The following is the text of a report, prepared for the sole purpose of inclusion in this [**REDACTED**]*, from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.*

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The Directors
Synergy Group Holdings International Limited

[**REDACTED**]

[●]

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Synergy Group Holdings International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for each of the years ended 31 March 2013, 2014 and the six months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 March 2013, 2014 and 30 September 2014, and the statements of financial position of the Company as at 31 March 2013, 2014 and 30 September 2014, together with notes thereon, for inclusion in the [**REDACTED**] of the Company dated [●] (the "[**REDACTED**]") in connection with the initial [**REDACTED**] of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 14 December 2011 as an exempted company with limited liability under the laws of the Cayman Islands.

Pursuant to a corporate reorganisation (the "Reorganisation") as more fully explained in the paragraph headed "Group Reorganisation" in the "History and Corporate Development" section to the [**REDACTED**], the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

The Group is principally engaged in trading of lighting products, provision of leasing and consultancy services. The Company and its subsidiaries have adopted 31 March as their financial year end date. Particulars of the subsidiaries comprising the Group are set out in note 1 of section II of this report.

For the purpose of the Financial Information of this report, the directors of the Company have prepared the consolidated financial statements (the "Underlying Financial Statements") of the Group for the Relevant Periods in accordance with the basis set out in note 2 of section II and accounting policies in note 5 of section II which conform with Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information set out in this report has been prepared by the directors based on the Underlying Financial Statements with no adjustments made thereon.

Respective responsibilities of directors and reporting accountant

The directors of the Company are responsible for the contents of the [**REDACTED**], including the preparation and the true and fair presentation of the Financial Information prepared in accordance with the basis of presentation set out in note 2 of section II, accounting policies set out in note 5 of section II, the disclosure requirements of the Hong Kong Companies Ordinance and applicable Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Listing Rules"), and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. For the purpose of this report, we have carried out audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA. We have examined the Financial Information in accordance with the Auditing Guideline 3.340 "[**REDACTED**]" issued by the HKICPA and have carried out such additional procedures on the Financial Information as we considered necessary.

Opinion in respect of the Financial Information

In our opinion, the Financial Information set out below, for the purpose of this report and on the basis of presentation set out in note 2 of section II and in accordance with accounting policies set out in note 5 of section II below, gives a true and fair view of the consolidated results and cash flows of the Group for the Relevant Periods and of the state of affairs of the Group as at 31 March 2013, 2014 and 30 September 2014, and the Company as at 31 March 2013, 2014 and 30 September 2014.

Comparative Financial Information

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six months ended 30 September 2013, together with the notes thereto (the "Comparative Financial Information") in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with the basis of presentation set out in note 2 of section II, the accounting policies set out in note 5 of section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review, for the purpose of this report, nothing has come to our attention that causes us to believe the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
				(Unaudited)	
Revenue	8	70,843	79,935	35,797	37,847
Cost of sales		(21,018)	(28,941)	(12,339)	(15,583)
Gross profit		49,825	50,994	23,458	22,264
Other income and gains	8	1,800	1,937	904	995
Administrative expenses		(14,516)	(12,958)	(6,327)	(4,483)
Selling and distribution costs		(3,552)	(2,303)	(1,316)	(1,160)
Finance costs	9	(223)	(231)	(219)	(3)
Other expenses		(94)	(2,221)	-	(315)
Share of results of associates		(4,384)	(4,198)	(2,067)	(1,971)
Share of results of joint ventures		–	–	–	–
Profit before income tax	10	28,856	31,020	14,433	15,327
Income tax expense	12(a)	(6,794)	(7,482)	(3,354)	(3,492)
Profit for the year/period		22,062	23,538	11,079	11,835
Other comprehensive income for the year/period					
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of associates		–	–	–	(3)
Total comprehensive income for the year/period attributable to the owners of the Company		22,062	23,538	11,079	11,832
Earnings per share for profit attributable to the owners of the Company during the year/period – Basic (HK cents)	14	5.3	5.7	2.7	2.9

