set out in note 10(a) to the consolidated financial statements for the year ended 31 March 2022.

AUDITOR'S REMUNERATION

During the year ended 31 March 2022, the remuneration paid to the Company's external auditor, BDO Limited, is set out below:

Type of Services	Amount of Fees Payable/Paid HK\$
Audit Services	1,380,000
Non-audit Services	95,000
Total	1,475,000

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

All activities conducted and all decisions made by the Company may involve risks to a certain extent. The Board plays a critical role of monitoring the risk exposures of the Company. The Board considers the risks in an active manner in setting of strategies.

The Board acknowledges its overall responsibility for the risk management and internal control systems and reviewing their effectiveness on a yearly basis so as to safeguard the shareholders' investments and the Company's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2022.

During the year ended 31 March 2022, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For internal audit function, the Company has an internal audit personnel and has engaged an external professional advisory firm to conduct an independent in-depth review of the effectiveness of the risk management and internal control systems during the year ended 31 March 2022. The internal audit function covers the key issues in relation to the accounting practices and all material controls and has provided its findings and recommendations for improvement with written reports to the Audit Committee.

The Board, as supported by the Audit Committee as well as the written reports with the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources. The Board will upgrade the existing systems of the Company with reference to the recommendations for improvements given by the abovementioned external professional advisory firm accordingly.

CORPORATE GOVERNANCE REPORT

Handling and Dissemination of Inside Information

The Company has written procedures in place for handling of inside information in accordance with the Listing Rules. It has developed a disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling and dissemination of inside information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. All inside information is disclosed to the public pursuant to the requirements under the SFO and the Listing Rules and is kept strictly confidential before disclosure.

DIRECTORS' NON-COMPETITION UNDERTAKING

Each of Mr. Mansfield WONG (executive Director) and Mr. LAM Arthur (non-executive Director) entered into a non-competition undertaking with the Company with effect from 24 March 2015 (the **"Directors' Non-competition Undertaking"**). Please refer to our Prospectus dated 13 March 2015 for additional information on the Directors' Non-competition Undertaking.

Each of Mr. Mansfield WONG and Mr. LAM Arthur has confirmed compliance with the terms of the Directors' Non-competition Undertaking during the year ended 31 March 2022. All the Independent Non-executive Directors are of the view that the above-mentioned Directors have been in compliance with the Directors' Non-competition Undertaking in favour of the Company.

COMPANY SECRETARY

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and responsibility of the Company Secretary is to ensure the board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of discloseable transactions, connected transactions and inside information. The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Articles of Association at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance practices so as to bring the best long-term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times.

The Company Secretary plays an important role in advising the Board on all corporate governance-related matters. On 19 November 2021, Mr. WONG Ho Kwan was appointed as the Company Secretary of the Company in place of Mr. LO Chu Wing of CS Legend Corporate Services Limited, an external services provider. The primary contact person of Mr. LO at the Company was Mr. Arthur LAM (the then executive Director of the Company).

CORPORATE GOVERNANCE REPORT

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. The Board is fully involved in selection and appointment of the Company Secretary. As such, it was considered that a physical board meeting was not necessary for approving the said appointment.

During the year ended 31 March 2022, both Mr. WONG and Mr. LO have complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS AND COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

To facilitate maintaining of an on-going dialogue with shareholders and to encourage shareholder engagement and participation, the Company has adopted a Shareholder Communication Policy. Under this policy, the Company commits to provide shareholders with ready, equal and timely access to balanced and understandable information about the Company's performance, position, strategic goals and plans and prospects. Information is made available to shareholders through a number of means, including formal announcements of information required under the Listing Rules and through the constructive use of general meetings.

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

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

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

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

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

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

Within 10 days of the date on which a notice (the "**Notice**") is deemed to be received by shareholders in respect of any general meeting of the Company (the "**Relevant General Meeting**"), any one or more shareholders holding at least one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may together, by written notice to the Company at 15th Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong for the attention of the Board or the Company Secretary, propose a resolution to be proposed and considered at the Relevant General Meeting in addition to the resolutions set out in the Notice. Such written notice shall be accompanied by a statement in no more than 1,000 words explaining the matters referred to, and the reasons for, any such proposed resolution. Following the receipt of such written notice and accompanying statement by the Company, the Company may, in the Company's absolute discretion (taking into account, without limitation, legal, regulatory and practical considerations relating to the issue of any supplemental notice to all shareholders in relation to the Relevant General Meeting), include the proposed resolution in the business of (i) the Relevant General Meeting or (ii) in a general meeting of the Company that is subsequent to the Relevant General Meeting.

CORPORATE GOVERNANCE REPORT

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

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

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

Address: 15th Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong

Attention: Mr. Mansfield Wong (*Chairman of the Board*)

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. The Company will not normally deal with verbal or anonymous enquiries. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

There was no significant amendment to the Memorandum and Articles of Association of the Company during the year ended 31 March 2022. The Company's Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company.

DIVIDEND POLICY

The declaration of dividends is subject to the discretion of our Directors and depends on, inter alia, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on The Hong Kong Financial Reporting Standards, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors, that our Directors deem relevant. Accordingly, shareholders should note that any dividend payments in the past should not be regarded as an indication of future dividend policy.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall not constitute a legally binding commitment by the Company that dividend(s) will be paid in any particular amount for any given period.

CORPORATE GOVERNANCE REPORT

ANNUAL GENERAL MEETING ("AGM") FOR THE YEAR 2022

The forthcoming AGM of the Company is scheduled to be held on Wednesday, 31 August 2022. A circular containing, among other matters, further information relating to the AGM together with the notice convening the AGM and other relevant documents will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will (so long as the AGM remains to be held on Wednesday, 31 August 2022) be closed from Thursday, 25 August 2022 to Wednesday, 31 August 2022, both days 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 (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration no later than 4:30 p.m. on Wednesday, 24 August 2022.

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

Changes in Other Major Appointments/Professional Qualifications

Dr. WONG Chi Ying Anthony, our independent non-executive Director, ceased to be a Corporate Member of The Institution of Chemical Engineers (MIChemE) in January 2022, a Chartered Engineer (C.Eng) of the Engineering Council of the United Kingdom in January 2022, a Chartered Scientist (CSci) of The Institution of Chemical Engineers and The Science Council of the United Kingdom in January 2022 and a member of The Hong Kong Institution of Engineers in April 2022.

Director's Fee

On 23 March 2022, the Board approved (as recommended by the Remuneration Committee) the reduction of Director's remuneration of Mr. LAM Arthur to HK\$240,000 per annum (without housing allowance) with effect from 1 April 2022.

CORPORATE GOVERNANCE REPORT

Directors' Positions Held

- Mr. LAM Arthur was re-designated as non-executive Director from executive Director of the Company, ceased to act as vice chairman of the Board and resigned as a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and a director of various subsidiaries of the Company, in each case, with effect from 26 April 2022.
- Mr. TANG Warren Louis was appointed as an independent non-executive Director and the Co-Chairman of the Nomination Committee of the Company on 26 April 2022.
- Following the above appointments of Mr. TANG, with effect from 26 April 2022, Dr. WONG Chi Ying Anthony was the Co-Chairman of the Nomination Committee of the Company.

CORPORATE INFORMATION

(As at 21 July 2022)

DIRECTORS

Executive Director

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

Non-executive Director

Mr. Lam Arthur

Independent non-executive Directors

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

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 (Co-Chairman)
Mr. Tang Warren Louis (Co-Chairman)
Mr. Chung Koon Yan
Mr. Cheung Yick Hung Jackie

COMPANY SECRETARY

Mr. Wong Ho Kwan

AUTHORISED REPRESENTATIVES

Mr. Wong Man Fai Mansfield
Mr. Wong Ho Kwan

REGISTERED OFFICE IN THE 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

15th Floor
Chinachem Century Tower
178 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE 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 21 July 2022)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Note: The address of the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, will be changed to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022.

HONG KONG LEGAL ADVISER

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

AUDITOR

BDO Limited
Registered Public Interest Entity Auditor
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road
Central
Hong Kong

STOCK CODE

1539 (Listed on the Main Board of the Hong Kong Stock Exchange ("**Stock Exchange**"))

COMPANY WEBSITE

www.synergy-group.com

INVESTOR ENQUIRY HOTLINE

Tel: (852) 2121 8033

INVESTOR ENQUIRY EMAIL ADDRESS

info@synergy-group.com

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Wong Man Fai Mansfield, aged 48, is the Chief Executive Officer, Chairman of the Board and an executive Director of the Company. He is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and a director of various subsidiaries of the Company, and was appointed as the Chief Executive Officer of Synergy Lighting Limited on 1 July 2009. He was appointed as a Director of our Company on 30 December 2011. He is primarily responsible for the overall corporate strategies, development management and operation of our Group. Mr. Wong graduated from the University of Arizona, Arizona, the United States with a Bachelor's degree in Electrical Engineering in May 1996. He also obtained a Master of Engineering (Electrical) from Cornell University, New York, United States in May 1997. He has over 15 years of management experience. Mr. Wong is the sole director and sole shareholder of Mpplication Group Limited, which provides information technology management services to our Group. Mr. Wong is the sole director and sole shareholder of Abundance Development Limited and our controlling shareholder.

NON-EXECUTIVE DIRECTOR

Mr. Lam Arthur, aged 37, served as an executive Director of the Company from 30 December 2011 and Vice Chairman of the Board from 3 February 2016 respectively until 26 April 2022 and was subsequently re-designated as a non-executive Director of the Company on 26 April 2022. He was responsible for overseas development and research and development of our Group. Mr. Lam graduated from the University of Notre Dame, Indiana, the United States, with a Bachelor's degree in Mechanical Engineering in May 2008. Before joining our Group, Mr. Lam was an Associate (Trade Support and Risk Management) in Myo Capital Advisers Limited from

November 2008 to June 2009. Mr. Lam is a certified Carbon Audit Professional and a certified Energy Manager of The Association of Energy Engineers (Hong Kong Chapter).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Koon Yan, aged 58, is an independent non-executive Director, the Chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of the Company since 5 March 2015. He is a practicing and fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting in November 2000. Mr. Chung obtained the fellow membership of The Association of Chartered Certified Accountants in October 2003 and became a member of The Hong Kong Institute of Certified Public Accountants in October 1998, and was also admitted as an associate of The Institute of Chartered Accountants in England and Wales in October 2004. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and Dickson Wong C.P.A. Company Limited, and has more than 25 years' experience in accounting, auditing and taxation. Mr. Chung has been an independent non-executive director of Great World Company Holdings Limited (stock code: 8003), the shares of which are listed on the GEM operated by the Stock Exchange since May 2008, and an independent non-executive director of Winson Holdings Hong Kong Limited (stock code: 6812), the shares of which are listed on the Main Board of the Stock Exchange (transfer of listing of its shares from GEM to Main Board on 11 June 2020) since February 2017. From November 2013 to June 2021, Mr. Chung served as an independent non-executive director

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

of Asian Citrus Holdings Limited (stock code: 73), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Cheung Yick Hung Jackie, aged 54, is an independent non-executive Director, the Chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company since 5 March 2015. Mr. Cheung had been a representative of KGI Asia Limited and KGI Futures (Hong Kong) Limited which carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO respectively for the period from 29 March 2011 to 31 July 2020. He currently also serves as a Consultant Solicitor of Messrs. Cheung & Yeung, Solicitors (張國鈞楊煒凱律師事務所). Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in November 1995 and as a solicitor of the Supreme Court of England and Wales in May 1997. He graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a degree of Bachelor of Laws and obtained the Postgraduate Certificate in Laws in November 1992 and November 1993 respectively. Mr. Cheung served as a District Councillor of the Central and Western District Council for the period from 1 January 2008 to 31 December 2015.

