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**Synergy Group Holdings International Limited**

**滙能集團控股國際有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1539)**

**SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT  
AND THE ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2020**

Reference is made to (i) the announcement of Synergy Group Holdings International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 July 2020 in relation to the annual results of the Group for the year ended 31 March 2020 (the “**2020 Annual Results Announcement**”); (ii) the annual report of the Group for the year ended 31 March 2020 (the “**2020 Annual Report**”); and (iii) the announcement of the Company dated 12 August 2020 in relation to status of certain note payable of the Company (the “**Inside Information Announcement**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2020 Annual Results Announcement, the 2020 Annual Report and the Inside Information Announcement.

In addition to the information provided in the 2020 Annual Results Announcement and 2020 Annual Report, the Board would like to provide further information in relation to the disclaimer of opinion (the “**Audit Qualification**”) issued by the auditor of the Company (the “**Auditor**”) in relation to the consolidated financial statements of the Group for the year ended 31 March 2020.

## **DETAILS OF THE AUDIT QUALIFICATION AND MANAGEMENT'S VIEW ON THE AUDIT QUALIFICATION**

As set out in the consolidated financial statements for the year ended 31 March 2020 (as set out in the 2020 Annual Report), it is considered that a material uncertainty existed that may cast significant doubt on the Group's ability to continue as a going concern as the Group may not be able to settle the relevant overdue notes and borrowings upon the request of immediate settlement from the lenders. As such, the Directors have prepared the cash flow forecast covering a period of 12-months from 1 April 2020 to 31 March 2021 ("**Cash Flow Forecast**") in this regard which enabled the Directors to form the opinion that it is feasible for the Group to continue as a going concern and it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2020 on a going concern basis. The Auditor considered that the appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether the assumptions underlying the Cash Flow Forecast are reasonable and supportable.

The major assumption underlying the Cash Flow Forecast was the ability of the Group to raise new financing and obtain extension or renewal of repayment terms of the overdue notes, so as to enhance the Group's liquidity. Since June 2019, the Company has been communicating with potential investors regarding subscription of convertible bonds to be issued by the Company ("**CB Subscription**"). A proposal of term sheet (the "**CB Term Sheet**") was entered into between the Company and an investor in April 2020. However, the actual execution and drawdown of the subscription funds have been delayed due to the COVID-19 pandemic.

As disclosed in the Inside Information Announcement, the overdue notes payable amounting to HK\$60 million as at 31 March 2020 referred to the CCBI Note, which the relevant noteholder is Wan Tai Investments Limited (the "**Noteholder**"), an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited, and the outstanding notes principal amount as at 31 March 2020 was HK\$60 million. The due date of the CCBI Note was originally 18 November 2018, and the parties entered into further agreement in 2018 to extend the maturity date of the remaining balance at the original due date with the revised interest rate to 16 November 2019.

Since November 2019, the management of the Group has been actively negotiating with the Noteholder for further extension or renewal of repayment terms of the overdue notes. Based on the latest communications with the Noteholder at the relevant time, it was to the management's understanding that the repayment schedule will be likely to be extended and the management was of the view that it will be feasible and reasonable for the Group to repay the overdue notes under the extended repayment schedule. As stated in the Inside Information Announcement, the Directors are given to understand that the Company shall repay the outstanding amount of the CCBI Note as follows: (i) at least HK\$5,000,000 to be repaid on or before 28 August 2020; (ii) at least HK\$20,000,000 to be repaid on or before 11 September 2020; and (iii) all remaining outstanding amount to be repaid on or before 30 October 2020.

On the assumption of the successful drawdown of the funds in relation to the CB Subscription and the successful extension of the repayment of the CCBI Note, and taking into account the Cash Flow Forecast, the management is satisfied that it is appropriate to prepare the Group's consolidated financial statements for the year ended 31 March 2020 on a going concern basis.

As per the management's discussion with the Auditor, to support the assumptions in the Cash Flow Forecast, evidence such as a binding agreement together with sufficient details of the CB Subscription, the successful extension or renewal of repayment of the overdue notes, and other details of audit evidence which support the projected Cash Flow Forecast were required to address the going concern assumption accordingly.

## **AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION**

The Audit Committee had critically reviewed the qualified audit opinion, the Cash Flow Forecast and also the management's position and the Action Plan (as defined below) to address the qualified audit opinion. The Audit Committee also had discussions with the Auditor, after which the Audit Committee has comprehended that the cause of the qualified audit opinion is, as mentioned above, the unsuccessful capture of sufficient information as mentioned above in order to cope with the projected cash flow of the Group for the going concern assumption basis. In light of the above, the Audit Committee concurs with the management's view with respect to the qualified audit opinion and acknowledged the measures to be 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 actions and measures set out in the Action Plan with the intention of mitigating the Group's liquidity pressure.