Dr. Wong Chi Ying Anthony, aged 66, is an independent non-executive Director, member of the Audit Committee and member of the Remuneration Committee of the Company since 5 March 2015. From 5 March 2015 to 26 April 2022, he was the Chairman of the Nomination Committee of the Company and serves as the Co-Chairman of the Nomination Committee since 26 April 2022. Dr. Wong was an Associate Professor in the Department of Industrial and Manufacturing Systems Engineering of The University of Hong Kong from 1997 to 2006. He obtained a B. Tech (Hons) degree and a Ph.D degree in Chemical Engineering from The University

of Bradford, United Kingdom, in December 1980 and in December 1983 respectively. Dr. Wong was a Corporate Member of The Institution of Chemical Engineers (MICheE) from November 1999 to January 2022 and a Chartered Engineer (C.Eng) of the Engineering Council of the United Kingdom from December 1999 to January 2022. During the period from 1 June 2004 to 29 January 2022, he was a Chartered Scientist (CSci) of The Institution of Chemical Engineers and The Science Council of the United Kingdom. He was also admitted as a member of The Hong Kong Institution of Engineers during the period from 16 March 2000 to April 2022. From April 2003 to November 2018, he served as the vice chairman and an executive director of Ngai Hing Hong Company Limited (stock code: 1047), a company listed on the Stock Exchange, and was in charge of its research and development centre and responsible for its business development and remained in such company as a consultant subsequent to his cessation from the positions mentioned above until 31 March 2019.

Mr. Tang Warren Louis, aged 46, has been our independent non-executive Director and Co-Chairman of the Nomination Committee of the Company since 26 April 2022. Mr. Tang was graduated from the University of Toronto in June 1998 with a bachelor of applied science major in computer engineering. He obtained the postgraduate diploma in English and Hong Kong law from Manchester Metropolitan University in July 2000 and the postgraduate certificate in laws from The University of Hong Kong in June 2001. Mr. Tang was called to the Bar of Hong Kong in the High Court of Hong Kong in December 2001 and since then has been a practising barrister and a member of the Hong Kong Bar Association. Mr. Tang was appointed as an independent non-executive director of Global International Credit Group Limited (stock code: 1669) with effect from 22 November 2014. He was also an independent non-executive director of Elegance Optical International Holdings Limited (stock code: 907), from 15 July 2019 to 31 December 2019. Mr. Tang has been a

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

fellow member of the Hong Kong Institute of Arbitrators since 2019 and an arbitrator of the Guangzhou Arbitration Commission since 2020. In 2019, Mr. Tang was appointed as a deputy magistrate in Hong Kong at the West Kowloon Magistrates' Courts. In 2020, Mr. Tang was appointed as a deputy magistrate in Hong Kong at the Kowloon City Magistrates' Courts.

SENIOR MANAGEMENT

Mr. Cheng Chi Kuen, aged 49, is our Chief Operation Officer since June 2011. He is responsible for overseeing our business operations, sales and marketing, office administration and human resources management. He has over 10 years of management experience. He was the co-founder and a director of Synergy Green Technology Limited. Synergy Green Technology Limited is one of the shareholders of Synergy Cooling Management Limited (indirectly non-wholly owned subsidiary of the Company), which holds approximately 33.7% interest of the entire issued share capital of Synergy Cooling Management Limited. Mr. Cheng was previously employed by Zymmetry Limited (formerly known as Mission System Consultant Limited), a global sourcing and manufacturing solutions provider for the apparel industry. During his time at Zymmetry Limited, Mr. Cheng had held various positions and subsequently as senior marketing manager of Asia Pacific region at the time when he left Zymmetry Limited. He has obtained a Master's degree in Business Administration through a distance learning course offered by the University of Bradford, United Kingdom, in July 2013.

Mr. David K. S. Lu, aged 51, has been appointed as our Chief Investment Officer since 8 February 2022. He is primarily responsible for managing the current investment portfolio of the Group, formulating investment strategy and advising the Group on potential investment projects. He has more than twenty years of experience in global

capital markets, equity investment and fund management. Mr. Lu has extensive experience in fund management and equity trading across Asia, where he has setup fund and trading capacities in Taiwan, Korea, Hong Kong, Japan and South East Asia. Mr. Lu held a proven track record with his investment portfolio and unique strategies which has generate substantial return. Prior to this appointment, Mr. Lu served as a director of Churchill Investment Limited. Mr. Lu received a Bachelor of Science Degree in Operations Research & Industrial Engineering from Cornell University.

Mr. Wong Ho Kwan, aged 36, has been appointed as the Chief Financial Officer and Company Secretary of the Company on 25 October 2021 and 19 November 2021, respectively. He is an accountant by profession and has over 14 years' experience in investment banking and accounting. Mr. Wong works in the field of corporate finance and investment since 2016 and has been active in private equity and M&A projects with a private equity investment company and then a Chinese investment bank. Before that he was an assurance manager at PricewaterhouseCoopers. Mr. Wong is knowledgeable with business and accounting practice across numerous industries in Hong Kong and the People's Republic of China, including new energy, retail, manufacturing, property development, engineering and construction and technology. Mr. Wong holds a Bachelor's degree (Science) in Mathematics from the Chinese University of Hong Kong. He is a member of Hong Kong Institute of Certified Public Accountants and a Certified Financial Risk Manager.

INDEPENDENT AUDITOR'S REPORT



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香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF SYNERGY GROUP HOLDINGS INTERNATIONAL LIMITED

滙能集團控股國際有限公司

(incorporated in the Cayman Islands with limited liability)

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") set out on pages 60 to 154, 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 approximately 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.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION (Continued)

Appropriateness of the going concern assumption (Continued)

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 that enables us 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.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

BDO Limited

Certified Public Accountants

Cheung Wing Yin

Practising Certificate Number P06946

Hong Kong, 30 June 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	7(a)	80,434	53,784
Cost of sales		(47,871)	(27,408)
Gross profit		32,563	26,376
Other income and gains	7(b)	9,595	19,676
Administrative expenses		(29,042)	(25,166)
Selling and distribution costs		(2,696)	(3,448)
Finance costs	8	(49,398)	(55,526)
Other expenses		(60,870)	(278,226)
Loss on derecognition of financial liabilities	9	(303,485)	–
Share of results of associates	17	7,394	9,551
Loss before income tax	9	(395,939)	(306,763)
Income tax credit	11(a)	9,034	24,229
Loss for the year		(386,905)	(282,534)
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)
Other comprehensive income for the year, net of tax		1,044	2,129
Total comprehensive income for the year		(385,861)	(280,405)
Loss for the year attributable to:			
Owners of the Company		(382,145)	(279,797)
Non-controlling interests		(4,760)	(2,737)
		(386,905)	(282,534)
Total comprehensive income for the year attributable to:			
Owners of the Company		(381,118)	(277,769)
Non-controlling interests	37	(4,743)	(2,636)
		(385,861)	(280,405)
Loss per share attributable to owners of the Company	13		(Restated)
– Basic (HK cents)		(22.8)	(20.0)
– Diluted (HK cents)		(22.8)	(20.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	6,979	15,553
Intangible assets	15	–	–
Goodwill	16	–	–
Interests in associates	17	65,795	57,913
Equity investment at fair value through profit or loss ("FVTPL")	18	29,140	28,000
Trade receivables	21	16,087	17,894
Finance lease receivables	19	2,184	8,206
Deposits and other receivables	22	693	45
Deferred tax assets	11(b)	43,365	34,331
		164,243	161,942
Current assets			
Inventories	20	1,257	832
Trade receivables	21	186,559	198,363
Finance lease receivables	19	7,903	7,928
Deposits, prepayments and other receivables	22	12,530	8,613
Due from an associate	23(a)	19,008	19,008
Cash and cash equivalents	24	26,311	8,204
		253,568	242,948
Current liabilities			
Trade payables	25	31,636	17,269
Contract liabilities	26	546	641
Accruals, other payables and deposits received	27	122,696	137,458
Borrowings	28	32,999	82,425
Bonds payable	32	–	2,000
Lease liabilities	29	2,404	938
Notes payable	30	–	76,600
Due to a related company	23(b)	280	952
Due to directors	23(c)	12,135	9,421
Provision for taxation		2,548	2,548
Financial liabilities at FVTPL	31	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Trade payables	25	2,263	11,017
Deposits received	27	2,849	4,160
Lease liabilities	29	3,100	1,183
Notes payable	30	54,997	–
		63,209	16,360
Net assets		145,641	54,549
EQUITY			
Share capital	33	23,857	6,600
Reserves	34	134,103	55,525
Equity attributable to owners of the Company		157,960	62,125
Non-controlling interests	37	(12,319)	(7,576)
Total equity		145,641	54,549

On behalf of the Board

Wong Man Fai Mansfield
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to owners of the Company									
	Share capital HK\$'000 (note 33)	Share premium* HK\$'000 (note 34)	Share option reserve* HK\$'000 (note 34)	Capital reserves* HK\$'000 (note 34)	Merger reserve* HK\$'000 (note 34)	Foreign exchange reserves* HK\$'000 (note 34)	Retained profits/ Accumulated losses* HK\$'000 (note 34)	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2020	5,500	87,160	2,263	7,388	12,183	(2,349)	207,877	320,022	(4,940)	315,082
Issue of shares through share placement (note 33(a))	1,100	17,160	-	-	-	-	-	18,260	-	18,260
Transaction costs on issue of shares through share placement (note 33(a))	-	(549)	-	-	-	-	-	(549)	-	(549)
Equity settled share option arrangements	-	-	2,161	-	-	-	-	2,161	-	2,161
Release of share option reserve upon the forfeit or lapse of share options	-	-	(1,252)	-	-	-	1,252	-	-	-
Loss for the year	-	-	-	-	-	-	(279,797)	(279,797)	(2,737)	(282,534)
Other comprehensive income:										
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	2,059	-	2,059	101	2,160
Share of other comprehensive income of associates	-	-	-	-	-	(31)	-	(31)	-	(31)
Total comprehensive income for the year	-	-	-	-	-	2,028	(279,797)	(277,769)	(2,636)	(280,405)
At 31 March 2021 and 1 April 2021	6,600	103,771	3,172	7,388	12,183	(321)	(70,668)	62,125	(7,576)	54,549
Shares issued under										
Share Option Scheme (note 33(b))	247	8,803	(1,879)	-	-	-	-	7,171	-	7,171
Issuance of shares (note 33(c))	11,000	99,000	-	-	-	-	-	110,000	-	110,000
Issuance of shares for debt settlement (notes 33(d) & (e))	6,010	357,571	-	-	-	-	-	363,581	-	363,581
Transaction costs on issue of shares (notes 33(c), (d) & (e))	-	(3,947)	-	-	-	-	-	(3,947)	-	(3,947)
Equity settled share option arrangements	-	-	148	-	-	-	-	148	-	148
Release of share option reserve upon the forfeit or lapse of share options	-	-	(1,342)	-	-	-	1,342	-	-	-
Loss for the year	-	-	-	-	-	-	(382,145)	(382,145)	(4,760)	(386,905)
Other comprehensive income:										
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	539	-	539	17	556
Share of other comprehensive income of associates	-	-	-	-	-	488	-	488	-	488
Total comprehensive income for the year	-	-	-	-	-	1,027	(382,145)	(381,118)	(4,743)	(385,861)
At 31 March 2022	23,857	565,198	99	7,388	12,183	706	(451,471)	157,960	(12,319)	145,641

* These reserve accounts comprise the consolidated reserves of approximately HK\$134,103,000 in the consolidated statement of financial position as at 31 March 2022 (2021: HK\$55,525,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
Loss before income tax		(395,939)	(306,763)
Adjustments for:			
Interest income		-	(493)
Interest expense		49,398	55,126
Amortisation of intangible assets	9	-	577
Depreciation of property, plant and equipment	9	5,190	4,449
Equity-settled share option expense	9	148	2,161
Fair value gain on other financial assets at fair value through profit or loss	7(b)	-	(156)
Fair value (gain)/loss on equity investment at fair value through profit or loss	9	(1,140)	21,000
Fair value loss on financial liabilities at fair value through profit or loss	9	19	191
Impairment loss of goodwill	9	-	34,584
Impairment loss of property, plant and equipment	9	9,173	-
Loss on disposals of property, plant and equipment	9	-	61
Gain on early termination of lease		(1)	-
Premium and other charges on life insurance policies		-	66
Loss on modification of financial assets		-	66,016
Loss on derecognition of financial liabilities	9	303,485	-
Bad debts written off	9	-	276
Provision for impairment loss of financial assets	9	51,066	156,558
Gain on modification of financial liabilities	9	(7,243)	-
Share of results of associates	17	(7,394)	(9,551)
Increase in/(reversal) of warranty provision, net	9	35	(632)
Write-off of inventories	9	584	20
Operating profit before working capital changes		7,381	23,490
(Increase)/decrease in inventories		(1,009)	48
Increase in trade receivables		(42,606)	(35,336)
Decrease in finance lease receivables		10,882	8,658
(Increase)/decrease in deposits, prepayments and other receivables		(4,564)	7,761
Increase in trade payables		16,149	870
Increase in amount due to a related company		336	336
Decrease in contract liabilities		(95)	(3,854)
Decrease in accruals, other payables and deposits received		(467)	(429)
Cash (used in)/generated from operations		(13,993)	1,544
Income tax paid		-	-
Net cash (used in)/generated from operating activities		(13,993)	1,544

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(546)	(11)
Repayments from an associate		-	1,995
Interest received		-	31
Decrease in other financial assets at fair value through profit or loss		-	10,928
Decrease in pledged bank deposits		-	2,500
Net cash (used in)/generated from investing activities		(546)	15,443
Cash flows from financing activities			
Proceeds from share options arrangement		3,981	-
Proceeds from issuance of shares	33	110,000	18,260
Payments in relation to issuance of shares		(3,947)	(549)
Interest paid on borrowings		(12,783)	(4,637)
Interest paid on financial liabilities at FVTPL		(672)	(222)
Interest on other payables		(2,500)	(3,224)
Interest element on lease payments		(180)	(164)
Capital element of lease payments		(1,912)	(2,060)
Proceed from borrowings		-	11,074
Repayment of borrowings		(40,008)	(30,659)
Repayment of notes payable		(16,360)	(6,000)
Repayments of advances from directors		(3,887)	(1,184)
Net cash generated from/(used in) financing activities		31,732	(19,365)
Net increase/(decrease) in cash and cash equivalents		17,193	(2,378)
Cash and cash equivalents at beginning of the year		8,204	9,370
Effect of foreign exchange rate changes		914	1,212
Cash and cash equivalents at end of the year		26,311	8,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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. Details of the principal activities of the Company’s subsidiaries are set out in note 37 to the consolidated financial statements.

The consolidated financial statements for the year ended 31 March 2022 were approved and authorised for issue by the board of directors on 30 June 2022.

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
Amendment to HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2
COVID-19 – Related Rent Concessions
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

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

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

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 (hereinafter collectively referred to as "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(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 as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. BASIS OF PREPARATION (Continued)

(c) Going concern basis

The Group incurred a loss of approximately 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 (note 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. Out of the abovementioned overdue borrowings and settlement payable, a number of creditors (notes 27(b) and 28(c)) 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 also 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. BASIS OF PREPARATION (Continued)

(c) Going concern basis (Continued)

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 be able to obtain all necessary statutory, regulatory, and creditors' approvals for successful 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.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

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

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

(c) Associates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of fair value of consideration transferred, the amount recognised for non-controlling interests and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(o)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

Right-of-use assets	Over the terms of the leases or estimated useful life between 5-10 years, whichever is shorter
Leasehold improvements	3 years over the terms of leases or 3 years, whichever is shorter
Furniture, fixtures and office equipment	2 years
Energy saving systems	5-10 years

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

(f) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Leasing service income

Leasing service income consists of:

- (i) operating lease rental income and is recognised on a time proportion basis over the period of lease term; or
- (ii) finance lease income including sale of goods recognised on transfer of risks and rewards of ownership and interest income recognised over the period of lease using the effective interest method.

(ii) Trading of energy saving products

Customers obtain control of the energy saving products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the energy saving products. There is generally only one performance obligation. Invoices are usually payable within 365 days. In the comparative period, revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Goods sold by the Group include warranties which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with HKFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

(iii) Consultancy service income

Revenue from consultancy service is recognised at the time when the control is transferred, i.e. one-off revenue recognition upon receipt of consultancy service report by the customer according to the terms of acceptance agreed upon in the contract. There is generally only one performance obligation. Invoices are usually payable within 365 days. In the comparative period, revenue from consultancy service is recognised when the services are rendered.

(iv) Interest income

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

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(g) Leasing

The Group as lessor

The Group has leased out its lighting systems and cooling systems under property, plant and equipment to a number of tenants. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of the lighting systems and cooling systems are classified as operating leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the machinery and the present value of the minimum lease payments not amounting to substantially all the fair value of the lighting systems and cooling systems, that it retains substantially all the significant risks and rewards incidental to ownership of these lighting systems and cooling systems which are leased out and accounts for the contracts as operating leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

The Group as lessor (Continued)

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When the Group is an intermediate lessor, the subleases are classified as a finance lease or as an operating lease with reference to the right-of-use assets arising from the head lease, instead of by reference to the underlying asset.

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. Significant judgement would be required for the assessment of whether the right to control the use of an identified asset is conveyed to the customer.

The Group as lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee; in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

The lease liabilities are recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liabilities by: (i) increasing the carrying amount to reflect interest on the lease liabilities; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(h) Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives as follows.

Exclusive rights

5 – 9 years

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(o)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories

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

(j) Cash and cash equivalents

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

(k) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("FVOCI"), as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

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. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, finance lease receivables and other financial assets measured at amortised cost. The ECLs 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 maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 "Leases".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(iv) Effective interest method

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

(v) Equity instruments

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

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4(k)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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

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

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currency

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(n) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

(p) Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions and contingent liabilities (Continued)

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

(q) Related parties

- (1) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (2) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(r) Share-based payments

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

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

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

When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Where options are forfeited due to a failure by the employee to satisfy the service conditions, the accumulated expenses previously recognised in relation to such options are reversed at the date of the forfeiture.

(s) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deferred and recognised in profit or loss over the useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Segment reporting

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

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

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

- (i) finance costs;
- (ii) share of results of associates;
- (iii) income tax expense; and
- (iv) corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets included all assets except intangible assets, goodwill, interests in associate, equity investment at FVTPL, other financial assets at FVTPL, pledged bank deposits, cash and cash equivalents, amount due from an associate, deferred tax assets and corporate assets. Corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities included all liabilities except tax liabilities, borrowings, notes payable, amount due to a related company, amounts due to directors, bonds payable, financial liabilities at fair value through profit or loss and corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

(i) Power to exercise significant influence

The Group holds approximately 23.65% of voting rights of InVinity Energy Group Limited ("InVinity"). By reference to the fact that the Group had agreed with other shareholders of InVinity not to involve in the board of directors of InVinity since 26 September 2018, the Group does not have power to exercise significant influence over InVinity. The investment in InVinity is treated as an equity investment at FVTPL.

(ii) Determination of functional currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

(a) Critical judgements in applying accounting policies (Continued)

(iii) Conveyance of right to control

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group determines whether the customer has the right to direct use of the identified asset by reference to a) right to change the type of output that is provided by the assets; b) right to change when the output is produced; c) right to change where the output is produced; and d) right to change whether the produced, and the quantity of that output. Significant judgement is required for the assessment of whether the right to control the use of an identified asset is conveyed to the customer and the lease is existing.

(iv) Going concern assumption

As mentioned in note 3, the directors of the Company have prepared the consolidated financial statements for the year ended 31 March 2022 based on a going concern basis. The assessment of the going concern assumption involves making judgement by the directors of the Company at a particular point of time, about the future outcome of events or conditions which are uncertain. The Group's management has prepared a cash flow forecast of the Group covering over 12 months from 1 April 2022 to 31 March 2023 and concluded that there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern in the year ending 31 March 2022. Accordingly, the directors of the Company consider that the Group have the capability to continue as a going concern.

(b) Key sources of estimation uncertainty

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

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. Management reassesses the estimations at the reporting date. The carrying amount of inventories is disclosed in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

(b) Key sources of estimation uncertainty (Continued)

(ii) Provision for ECLs on trade receivables and finance lease receivables

With the aid of the independent specialist engaged by the Group, the Group uses a provision matrix to calculate ECLs for trade receivables and finance lease receivables. The provision rates are based on days past due or repayment schedule for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking factors are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amounts of trade receivables and finance lease receivables are disclosed in notes 21 and 19, respectively.

(iii) Depreciation and amortisation

The Group depreciates property, plant and equipment and amortises intangible assets with finite useful lives using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets. The carrying amounts of property, plant and equipment and intangible assets are disclosed in notes 14 and 15 respectively.

(iv) Impairment of non-financial assets (other than goodwill)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

(b) Key sources of estimation uncertainty (Continued)

(v) Warranty provision

The Group generally offers warranty for the energy saving products during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The warranty provision provided during the year, depending on the product type, was based on the past experience of the failure rate of the products in the warranty service period. The carrying amount of warranty provision is disclosed in note 27.

(vi) Income tax

The Group is subject to income taxes in Hong Kong and overseas locations. Judgement is required in determining the provision for income taxes. There are transactions for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. The carrying amount of provision for taxation amounted to approximately HK\$2,548,000 (2021: HK\$2,548,000). The carrying amount of deferred tax assets is disclosed in note 11 (b).

(vii) Estimation of fair value of unlisted equity investment

The fair value of equity investment that is not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in note 41. The carrying amount of unlisted equity investment is disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. 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 HK\$'000	Trading of energy saving products HK\$'000	Consultancy service HK\$'000	Total HK\$'000
Year ended 31 March 2022				
Revenue from external customers	6,603	64,646	9,185	80,434
Reportable segment loss	(17,774)	(23,194)	(1,702)	(42,670)
Capital expenditure	-	-	-	-
Depreciation	4,575	-	-	4,575
As at 31 March 2022				
Reportable segment assets	24,796	190,214	45,490	260,500
Reportable segment liabilities	9,771	37,686	17	47,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. SEGMENT INFORMATION (Continued)

	Leasing service of energy saving systems HK\$'000	Trading of energy saving products HK\$'000	Consultancy service HK\$'000	Total HK\$'000
Year ended 31 March 2021				
Revenue from external customers	9,826	24,873	19,085	53,784
Reportable segment (loss)/profit	(7,673)	(178,960)	5,852	(180,781)
Capital expenditure	-	-	-	-
Depreciation	3,046	-	-	3,046
As at 31 March 2021				
Reportable segment assets	42,791	164,569	41,299	248,659
Reportable segment liabilities	13,656	29,306	15	42,977

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

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

Note: Unallocated corporate income mainly includes government grants and management service income.