## **ACTION PLAN TO ADDRESS THE AUDIT QUALIFICATION**

Over the past few months, the Directors have been taking proactive steps to enhance the cashflow of the Group. The latest status of the various actions and measures (the “**Action Plan**”) as at the date of this announcement are as follows:

### **Extension of the repayment schedule of the CCBI Note**

As disclosed in the Inside Information Announcement, on 12 August 2020, the Directors are given to understand that the Company shall repay the outstanding amount of the CCBI Note as follows: (i) at least HK\$5,000,000 to be repaid on or before 28 August 2020; (ii) at least HK\$20,000,000 to be repaid on or before 11 September 2020; and (iii) all remaining outstanding amount to be repaid on or before 30 October 2020. In view of the above repayment schedule, the Noteholder will standstill and will not take any further enforcement action regarding the Statutory Demand for the period from 12 August 2020 to 30 October 2020, including the filing of a winding-up petition against the Company. The management of the Group will continue to maintain close communications with the Noteholder in relation to the progress of demanded repayments.

In view of the extension of the repayment schedule of the CCBI Note as stated above, the management of the Group shall conduct the following fundraising activities, which are expected to provide additional cashflow to the Group:

### **CB Subscription**

As mentioned above, since June 2019, the Company has been communicating with potential investors regarding the CB Subscription amounting to HK\$140 million. The CB Term Sheet was entered into between the Company and the relevant investor in April 2020. However, the actual execution and drawdown of the subscription funds were delayed due to the COVID-19 pandemic. It is expected that the completion of CB Subscription will take place before the end of 2020. The Company will keep its shareholders and potential investors informed of any material development in connection with the CB Subscription by way of further announcement(s) as and when appropriate.

## **Placing of shares**

As disclosed in an announcement of the Company dated 21 August 2020, the Company entered into a placing agreement with ChaoShang Securities Limited (the “**Placing Agent**”), pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best efforts basis, not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 110,000,000 shares of the Company at the price of HK\$0.166 per share of the Company (the “**Placing**”), which is expected to provide a net proceeds of up to approximately HK\$17.6 million to the Group upon completion. The Placing is expected to be completed in late August 2020.

## **Disposal of certain business**

The Company is also in discussion with a potential investor regarding the possible disposal of the Group’s certain energy saving business in Hong Kong and the PRC. As at the date of this announcement, the potential investor is conducting due diligence on the Group’s products and services. It is expected that the Group and the potential investor will further negotiate and finalise the terms of the disposal. Subject to the further negotiation of the terms of the potential disposal, the Company expects to enter into the relevant disposal agreement by late 2020.

The Directors shall also implement stronger measures aiming at improving the working capital and cash flows of the Group, including further reviewing and tightening the credit policy to current and new customers and shortening the reporting intervals and improving follow up measures on account receivable collection. The details are set out as follows:

### **Review and tightening of the Group’s credit policy**

The Group had temporarily put on hold all transactions which require providing credit to new customers. Regarding existing customers, the Group is reviewing the credit terms given to its customers, and account receivable ageing analysis is required to be reported to the management on a bi-weekly basis. The Group is also actively negotiating with its customers in respect of their settlement schedules and timelines in order to speed up settlement of account receivable, which could further enhance the cashflow of the Group.

## **Monitoring operating costs and general administrative expenses**

Regarding the operating costs of the Group, the management is in the progress of negotiating better terms with its suppliers, exploring the use of more cost-effective products and shortening the lead time from placing the order to delivery of products to customers. To control labour expense, the Group has paused the recruitment of new staff after resignation of outgoing staff and reallocated works of the resigned staffs to the existing staff.

Regarding administration costs of the Group, the management is in the progress of reviewing all expenses to explore all possible cost-cutting methods. The Board and certain members of the key management of the Group also received salary reduction since 1 April 2020.

The above measures in relation to cost control are in progress and the management expects these measures to be fully implemented within the coming two to three months.

## **REMOVAL OF THE AUDIT QUALIFICATION**

The management considers that the successful implementation of the Action Plan as detailed above could improve the Group's liquidity, which is in line with the management's understanding with the Auditor based on their discussion. 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 2021 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 2021 would be required.

If there are material progress and updates in relation to the implementation and execution of the Action Plan, further announcement(s) will be made by the Company as and when appropriate or as required under the Listing Rules.

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

Hong Kong, 27 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Wong Man Fai Mansfield and Mr. Lam Arthur; and the independent non-executive directors of the Company are Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony.*