Unallocated corporate expenses mainly include fair value loss on equity investment at FVTPL (note 9), equity-settled share option expense (note 9), amortisation of intangible assets (note 9), loss on debt extinguishment, provision for impairment loss of goodwill (note 9), legal and professional fees, salaries, other administrative expenses and other selling and distribution costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. SEGMENT INFORMATION (Continued)

	2022 HK\$'000	2021 HK\$'000
Reportable segment assets	260,500	248,659
Intangible assets	-	-
Goodwill	-	-
Interests in associates	65,795	57,913
Equity investment at FVTPL	29,140	28,000
Cash and cash equivalents	26,311	8,204
Due from an associate	19,008	19,008
Deferred tax assets	169	34,331
Other corporate assets	16,888	8,775
Group assets	417,811	404,890

	2022 HK\$'000	2021 HK\$'000
Reportable segment liabilities	47,474	42,977
Borrowings	32,999	82,425
Lease liabilities	5,051	2,121
Settlement payables	47,125	47,125
Notes payable	54,997	76,600
Bonds payable	-	2,000
Financial liabilities at FVTPL	3,717	3,729
Provision for taxation	2,548	2,548
Due to a related company	280	952
Due to directors	12,135	9,421
Other corporate liabilities (note)	65,844	80,443
Group liabilities	272,170	350,341

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. SEGMENT INFORMATION (Continued)

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

	Revenue from external customers	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong (domiciled)	14,834	21,563
Japan	23,971	–
Malaysia	5,586	8,131
Indonesia	2,927	4,992
Macau	9,185	19,085
Other overseas locations	23,931	13
	80,434	53,784

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

	Specified non-current assets	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong (domiciled)	68,924	58,076
Malaysia	3,338	15,390
Others	512	–
	72,774	73,466

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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. SEGMENT INFORMATION (Continued)

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

	Revenue from external customers	
	2022 HK\$'000	2021 HK\$'000
Customer A ^{##}	9,185	19,085
Customer B [#]	14,445	19,881
Customer C [#]	23,971	N/A
Customer D [#]	23,858	N/A

* Attributable to segment of trading of energy saving products

** Attributable to segment of consultancy service

N/A Transactions did not exceed 10% of the Group's revenue

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND OTHER INCOME AND GAINS

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

	2022 HK\$'000	2021 HK\$'000
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
	73,831	43,958
Revenue from other sources		
Leasing service income	6,603	9,826
	80,434	53,784
Timing of revenue recognition		
At a point in time	73,831	43,958

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

	2022 HK\$'000	2021 HK\$'000
Trade receivables (note 21)	187,051	204,252
Contract liabilities (note 26)	546	641

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND OTHER INCOME AND GAINS (Continued)

(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 FVTPL	–	66
– from other receivables (note 22(b))	396	396
– from advance to non-controlling interests (note 22(c))	–	17
	396	493
Exchange gain, net	–	15,403
Fair value gains on other financial assets at FVTPL	–	156
Fair value gain on equity investment at FVTPL	1,140	–
Gain on modification of financial liabilities (note b)	7,243	–
Government grants (note a)	22	1,460
Management service income	–	984
Others	794	1,180
	9,595	19,676

Notes:

(a) For the year ended 31 March 2021, the Group has received financial support from the Hong Kong Special Administrative Region Government who set up the Anti-epidemic Fund under the Employment Support Scheme to encourage entities to retain their employees who would otherwise be made redundant. Under the Employment Support Scheme, the Group is required not to make redundancies during the subsidy period and to spend all of subsidies on paying salaries.

(b) As disclosed in note 30(a), gain on modification of financial liabilities was arising from the change in term of notes payable.

8. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
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
	48,929	54,701
Interest on financial liabilities at FVTPL	469	425
Transaction costs on borrowings	–	400
	49,398	55,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

9. LOSS BEFORE INCOME TAX

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

	2022 HK\$'000	2021 HK\$'000
Amortisation of intangible assets (included in administrative expenses)	-	577
Auditor's remuneration	1,380	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 assets	3,240	3,088
- Right-of-use assets	1,950	1,361
	5,190	4,449
Employee benefit expenses (including directors' remuneration) (note 10(a))		
- Salaries and welfare	12,102	14,995
- Equity-settled share option expense	148	2,161
- Defined contributions	618	870
	12,868	18,026
Increase in/(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 (note (a))	303,485	-
Loss on modification of financial assets (note (b))	-	66,016
Gain on modification of financial liabilities (note (c))	(7,243)	-

Notes:

- As disclosed the note 33 (d) to the consolidated financial statements, the Company issued the shares for the settlement of debts. The difference between the carrying amount of the financial liabilities extinguished and the fair value of issued shares 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.
- Loss on modification of financial assets was mainly due to the discount offered to one of the customers of the Group in return for that customer's guarantee on the monthly minimum amount of settlement.
- Gain on modification of financial liabilities was mainly due to change in term of notes payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remunerations are disclosed as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity- settled share option expense HK\$'000	Defined contributions HK\$'000	Total HK\$'000
Year ended 31 March 2022					
<i>Executive directors:</i>					
Wong Man Fai Mansfield ("Mr. Mansfield Wong")	-	1,408	-	18	1,426
<i>Non-executive directors:</i>					
Lam Arthur ("Mr. Arthur Lam") (note a)	-	1,428	-	18	1,446
<i>Independent non-executive directors:</i>					
Chung Koon Yan	205	-	1	-	206
Cheung Yick Hung Jackie	205	-	1	-	206
Wong Chi Ying Anthony	205	-	1	-	206
Tang Warren Louis (note b)	-	-	-	-	-
Total	615	2,836	3	36	3,490
Year ended 31 March 2021					
<i>Executive directors:</i>					
Mr. Mansfield Wong	-	1,378	418	18	1,814
Mr. Arthur Lam	-	1,410	418	18	1,846
<i>Independent non-executive directors:</i>					
Chung Koon Yan	205	-	3	-	208
Cheung Yick Hung Jackie	205	-	3	-	208
Wong Chi Ying Anthony	205	-	3	-	208
Total	615	2,788	845	36	4,284

Notes:

- (a) Mr. Arthur Lam was re-designated as a non-executive director of the Company on 26 April 2022.
- (b) Mr. Tang Warren Louis was appointed as an independent non-executive director of the Company on 26 April 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, 2 directors (2021: 2) are included.

The analysis of the emolument of the remaining 3 highest paid individuals for the year (2021: 3) are set out below:

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and benefits in kind	2,603	1,551
Equity-settled share option expense	–	402
Defined contributions	54	41
	2,657	1,994

Their emoluments were within the following bands:

	2022 No. of individual	2021 No. of individual
HK\$1 to HK\$1,000,000	3	3

- (c) During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2021: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as bonuses, an inducement to join or upon joining the Group or compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. INCOME TAX CREDIT

(a) Income tax

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

	2022 HK\$'000	2021 HK\$'000
Current tax		
– Tax for the year	–	–
– Over-provision in respect of prior years	–	(149)
	–	(149)
Deferred tax		
– Current year	(9,034)	(24,080)
Income tax credit	(9,034)	(24,229)

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 EIT 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 ("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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. INCOME TAX CREDIT (Continued)

(a) Income tax (Continued)

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

	2022 HK\$'000	2021 HK\$'000
Loss before income tax	(395,939)	(306,763)
Tax calculated at the rates applicable to profits or losses in the tax jurisdictions concerned	(66,188)	(48,379)
Effect of share of results of associates	(1,220)	(1,576)
Effect of non-taxable revenue	(93)	(3,208)
Effect of non-deductible expenses	53,601	13,613
Effect of temporary differences not recognised	(34)	(194)
Effect of tax losses not recognised	4,900	15,664
Over-provision in respect of prior years	-	(149)
Income tax credit	(9,034)	(24,229)

(b) Deferred tax

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

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

As at 31 March 2022, the Group has unutilised estimated tax losses of approximately HK\$146,699,000 (2021: HK\$117,648,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised estimated tax losses due to the unpredictability of future profit streams. The unutilised estimated tax losses of approximately HK\$139,457,000 (2021: HK\$111,268,000) can be carried forward indefinitely. Remaining tax losses will expire after five years from the year of assessment to which they relate to.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

12. DIVIDENDS

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

13. LOSS PER SHARE

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Energy saving systems HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 1 April 2020						
Cost	4,023	748	1,267	20,710	343	27,091
Accumulated depreciation and impairment	(2,074)	(732)	(1,245)	(4,388)	-	(8,439)
Net book amount	1,949	16	22	16,322	343	18,652
Year ended 31 March 2021						
Opening net book amount	1,949	16	22	16,322	343	18,652
Additions	943	-	11	-	-	954
Lease modification	(189)	-	-	-	-	(189)
Disposals	-	-	-	(61)	-	(61)
Depreciation	(1,361)	(16)	(26)	(3,046)	-	(4,449)
Exchange realignment	71	-	1	561	13	646
Closing net book amount	1,413	-	8	13,776	356	15,553
At 31 March 2021 and 1 April 2021						
Cost	3,361	756	1,265	21,406	356	27,144
Accumulated depreciation and impairment	(1,948)	(756)	(1,257)	(7,630)	-	(11,591)
Net book amount	1,413	-	8	13,776	356	15,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Energy saving systems HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Year ended 31 March 2022						
Opening net book amount	1,413	-	8	13,776	356	15,553
Additions	5,397	237	97	212	-	5,943
Lease modification	(93)	-	-	-	-	(93)
Depreciation	(1,950)	(91)	(37)	(3,112)	-	(5,190)
Impairment loss	-	-	-	(9,173)	-	(9,173)
Exchange realignment	(2)	-	-	(56)	(3)	(61)
Closing net book amount	4,765	146	68	1,647	353	6,979
At 31 March 2022						
Cost	6,745	241	1,079	23,786	353	32,204
Accumulated depreciation and impairment	(1,980)	(95)	(1,011)	(22,139)	-	(25,225)
Net book amount	4,765	146	68	1,647	353	6,979

Right-of-Use assets	Land and buildings leased for own use HK\$'000	Office equipment leased for own use HK\$'000	Total HK\$'000
As at 1 April 2020			
Addition	1,884	65	1,949
Lease modification	943	-	943
Depreciation	(189)	-	(189)
Exchange realignment	(1,326)	(35)	(1,361)
	71	-	71
As at 31 March 2021 and 1 April 2021			
Addition	1,383	30	1,413
Depreciation	5,397	-	5,397
Lease modification	(1,933)	(17)	(1,950)
Exchange realignment	(93)	-	(93)
	(2)	-	(2)
As at 31 March 2022	4,752	13	4,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

For the year ended 31 March 2022, the Group assesses the recoverable amount of the property, plant and equipment allocated to the cooling business CGU is determined using the value-in-use calculation based on cash flow projections from financial budgets approved by management covering a five-year period and the cashflow projections are prepared with the aid of the independent specialist engaged by the Group. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and revenue during the period. Cash flow beyond the five-year period are extrapolated using an estimated growth rate of 1.8% for this CGU, which does not exceed the long-term growth rate for the cooling business, and discount rate of 36%, which is pre-tax and reflect specific risks relating to this CGU. The growth rate and revenue within the five-year period are determined based on the past performance and management's expectation of market development.

The cooling business CGU continuously faced the delay in the project development of the projects and uncertainty in current economic environment as a result of escalating uncertainty in the international trade conflicts and the continuance effect of COVID-19. This had an adverse impact on the estimated value-in-use of that CGU and an impairment loss on property, plant and equipment of approximately HK\$9,173,000 was recognised in other expenses. The recoverable amount of the cooling business CGU was approximately HK\$3,400,000 as at 31 March 2022. As the carrying amount of the CGU has been reduced to its recoverable amount, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

15. INTANGIBLE ASSETS

	Exclusive rights HK\$'000 (note)
At 1 April 2020	
Cost	15,851
Accumulated amortisation	(15,274)
Net book amount	577
Year ended 31 March 2021	
Opening net book amount	577
Amortisation	(577)
Closing net book amount	-
At 31 March 2021 and 1 April 2021	
Cost	15,851
Accumulated amortisation	(15,851)
Net book amount	-
Year ended 31 March 2022	
Opening net book amount	-
Amortisation	-
Closing net book amount	-
At 31 March 2022	
Cost	15,851
Accumulated amortisation	(15,851)
Net book amount	-

Note:

Exclusive rights represented the exclusive rights to use some technical know-how of the lighting products and exclusive right on cooling related formula. Amortisation is provided on a straight-line basis over the estimated useful lives of 5 years and 9 years, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. GOODWILL

	2022 HK\$'000	2021 HK\$'000
At beginning of the year	-	34,584
Less: Provision for impairment loss of goodwill	-	(34,584)
At end of the year	-	-

The goodwill comprises goodwill arising from acquisitions of Synergy Cooling Management Limited ("SCML"), which represents the control premium paid, skills and technical talent of their workforce and the expected synergies to be achieved from integrating them 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.

Impairment testing on goodwill

The carrying amount of goodwill (before the current year impairment) has been allocated to the cash generating unit ("CGU") for impairment testing as follows:

	2022 HK\$'000	2021 HK\$'000
Cooling business CGU	-	34,584

Cooling business CGU

For the year ended 31 March 2021, the recoverable amount of cooling business CGU is determined using the value-in-use calculation based on cash flow projections from financial budgets approved by management covering a five-year period and the cashflow projections are prepared with the aid of the independent specialist engaged by the Group. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and revenue during the period. Cash flow beyond the five-year period are extrapolated using an estimated growth rate of 1.8% for this CGU, which does not exceed the long-term growth rate for the cooling business, and discount rate of 26%, which is pre-tax and reflect specific risks relating to this CGU. The growth rate and revenue within the five-year period are determined based on the past performance and management's expectation of market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

Cooling business CGU (Continued)

The cooling business CGU continuously faced the delay in the project development of the projects and uncertainty in current economic environment as a result of escalating uncertainty in the international trade conflicts and the continuance effect of COVID-19. This had an adverse impact on the estimated value-in-use of that CGU and an impairment loss on goodwill of approximately HK\$34,584,000 was recognised in other expenses. The recoverable amount of the cooling business CGU was approximately HK\$15,300,000 as at 31 March 2021. As the carrying amount of the CGU has been reduced to its recoverable amount, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses.

17. INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
Share of net assets	41,201	33,319
Goodwill	24,594	24,594
	65,795	57,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates, which are accounted for using the equity method in the consolidated financial statements as at 31 March 2022, are as follows:

Name of companies	Place and date of incorporation	Issued share capital/registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Kedah Synergy Limited ("Kedah Synergy") and its subsidiaries (collectively referred to as "Kedah Synergy Group")					
Kedah Synergy	BVI 18 April 2016	United States Dollar ("US\$") 10,000	47.5%	-	Investment holding
Kedah Synergy Hong Kong Limited	Hong Kong 4 December 2017	HK\$1	-	47.5%	Trading of energy saving products and provision of cost-saving energy management solutions
Kedah Synergy Corporation (Pty) Ltd.	South Africa 30 October 2017	-	-	47.5%	Provision of cost-saving energy management solutions

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

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

	2022 HK\$'000	2021 HK\$'000
Non-current assets	69	111,194
Current assets	138,428	14,390
Current liabilities	(51,757)	(55,439)
Net assets attributable to owners of associates	86,740	70,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. INTERESTS IN ASSOCIATES (Continued)

	2022 HK\$'000	2021 HK\$'000
Revenue	44,006	52,777
Profit for the year	15,566	20,107
Other comprehensive income	1,028	(65)
Total comprehensive income	16,594	20,042

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

	2022 HK\$'000	2021 HK\$'000
Net assets of Kedah Synergy Group	86,739	70,145
Percentage of equity interest attributable to the Group	47.5%	47.5%
The Group's share of Kedah Synergy Group's net assets	41,201	33,319
Goodwill	24,594	24,594
Carrying amount of the Group's interests in Kedah Synergy Group	65,795	57,913

Reconciliation to the Group's share of results of Kedah Synergy Group:

	2022 HK\$'000	2021 HK\$'000
Percentage of equity interest attributable to the Group	47.5%	47.5%
Group's share of profits of the associates	7,394	9,551
Group's share of other comprehensive income of the associates	488	(31)
Share of total comprehensive income of the associates	7,882	9,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. EQUITY INVESTMENT AT FVTPL

	2022 HK\$'000	2021 HK\$'000
Unlisted equity investment, at fair value	29,140	28,000

The unlisted equity investment represented the Group's investment in InVinity. The Group has invested US\$3,200,000 (equivalent to approximately HK\$24,800,000) as investment and held 23.65% equity interest in InVinity accordingly.

The fair value of unlisted equity investment is a Level 3 recurring fair value measurement. The details of assessment are set out in note 41. The fair value gain amounting to HK\$1,140,000 has been recognised in profit or loss for the year (2021: loss of HK\$21,000,000).

19. FINANCE LEASE RECEIVABLES

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

	Minimum lease payments		Present values of minimum lease payments	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Within one year	11,149	12,349	10,588	11,087
In the second to fifth years, inclusive	3,663	14,609	3,479	13,870
Over fifth years	-	-	-	-
	14,812	26,958	14,067	24,957
Less: Unearned finance lease income	(745)	(2,001)	n/a	n/a
Present value of minimum lease payments	14,067	24,957	14,067	24,957
Less: Provision for impairment loss	(3,980)	(8,823)	(3,980)	(8,823)
	10,087	16,134	10,087	16,134
Analysed for reporting purposes as:				
- Non-current assets			2,184	8,206
- Current assets			7,903	7,928
			10,087	16,134

The effective interest rates of the Group's finance leases are ranging from 5% to 16% per annum (2021: 5% to 87%). There are no unguaranteed residual values of assets under finance leases. Finance lease receivables are secured over the energy saving products. No contingent rent arrangements were made during the years ended 31 March 2022 and 2021.

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For the year ended 31 March 2022

19. FINANCE LEASE RECEIVABLES (Continued)

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

	2022 HK\$'000	2021 HK\$'000
Indonesian Rupiah ("IDR")	8,434	13,426

For the year ended 31 March 2021, the Group has assigned receivables of a customer to a bank to secure banking facilities of HK\$100,000,000 granted to the Group (the "Assignment"). As at 31 March 2021, there were bank loan balances of approximately HK\$28,377,000 secured by the Assignment and finance lease receivables of approximately HK\$13,426,000 were subject to the Assignment.

Further details on the Group's credit policy and credit risk arising from finance lease receivables are set out in note 41.

20. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Finished goods	1,257	832

21. TRADE RECEIVABLES

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

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 ("84-months Credit Term"). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

21. TRADE RECEIVABLES (Continued)

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

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

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 HK\$'000	2021 HK\$'000
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
	202,646	216,257

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

	2022 HK\$'000	2021 HK\$'000
US\$	108,178	98,805
IDR	50,320	67,276

As at 31 March 2021, trade receivables of approximately HK\$67,276,000 were subject to the Assignment as detailed in note 19 and note 28.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2022 HK\$'000	2021 HK\$'000
Current assets:			
Deposits	(a)	1,282	1,647
Prepayments		5,531	1,328
Other receivables	(b), (c)	5,717	5,638
		12,530	8,613
Non-current assets:			
Deposits		693	45

Notes:

- (a) Deposits mainly represented the deposits paid to suppliers for purchase of goods.
- (b) Included in the other receivables as at 31 March 2022 represented the amount due from InVinity of approximately HK\$3,300,000 (2021: HK\$3,300,000). The balance is unsecured, bore fixed interest rate of 12% per annum and repayable on demand.
- (c) Included in the other receivables as at 31 March 2021 represented the advance to non-controlling interests with principal amount of HK\$1,000,000, which was unsecured, bore fixed interest rate of 5% per annum and repayable by July 2021. The balance had been settled during the year.

23. DUE FROM/TO AN ASSOCIATE/A RELATED COMPANY/DIRECTORS

- (a) Amount due from an associate of approximately HK\$19,008,000 as at 31 March 2022 (2021: HK\$19,008,000) represented the net non-trading outstanding balances with Kedah Synergy which were unsecured, interest-free and repayable on demand. The maximum amount outstanding during the year was HK\$19,008,000 (2021: HK\$21,003,000).
- (b) Amount due to a related company of HK\$280,000 as at 31 March 2022 (2021: HK\$952,000) represented the outstanding payables of computer software consultancy service to a related company as detailed in note 38(a)(ii), wholly owned by Mr. Mansfield Wong. The balances were unsecured, interest free, and repayable on demand.
- (c) Amounts due to directors of approximately HK\$12,135,000 as at 31 March 2022 (2021: HK\$9,421,000) were unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

24. CASH AND CASH EQUIVALENTS

	2022 HK\$'000	2021 HK\$'000
Cash and cash equivalents	26,311	8,204

Notes:

As at 31 March 2022, the cash and bank balances of the Group denominated in RMB amounted to approximately HK\$76,000 (2021: HK\$15,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

	2022 HK\$'000	2021 HK\$'000
US\$	6,985	6,999
RM	2	1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. TRADE PAYABLES

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

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

	2022 HK\$'000	2021 HK\$'000
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	17,590	25,384
	33,899	28,286

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

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

	2022 HK\$'000	2021 HK\$'000
US\$	482	1,011
RMB	33,417	13,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

26. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Contract liabilities arising from:		
Trading of energy saving products	546	641

Contract liabilities represented advance payments received from customers for goods that the control of the products have not been transferred to the customers.

The Group expects to deliver the goods to satisfy the remaining obligations of these contract liabilities within one year or less.

Movements in contract liabilities are as follows:

	2022 HK\$'000	2021 HK\$'000
Balance as at the beginning of the year	641	4,495
Decrease in contract liabilities as a result of recognising revenue during the year	(9,881)	(12,341)
Increase in contract liabilities as a result of billing in advance of sales of goods	9,786	8,487
Balance as at the end of the year	546	641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

27. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Notes	2022 HK\$'000	2021 HK\$'000
Current liabilities:			
Accruals		50,293	63,745
Other payables	(a)	21,844	23,003
Settlement payable	(b)	47,125	47,125
Warranty provision	(c)	1,921	1,886
Deposits received	(d)	1,513	1,699
		122,696	137,458
Non-current liabilities:			
Deposits received	(d)	2,849	4,160

Notes:

- (a) Included in the other payables is the consideration payable for the investment in InVinity of approximately HK\$12,400,000 (2021: HK\$12,400,000) which will be paid when certain milestones are met.
- (b) In 2017, the Company issued certain notes to two companies (the "Creditors"), and subsequently entered into a deed of settlement with each of the Creditors (collectively, "Deeds of Settlement") in respect of the notes on 22 July 2020. Settlement payables of HK\$46,000,000 become overdue on 22 July 2020. For the year ended 31 March 2021, the Company received statutory demands from the legal representatives acting on behalf of each of the Creditors in which the creditors are, demanding payment from the Company for its indebtedness under each of the Deeds of Settlement within 21 days from the date of the statutory demand. As at the date of approval of these consolidated financial statements, the Company is still in the discussion of the repayment arrangement with creditors. No further action has been carried out by the creditors.
- (c) The movements in the warranty provision are as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of the year	1,886	2,518
Provision for the year	418	208
Unused amounts reversed	(383)	(840)
At end of the year	1,921	1,886

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

- (d) The deposits received represented the receipt in advance from customers for leasing service.
- (e) Included in accruals and other payables are the following amounts denominated in currencies other than the functional currencies:

	2022 HK\$'000	2021 HK\$'000
RM	90	290
IDR	5,513	3,991
US\$	15,049	12,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

28. BORROWINGS

	Notes	2022 HK\$'000	2021 HK\$'000
Secured and guaranteed bank loans:			
Amounts repayable within one year	(a)	–	28,377
Unsecured and guaranteed bank loans:			
Amounts repayable within one year	(a)	2,849	3,218
Secured and guaranteed other loans:			
Amounts repayable within one year	(b)	13,800	23,097
Unsecured and guaranteed other loans:			
Amounts repayable within one year	(c)	16,350	23,233
Unsecured other loans:			
Amounts repayable within one year		–	4,500
Total borrowings		32,999	82,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

28. BORROWINGS (Continued)

Notes:

- (a) As at 31 March 2022, the bank loan of HK\$2,849,000 was overdue. The balances are under corporate guarantees from the Company and/or Synergy Group Worldwide Limited ("Synergy Worldwide"), a subsidiary of the Company, and personal guarantee from Mr. Mansfield Wong.

As at 31 March 2021, the bank loans of total HK\$31,595,000 were overdue, in which HK\$28,377,000 was secured by the finance lease receivables of approximately HK\$13,426,000 (note 19), trade receivables of approximately HK\$67,276,000 (note 21) and interest in associates of approximately HK\$57,913,000 (note 17).

In relation to the bank loan whose carrying amount was HK\$28,377,000, the Company received two statutory demands during the year ended 31 March 2021 from the legal adviser acting on behalf of the bank. The balance was settled and the statutory demands have been withdrawn during the year ended 31 March 2022.

- (b) As at 31 March 2022, other loans of HK\$13,800,000 (2021: HK\$23,097,000) has been overdue.
- (c) As at 31 March 2022, the balances are HK\$16,350,000 (2021: HK\$23,233,000), in which the balances of HK\$12,783,000 (2021: HK\$12,771,000) were overdue. In relation to overdue other loans whose has been overdue with carrying amount was HK\$12,461,000 (2021: HK\$12,461,000) as at 31 March 2022, the Company received a statutory demand during the year ended 31 March 2021 from a legal adviser acting on behalf of the lender in which the lender is demanding payment from the Group for its indebtedness under a corporate guarantee provided in favour of the lender within 21 days from the date of the statutory demand. As at the date of approval of these consolidated financial statements, the Company is still in the discussion of the repayment arrangement with creditors. No further action has been carried out by the creditor.
- (d) As at 31 March 2022, the Group's interest-bearing borrowings bore effective interest rate ranging from 2.74% to 17.87% per annum (2021: 3.42% to 20.9%).
- (e) As at 31 March 2022, the Group's credit facilities amounted to approximately HK\$78,750,000 (2021: HK\$159,237,000), of which all have been utilised.

Based on the schedule repayment dates set out in the bank loans and other loan agreements and ignore the effect of any repayment on demand clause, the borrowings are repayable as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	32,999	82,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

29. LEASE LIABILITIES

The amount included in the consolidated statement of financial position in respect of the carrying amounts of lease liabilities and the movements during the year is as follows:

	Office HK\$'000	Energy saving systems HK\$'000	Total HK\$'000
As at 1 April 2020	2,260	1,360	3,620
Additions	943	–	943
Interest expenses	88	76	164
Lease payments	(1,412)	(812)	(2,224)
Lease modification	(471)	–	(471)
Exchange realignment	51	38	89
As at 31 March 2021 and 1 April 2021	1,459	662	2,121
Additions	5,396	–	5,396
Interest expenses	137	43	180
Lease payments	(1,845)	(247)	(2,092)
Lease modification	(94)	–	(94)
Exchange realignment	(2)	(5)	(7)
As at 31 March 2022	5,051	453	5,504

	2022 HK\$'000	2021 HK\$'000
Minimum lease payments due:		
– Within one year	2,549	1,029
– In the second to fifth years, inclusive	2,624	974
– After fifth years	557	300
Less: Future finance charges	(226)	(182)
Present value of minimum lease payments	5,504	2,121
Analysed for reporting purposes as:		
– Non-current liabilities	3,100	1,183
– Current liabilities	2,404	938
	5,504	2,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

29. LEASE LIABILITIES (Continued)

	2022 HK\$'000	2021 HK\$'000
Short term leases expenses	6	625

Note:

Lease modification relates to termination of leases during the year ended 31 March 2021.

30. NOTES PAYABLE

	Notes	2022 HK\$'000	2021 HK\$'000
9.5% notes	(a)	-	54,000
2.5% notes	(b)	-	22,600
New 9.5% note	(c)	14,270	-
0% note	(d)	40,727	-
		54,997	76,600
Classified as:			
Non-current liabilities		54,997	-
Current liabilities		-	76,600
		54,997	76,600

Notes:

(a) 9.5% notes

During the year ended 31 March 2018, the Company issued secured guaranteed notes with a principal amount of HK\$80,000,000 at 9% per annum with a term of 12 months extendable to up to 36 months at the noteholder's discretion (the "9% Notes"). The 9% Notes are secured by personal guarantees by Mr. Mansfield Wong and Mr. Arthur Lam and charges over shares in the Company beneficially owned by Mr. Mansfield Wong, Mr. Arthur Lam and an independent third party. During the year ended 31 March 2019, the Company repaid HK\$10,000,000 of the principal to the noteholder upon a mutual agreement and the term of 9% Notes was extended from 12 months to 24 months and the interest rate was revised to 9.5% per annum. Upon the consent of the noteholder, the note could be extended to 16 November 2020 in accordance with the agreement term. As at 31 March 2021 and 2020, the notes payable has been overdue and immediately repayable upon the request by the lender. The Company received a statutory demand during the year from the legal adviser acting on behalf of the noteholder, demanding payment from the Company for its indebtedness under the note within 21 days from the date of the statutory demand.

During the year ended 31 March 2022, the Company enter into a supplement deed and the balance was settled upon the execution of the supplement deed. New note certificates were issued, the details of the new certificates are set out in note 30(c) and (d).

(b) 2.5% notes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

30. NOTES PAYABLE (Continued)

Notes: (Continued)

(c) New 9.5% note

During the year ended 31 March 2022, the Company issued unsecured guaranteed notes with a principal amount of HK\$14,270,000 at 9.5% interest rate per annum with a term of 24 months. The new 9.5% notes are guaranteed by Mr. Mansfield Wong.

(d) 0% note

During the year ended 31 March 2022, the Company issued unsecured guaranteed notes with a principal amount of HK\$40,727,000 with a term of 24 months and non-interest bearing. The 0% notes are guaranteed by Mr. Mansfield Wong.

31. FINANCIAL LIABILITIES AT FVTPL

	2022 HK\$'000	2021 HK\$'000
Redeemable preference shares, at fair value	3,717	3,729

During the year ended 31 March 2020, a subsidiary of the Group has issued 2,000,000 redeemable preference shares to an independent third party at RM1.00 each with the total amount of RM2,000,000 (equivalents to HK\$3,615,000). The redeemable preference shares shall be redeemed in full on the date falling two years after the issuance of the redeemable preference shares.

The preference shares will be redeemed in cash at an amount equal to the subscription price at RM1.00 per share plus interest at the rate of 12% per annum to the holder of the preference shares.

The management has designated the redeemable preference shares as financial liabilities at FVTPL as it is managed and its performance is evaluated on a fair value basis. For the year ended 31 March 2022, a fair value loss of HK\$19,000 (2021: HK\$191,000) of the redeemable preference shares was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. BONDS PAYABLE

On 18 November 2019, the Company issued the bond with principal amount at HK\$2,000,000 to an independent third party, which will mature on the second anniversary of the date of issue of the bond bears interest at 10% per annum. The Company has the right to early redeem, after the first anniversary of the date of issue, the corporate bond by giving prior notice to and obtaining written approval from the corporate bond holder.

The corporate bond was issued for the working capital purpose.

	2022 HK\$'000	2021 HK\$'000
Bonds payable	–	2,000
Classified as:		
Current liabilities	–	2,000

As at 31 March 2022, the bond payable had been settled by issuance of shares as set out in note 33(e) to the consolidated financial statements.

33. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
At 1 April 2020, 31 March 2021 and 1 April 2021 and 31 March 2022		50,000,000	500,000
Issued and fully paid:			
At 1 April 2020		550,000	5,500
Issue of shares by share placement	(a)	110,000	1,100
At 31 March 2021 and 1 April 2021		660,000	6,600
Issue of shares under share option scheme	(b)	24,728	247
Issue of shares under subscription	(c)	1,100,000	11,000
Issue of shares for debt settlement	(d)	126,744	1,268
Issue of shares for debt settlement	(e)	474,196	4,742
At 31 March 2022		2,385,668	23,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

33. SHARE CAPITAL (Continued)

Notes:

- (a) On 2 September 2020, the Company issued 110,000,000 shares by way of placing at HK\$0.166 each. Net proceeds of HK\$17,711,000 were raised, comprising share capital of HK\$1,100,000 and share premium of HK\$17,160,000, net of share placement expenses of HK\$549,000.
- (b) On 1 July 2021 and 11 February 2022, the Company issued total 24,728,000 shares under the share option scheme at HK\$0.01 each. Net proceeds of HK\$9,050,000 were raised, comprising share capital of HK\$247,000 and share premium of HK\$8,803,000.
- (c) On 20 January 2022, the subscriber, who is wholly and beneficially owned by Mr. Wong Man Fai Mansfield, an executive director, a chairman and chief executive officer of the Company has completed the subscription of 1,100,000,000 new shares at HK\$0.1 each. Net proceeds of HK\$107,447,000 was raised, comprising share capital of HK\$11,000,000 and share premium of HK\$99,000,000, net of share subscription expenses of HK\$2,553,000. Details of the subscription are set out in the Company's announcements dated 16 September 2021, 20 September 2021, 6 October 2021, 3 November 2021, 15 November 2021, 30 November 2021, 8 December 2021 and 20 January 2021 and the Company's circular dated 15 November 2021.
- (d) On 20 January 2022, the Company has completed the issuance of new shares of 600,940,000 at HK\$0.1 each to several parties for the settlement of debts. The consideration has been fully satisfied by the corresponding amount of debts. Upon the completion of the settlement, HK\$6,010,000 and HK\$357,571,000 were credited against share capital and share premium, respectively. The share issuance cost of HK\$3,947,000 was offset with share premium accordingly. Details of the subscription are set out in the Company's announcements dated 16 September 2021, 20 September 2021, 6 October 2021, 3 November 2021, 15 November 2021, 30 November 2021, 8 December 2021 and 20 January 2021 and the Company's circular dated 15 November 2021.
- (e) On 20 January 2022, the Company has completed issuance of new shares of 474,196,000 at HK\$0.1 each to several independent third parties for settlement of debts. The consideration has been fully satisfied by the corresponding amount of debts. Upon the completion of the settlement, HK\$4,742,000 and HK\$346,164,000 were credited against share capital and share premium, respectively. The share issuance cost of HK\$1,100,000 was offset with share premium accordingly. Details of the subscription are set out in the Company's announcements dated 16 September 2021, 20 September 2021, 6 October 2021, 3 November 2021, 15 November 2021, 30 November 2021, 8 December 2021 and 20 January 2021 and the Company's circular dated 15 November 2021.

34. RESERVES

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

Share premium

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

Share option reserve

Cumulative expenses recognised on the granting of share options to the employees over the vesting period.

Capital reserves

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

Merger reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

34. RESERVES (Continued)

Foreign exchange reserves

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

Retained profits/accumulated losses

Cumulative net gains and losses recognised in profit or loss.

Company

	Share premium HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000 (note)	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2020	87,160	2,263	3,236	(29,279)	63,380
Issue of shares through share placement (note 33 (a))	17,160	-	-	-	17,160
Transaction costs on issue of shares through share placement (note 33 (a))	(549)	-	-	-	(549)
Equity-settled share option arrangements	-	2,161	-	-	2,161
Release of share option reserve upon the forfeit or lapse of share options	-	(1,252)	-	1,252	-
Loss for the year and total comprehensive income for the year	-	-	-	(79,062)	(79,062)
At 31 March 2021 and 1 April 2021	103,771	3,172	3,236	(107,089)	3,090
Issue of shares under share option scheme (note 33 (b))	8,803	(1,879)	-	-	6,924
Issue of shares under subscription (note 33 (c))	99,000	-	-	-	99,000
Issue of shares for debts settlement (notes 33 (d))	357,571	-	-	-	357,571
Transaction costs on issue of shares (notes 33 (c) & (d))	(3,947)	-	-	-	(3,947)
Equity-settled share option arrangements	-	148	-	-	148
Release of share option reserve upon the forfeit or lapse of share options	-	(1,342)	-	1,342	-
Loss for the year and total comprehensive income for the year	-	-	-	(313,980)	(313,980)
At 31 March 2022	565,198	99	3,236	(419,727)	148,806

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

35. OPERATING LEASE ARRANGEMENT

As lessor

As at 31 March 2022, future minimum lease rental receivables under non-cancellable operating leases of the Group in respect of energy saving systems are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	2,086	2,955
Within second to fifth year	2,615	4,659
	4,701	7,614

The Group leases energy saving systems under operating leases. The leases run for an initial period of 2 to 7 years (2021: 2 to 7 years). In addition to the minimum lease payments, the Group is entitled to receive contingent rents based on the actual saved energy amount less the guaranteed saved energy amount multiplied by pre-determined charged formula mutually agreed with lessees as stated in the relevant agreements. During the year, the Group received contingent rents recognised as leasing service income amounting to approximately HK\$84,000 (2021: HK\$854,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	16,138	16,138
Current assets		
Prepayments	4,281	860
Due from subsidiaries	304,108	172,625
Cash and cash equivalents	484	58
	308,873	173,543
Current liabilities		
Accruals and other payables	85,216	96,891
Borrowing	-	4,500
Due to director	12,135	-
Notes payable	-	76,600
Bonds payable	-	2,000
	97,351	179,991
Net current assets/(liabilities)	211,522	(6,448)
Total assets less current assets	277,660	9,690
Non-current liabilities		
Notes payable	54,997	-
	54,997	-
Net assets	172,663	9,690
EQUITY		
Equity attributable to owners of the Company		
Share capital	23,857	6,600
Reserves	148,806	3,090
Total equity	172,663	9,690

On behalf of the Board

Wong Man Fai Mansfield
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

37. INTERESTS IN SUBSIDIARIES

Details of subsidiaries as at 31 March 2022 are as follows:

Company name	Place and date of incorporation	Particulars of issued share capital/registered capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Synergy Worldwide Limited	BVI 8 August 2008	US\$22,608	100%	-	Investment holding	Hong Kong
Synergy Lighting Limited	Hong Kong 3 December 2008	HK\$100	-	100%	Leasing, consultancy services and trading of energy saving products	Hong Kong
Synergy Energy Saving Company Limited	Malaysia 17 October 2016	US\$1	-	100%	Trading of energy saving products	Malaysia
Unity Group Holdings International Limited (formerly known as Synergy Energy Efficiency Technology (China) Company Limited)	Hong Kong 2 March 2017	HK\$100	-	100%	Investment holding	Hong Kong
廣州先能馳節能科技有限公司*	PRC 27 June 2017	RMB10,000,000	-	100%	Trading of energy saving products and provision of energy management systems solutions	PRC
深圳先能馳節能科技有限公司**	PRC 28 March 2018	RMB10,000,000	-	100%	Trading of energy saving products and provision of energy management systems solutions	PRC
Unity Green Development Limited (formerly known as Synergy Overseas United Limited)	BVI 31 October 2017	US\$10,000	-	100%	Investment holding	Hong Kong
Unity Green Development (H.K.) Limited (formerly known as Synergy Investment Holding (Saudi Arabia) Limited)	Hong Kong 9 November 2017	HK\$10,000	-	100%	Inactive	Hong Kong
SCML	BVI 1 April 2011	US\$18,400	-	63.04%	Investment holding	Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

37. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Synergy Cooling Management (H.K.) Limited	Hong Kong 21 April 2011	HK\$1	-	63.04%	Leasing and maintenance services of cooling systems	Hong Kong
Synergy Cooling Management (Malaysia) Limited	BVI 11 November 2013	US\$100	-	63.04%	Investment holding	Hong Kong
Synergy ESCO (Malaysia) Sdn. Bhd.	Malaysia 17 April 2014	RM950,000	-	63.04%	Provision of energy management systems solutions	Malaysia
Synergy Cooling ESCO (HK) Limited	Hong Kong 11 June 2014	HK\$1	-	63.04%	Provision of energy management systems solutions	Hong Kong

* Registered as a wholly foreign-owned enterprise under the laws of the PRC

** Registered as a limited liability company under the laws of the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

37. INTERESTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to SCML Group, the subsidiary of the Group which has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	SCML Group	
	2022	2021
	HK\$'000	HK\$'000
Non-controlling interests percentage	36.96%	36.96%
As at 31 March		
Current assets	6,286	10,271
Non-current assets	4,119	17,152
Current liabilities	(37,656)	(34,914)
Non-current liabilities	(6,079)	(13,008)
Net liabilities	(33,330)	(20,499)
Accumulated non-controlling interests	(12,319)	(7,576)
For the year ended 31 March		
Revenue	5,586	8,145
Loss for the year	(12,896)	(7,405)
Total comprehensive income	(12,835)	(7,132)
Loss allocated to non-controlling interests	(4,743)	(2,636)
Dividends paid to non-controlling interests	-	-
Cash flows generated from operating activities	3,025	6,417
Cash flows used in investing activities	(42)	(857)
Cash flows used in financing activities	(3,818)	(4,530)
Net cash (outflow)/inflow	(835)	1,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

38. RELATED PARTY TRANSACTIONS

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

	Notes	2022 HK\$'000	2021 HK\$'000
Sales to associates	(i)	14,445	19,881
Computer software consultancy service fees paid to a related company	(ii)	336	336
Rental expenses paid to a related company	(iii)	-	102

Notes:

- (i) The total sales of goods amounted to approximately HK\$14,445,000 during the year (2021: HK\$19,881,000) was contributed from Kedah Synergy Group. The transactions with Kedah Synergy Group were negotiated and carried out in the ordinary course of business and at terms agreed between the parties. The trade deposits received from Kedah Synergy Group as at 31 March 2022 and 2021 are detailed in note 27.
- (ii) The Group has paid computer software consultancy service fees of HK\$336,000 during the year (2021: HK\$336,000) to a related company, which is wholly owned by Mr. Mansfield Wong. The transactions with the related company were negotiated and carried out in the ordinary course of business and at terms agreed between parties. The non-trading outstanding balances due to this related company as at 31 March 2022 and 2021 are detailed in note 23(b).
- (iii) The Group has paid rental expenses of approximately HK\$102,000 during the year ended 31 March 2021 to a related company, in which Mr. Arthur Lam's close relative is a shareholder. The transactions with the related company were negotiated and carried out in the ordinary course of business and at terms agreed between parties.

(b) Other related party transactions

Mr. Mansfield Wong provided personal guarantees to the Company for the New 9.5% note and 0% note as detailed in note 30, and to a subsidiary of the Group for a bank loan as detailed in note 28(a).

(c) Compensation of key management personnel

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

	2022 HK\$'000	2021 HK\$'000
Short-term employee benefits	4,342	4,340
Equity-settled share option expense	148	952
	4,490	5,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major Non-cash Transactions

During the year ended 31 March 2022, (i) 2.5% notes of HK\$22,600,000 has been settled by issuance of shares as set out in the note 33(e) to the consolidated financial statements; (ii) the 9.5% notes of HK\$54,000,000 and their interest payables of HK\$41,157,000 have been partially settled by (1) issuance of new 9.5% note of HK\$14,270,000; (2) issuance of the 0% note of HK\$40,727,000; and (3) an amount of HK\$23,800,000 from the selling of certain pledged shares in the Company that are beneficially owned by Mr. Mansfield Wong, Mr. Arthur Lam and an independent third party by the then noteholder of the 9.5% notes.

Save as disclosed elsewhere in these financial statements, there were no other material non-cash transactions during the year ended 31 March 2022.

There were no material non-cash transactions during the year ended 31 March 2021.

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HK\$'000	Lease liabilities HK\$'000	Notes payable HK\$'000	Due to directors HK\$'000	Financial liabilities at FVTPL HK\$'000	Corporate bonds HK\$'000
At 1 April 2021	82,425	2,121	76,600	9,421	3,729	2,000
Changes from financing cash flows:						
Interest paid	(12,783)	-	-	-	(672)	-
Interest element on lease liabilities	-	(180)	-	-	-	-
Capital element of lease liabilities	-	(1,912)	-	-	-	-
Repayment of borrowings	(40,008)	-	-	-	-	-
Repayment of notes payable	-	-	(16,360)	-	-	-
Repayments of advances from directors	-	-	-	(3,887)	-	-
Total changes from financing cash flows	(52,791)	(2,092)	(16,360)	(3,887)	(672)	-
Other changes:						
Interest expense	15,327	180	-	-	672	-
Proceeds from share options arrangement	-	-	-	(3,190)	-	-
(Increase)/decrease in other payable	(2,475)	-	35,157	1,146	-	-
Advance from director for debt settlement	-	-	(17,800)	17,800	-	-
Issue of share for debts settlement	(9,500)	-	(22,600)	(9,155)	-	(2,000)
Addition	-	5,396	-	-	-	-
Decrease in lease liabilities from termination of leases	-	(94)	-	-	-	-
Change in fair value	-	-	-	-	18	-
Exchange realignment	13	(7)	-	-	(30)	-
Total other changes	3,365	5,475	(5,243)	6,601	660	(2,000)
At 31 March 2022	32,999	5,504	54,997	12,135	3,717	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings HK\$'000	Lease liabilities HK\$'000	Notes payable HK\$'000	Due to directors HK\$'000	Financial liabilities at FVTPL HK\$'000	Corporate bonds HK\$'000
At 1 April 2020	102,010	3,620	82,600	10,605	3,597	2,000
Changes from financing cash flows:						
Interest paid on borrowings	(4,637)	-	-	-	(222)	-
Interest element on lease liabilities	-	(164)	-	-	-	-
Capital element of lease liabilities	-	(2,060)	-	-	-	-
Proceed from borrowings	11,074	-	-	-	-	-
Repayment of borrowings	(30,659)	-	-	-	-	-
Repayment of notes payable	-	-	(6,000)	-	-	-
Repayments of advances from directors	-	-	-	(1,184)	-	-
Total changes from financing cash flows	(24,222)	(2,224)	(6,000)	(1,184)	(222)	-
Other changes:						
Interest expense	14,983	164	26,037	-	425	199
Increase in other payable	(10,346)	-	(26,037)	-	(203)	(199)
Addition	-	943	-	-	-	-
Lease modification	-	(471)	-	-	-	-
Change in fair value	-	-	-	-	191	-
Exchange realignment	-	89	-	-	(59)	-
Total other changes	4,637	725	-	-	354	-
At 31 March 2021	82,425	2,121	76,600	9,421	3,729	2,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

40. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

On 2 April 2020, the Company has granted a total of 36,560,000 share options to subscribe for an aggregate of 36,560,000 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) 25,410,000 share options to certain qualified participants, being employees of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

40. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants are as follows:

Date of grant		Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
2 April 2020	Tranche 1	11,000,000	Date of grant	2 year
2 April 2020	Tranche 2	75,000	Date of grant	1 years
2 April 2020	Tranche 3a	18,750	1.25 years from the date of grant	1.75 years
2 April 2020	Tranche 3b	18,750	1.5 years from the date of grant	1.5 years
2 April 2020	Tranche 3c	18,750	1.75 years from the date of grant	1.25 years
2 April 2020	Tranche 3d	18,750	2 years from the date of grant	1 years
		11,150,000		
Options granted to employees:				
2 April 2020	Tranche 1	16,510,000	Date of grant	2 year
2 April 2020	Tranche 2	4,450,000	Date of grant	1 years
2 April 2020	Tranche 3a	1,112,500	1.25 years from the date of grant	1.75 years
2 April 2020	Tranche 3b	1,112,500	1.5 years from the date of grant	1.5 years
2 April 2020	Tranche 3c	1,112,500	1.75 years from the date of grant	1.25 years
2 April 2020	Tranche 3d	1,112,500	2 years from the date of grant	1 years
		25,410,000		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

40. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2022		2021	
	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$	Number
Outstanding at beginning of the year	0.341	31,550,000	1.268	4,722,600
Granted during the year	–	–	0.29	36,560,000
Exercised during the year	0.29	(24,728,000)	–	–
Forfeited during the year	0.29	(333,000)	0.29	(6,660,000)
Lapsed during the year	0.29	(5,600,000)	1.268	(3,072,000)
Outstanding at end of the year	0.29	889,000	0.341	31,550,000
Exercisable at end of the year	–	–	0.341	27,600,000

The exercise price of options outstanding at the end of the year was HK\$0.29 (2021: HK\$0.341) and their weighted average remaining contractual life was approximately 0.25 year (2021: 1.05 year).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimation of the fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

40. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions

	Tranche 1	Tranche 2a	Tranche 2b	Tranche 2c	Tranche 2d	Tranche 2e
Share price (HK\$)	0.245	0.245	0.245	0.245	0.245	0.245
Exercise price (HK\$)	0.29	0.29	0.29	0.29	0.29	0.29
Expected volatility	67%	78%	63%	63%	63%	63%
Expected option life	2 year	1 years	3 years	3 year	3 year	3 year
Expected dividend	0%	0%	0%	0%	0%	0%
Risk-free rate	0.58%	0.58%	0.57%	0.57%	0.57%	0.57%

	Tranche 3	Tranche 4a	Tranche 4b	Tranche 4c	Tranche 4d	Tranche 4e
Share price (HK\$)	0.245	0.245	0.245	0.245	0.245	0.245
Exercise price (HK\$)	0.29	0.29	0.29	0.29	0.29	0.29
Expected volatility	67%	78%	63%	63%	63%	63%
Expected option life	2 year	1 years	3 years	3 year	3 year	3 year
Expected dividend	0%	0%	0%	0%	0%	0%
Risk-free rate	0.58%	0.58%	0.57%	0.57%	0.57%	0.57%

The expected volatility is based on the historic volatility (calculated based on the expected remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

The Group's interest rate risk arises primarily from borrowings, lease liabilities and notes payables. Borrowings, lease liabilities and notes issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The interest rates of the Group's borrowings, lease liabilities and notes payable are disclosed in notes 27, 28, 29 and 30, respectively. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

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

	2022		2021	
	Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
Floating rate borrowings	2.74% to 4.06%	15,310	3.42% to 19.31%	44,056
Fixed rate borrowings	13.8% to 17.87%	17,689	15% to 20.9%	38,369
Fixed rate settlement payables	15%	47,125	28.82%	47,125
Fixed rate lease liabilities/finance lease obligations	2.5% to 11.5%	5,504	2.8% to 10%	2,121
Fixed rate notes payable	9.5%	54,997	2.5% to 18%	76,600
		140,625		208,271

At 31 March 2022, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's results for the year by approximately HK\$165,000 (2021: HK\$412,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings, lease liabilities and notes payable in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for year ended 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. As at 31 March 2022, the Group's assets and liabilities denominated in currencies other than functional currencies are disclosed in notes 18, 19, 21, 24, 25 and 27. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

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

	2022 HK\$'000	2021 HK\$'000
RMB	1,572	602
RM	(237)	–*
IDR	(2,938)	(4,035)

* Represents the amount less than HK\$1,000

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk. The analysis is performed on the same basis for the year ended 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

As at 31 March 2022, the Group's maximum exposure to credit risk is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position.

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

The Group has concentration risk upon finance lease receivables and trade receivables through provision of leasing service of energy saving systems and trading of energy saving products contributing from an overseas customer in Indonesia (the "Indonesian Customer") during the year. The Group's aggregate amount of finance lease receivables and trade receivables of the Indonesian Customer amounted to approximately HK\$58,752,000 as at 31 March 2022 (2021: HK\$80,702,000).

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

The Group measures loss allowances for trade receivables and finance lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status or repayment schedule is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2022:

As at 31 March 2022	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Neither past due nor impaired	12.72%	95,417	(12,134)	83,283
1 to 30 days past due	7.28%	10,996	(801)	10,195
31 to 90 days past due	14.13%	15,365	(2,171)	13,194
91 to 180 days past due	25.36%	5,703	(1,446)	4,257
181 to 365 days past due	40.31%	11,953	(4,819)	7,134
Over 365 days past due	74.36%	329,896	(245,313)	84,583
		469,330	(266,684)	202,646

As at 31 March 2021	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Neither past due nor impaired	24.70%	74,899	(18,498)	56,401
1 to 30 days past due	27.42%	1,977	(542)	1,435
31 to 90 days past due	27.61%	6,480	(1,789)	4,691
91 to 180 days past due	28.49%	6,326	(1,802)	4,524
181 to 365 days past due	42.57%	88,112	(37,507)	50,605
Over 365 days past due	60.39%	248,924	(150,323)	98,601
		426,718	(210,461)	216,257

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 Group rebuts the presumption of default under ECL for trade receivables over 365 days past due based on the good repayment records of those customers and continuous business relationship with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for finance lease receivables as at 31 March 2022:

As at 31 March 2022	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Within 1 year	25.36%	10,588	(2,685)	7,903
Within 1 – 2 years	34.90%	2,550	(890)	1,660
Within 2 – 3 years	41.50%	535	(222)	313
Within 3 – 4 years	46.47%	394	(183)	211
		14,067	(3,980)	10,087

As at 31 March 2021	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Within 1 year	28.50%	11,086	(3,159)	7,927
Within 1 – 2 years	38.68%	10,414	(4,028)	6,386
Within 2 – 3 years	45.61%	2,519	(1,149)	1,370
Within 3 – 4 years	50.93%	540	(275)	265
Within 4 – 5 years	53.27%	398	(212)	186
		24,957	(8,823)	16,134

For other receivables and amount due from an associate, management makes periodic as individual assessment on the recoverability based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. Management believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amount due from an associate.

The credit risk for bank balances is mitigated as cash is deposited in bank of high credit rating. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

No significant changes to estimation techniques or assumptions were made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
Balance at 1 April	210,461	60,775
Impairment losses recognised (note 9)	55,900	149,686
Exchange realignment	323	–
Balance at 31 March	266,684	210,461

The origination of new trade receivables net of those settled resulted in an increase in loss allowance.

Movement in the loss allowance account in respect of finance lease receivables during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
Balance at 1 April	8,823	1,951
Impairment losses recognised (note 9)	(4,834)	6,872
Exchange realignment	(9)	–
Balance at 31 March	3,980	8,823

The settlement of finance lease receivables net of those originated resulted in a decrease in loss allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 6 months or on demand HK\$'000	Within 6-12 months HK\$'000	Within 1-2 years HK\$'000	Within 2-3 years HK\$'000	Over 3 years HK\$'000
At 31 March 2022							
Trade payables	33,899	33,899	29,816	1,820	1,091	615	557
Accruals and other payables	109,707	109,707	109,707	-	-	-	-
Borrowings	32,999	40,252	36,466	2,567	1,219	-	-
Lease liabilities	5,504	5,732	1,430	1,120	2,625	453	104
Notes payable	54,997	57,089	-	-	57,089	-	-
Due to a related company	280	280	280	-	-	-	-
Due to directors	12,135	12,135	12,135	-	-	-	-
Financial liabilities at FVTPL	3,717	3,748	3,748	-	-	-	-
	253,238	262,842	193,582	5,507	62,024	1,068	661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 6 months or on demand HK\$'000	Within 6-12 months HK\$'000	Within 1-2 years HK\$'000	Within 2-3 years HK\$'000	Over 3 years HK\$'000
At 31 March 2021							
Trade payables	28,286	28,286	15,313	1,956	4,476	3,931	2,610
Accruals and other payables	129,602	129,602	129,602	-	-	-	-
Borrowings	82,425	82,598	82,598	-	-	-	-
Bonds payable	2,000	2,400	-	2,400	-	-	-
Lease liabilities	2,121	2,303	576	455	535	454	283
Notes payable	76,600	76,983	56,857	20,126	-	-	-
Due to a related company	952	952	952	-	-	-	-
Due to directors	9,421	9,421	9,421	-	-	-	-
Financial liabilities at FVTPL	3,729	3,748	-	3,748	-	-	-
	335,136	336,293	295,319	28,685	5,011	4,385	2,893

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurement (Continued)

	2022			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Equity Investment at FVTPL				
Unlisted equity investment	-	-	29,140	29,140
Financial liabilities at FVTPL				
Redeemable preference shares	-	-	(3,717)	(3,717)

	2021			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Equity Investment at FVTPL				
Unlisted equity investment	-	-	28,000	28,000
Financial liabilities at FVTPL				
Redeemable preference shares	-	-	(3,729)	(3,729)

There were no transfers between different levels during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurement (Continued)

Information about level 3 fair value measurements

The fair value of the unlisted equity investment in InVinity is estimated using asset-based method under cost model.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	Unlisted equity investment	
	2022 HK\$'000	2021 HK\$'000
At beginning of the year	28,000	49,000
Fair value adjustment	1,140	(21,000)
At end of the year	29,140	28,000

One of key significant unobservable inputs to determine the fair value of unlisted equity investment is the discount on age and condition of receivables. The higher discount on these factors would result in the lower in the fair value measurement of the fair value of unlisted equity investment, and vice versa.

The fair value of redeemable preference shares is determined using a discounted cash flow method.

One of key significant unobservable inputs to determine the fair value of redeemable preference shares is the discount rate. A higher discount rate would result in a decrease in the fair value of redeemable preference shares, and vice versa.

There is no change on the valuation method during the year.

Fair value adjustments of unlisted equity investment and redeemable preference shares were recognised in the line item "other expenses" on the face of the consolidated statement of comprehensive income.

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For the year ended 31 March 2022

42. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	2022 HK\$'000	2021 HK\$'000
Financial assets at FVTPL		
Equity investment at FVTPL	29,140	28,000
At amortised cost		
Trade receivables	202,646	216,257
Finance lease receivables	10,087	16,134
Other receivables	5,717	5,638
Due from an associate	19,008	19,008
Cash and cash equivalents	26,311	8,204
	263,769	265,241

Financial liabilities

	2022 HK\$'000	2021 HK\$'000
Financial liabilities at FVTPL	3,717	3,729
At amortised cost		
Trade payables	33,899	28,286
Accruals and other payables	109,707	129,602
Bonds payable	-	2,000
Borrowings	32,999	82,425
Lease liabilities	5,504	2,121
Notes payable	54,997	76,600
Due to a related company	280	952
Due to directors	12,135	9,421
	249,521	331,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

43. CAPITAL MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

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

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

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

	2022 HK\$'000	2021 HK\$'000
Bonds payable	–	2,000
Borrowings	32,999	82,425
Lease liabilities	5,504	2,121
Notes payable	54,997	76,600
Other payable	47,125	47,125
Financial liabilities at FVTPL	3,717	3,729
Less: Cash and cash equivalents	(26,311)	(8,204)
Net debt	118,031	205,796
Total equity	145,641	54,549
Net debt to equity ratio	81%	377%

44. EVENT AFTER REPORTING PERIOD

In April 2022, the Group has made an equity investment of 1.5% 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.



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