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at 30 September
		2013	2014	2014
	Notes	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	8,870	6,407	5,781
Intangible assets	16	1,348	578	193
Interests in joint ventures	17	–	–	–
Interests in associates	18	19,096	14,898	12,924
Finance lease receivables	19	–	478	518
Rental deposits		424	–	156
		29,738	22,361	19,572
Current assets				
Inventories	20	389	405	305
Trade receivables	21	44,139	69,897	58,977
Finance lease receivables	19	–	231	424
Deposits, prepayments and other receivables	22	3,017	4,045	7,316
Due from associates	23(a)	1,117	3,711	1,903
Cash and cash equivalents	24	7,313	3,202	1,209
		55,975	81,491	70,134
Current liabilities				
Trade payables	25	4,859	5,837	14,265
Accruals, other payables and deposits received	26	4,547	8,335	12,708
Dividends payable		–	40,016	2,972
Borrowings	27	5,038	167	143
Finance lease obligations	28	7	–	–
Due to a related company	23(b)	732	53	221
Due to directors	23(c)	4,775	–	–
Provision for taxation		13,151	13,801	11,472
		33,109	68,209	41,781
Net current assets		22,866	13,282	28,353
Total assets less current liabilities		52,604	35,643	47,925
Non-current liabilities				
Deposits received	26	1,056	573	353
Borrowings	27	–	–	384
Deferred tax liabilities	12(b)	–	–	286
		1,056	573	1,023
Net assets		51,548	35,070	46,902
EQUITY				
Equity attributable to the owners of the Company				
Share capital	29	176	176	176
Reserves	30	51,372	34,894	46,726
Total equity		51,548	35,070	46,902

STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at 30 September
		2013	2014	2014
	Notes	HK$'000	HK$'000	HK$'000
ASSETS				
Net current and net assets		–	–	–
EQUITY				
Equity attributable to the owners of the Company				
Share capital	29	–	–	–
Total equity		–	–	–

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium*	Capital reserves*	Foreign exchange reserves*	Retained profits*	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	note (29)	note (30)	note (30)			
At 1 April 2012	176	15,441	8,104	–	30,769	54,490
Issue/(repurchase) of shares	–	716	(716)	–	–	–
Dividends (note 13)	–	–	–	–	(25,004)	(25,004)
Transactions with owners	–	716	(716)	–	(25,004)	(25,004)
Profit for the year and total comprehensive income for the year	–	–	–	–	22,062	22,062
At 31 March 2013 and 1 April 2013	176	16,157	7,388	–	27,827	51,548
Dividends (note 13)	–	–	–	–	(40,016)	(40,016)
Transactions with owners	–	–	–	–	(40,016)	(40,016)
Profit for the year and total comprehensive income for the year	–	–	–	–	23,538	23,538
At 31 March 2014 and 1 April 2014	176	16,157	7,388	–	11,349	35,070
Profit for the period	–	–	–	–	11,835	11,835
Other comprehensive income						
Share of other comprehensive income of associates	–	–	–	(3)	–	(3)
Total comprehensive income for the period	–	–	–	(3)	11,835	11,832
At 30 September 2014	176	16,157	7,388	(3)	23,184	46,902
At 1 April 2013	176	16,157	7,388	–	27,827	51,548
Profit for the period and total comprehensive income for the period	–	–	–	–	11,079	11,079
At 30 September 2013 (unaudited)	176	16,157	7,388	–	38,906	62,627

* These reserve accounts comprise the consolidated reserves of approximately HK$51,372,000, HK$34,894,000 and HK$46,726,000 in the consolidated statements of financial position as at 31 March 2013, 2014 and 30 September 2014, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
				(Unaudited)	
Cash flows from operating activities					
Profit before income tax		28,856	31,020	14,433	15,327
Adjustments for:					
Interest expense	9	132	162	151	3
Amortisation of intangible assets	10	770	770	385	385
Bad debts written off	10	19	222	–	–
Depreciation of property, plant and equipment	10	2,161	2,534	1,286	1,133
Losses on disposals of property, plant and equipment	10	75	385	–	315
Share of results of associates		4,384	4,198	2,067	1,971
Warranty provision, net of reversal	10	480	296	323	165
Loss on disposal of a subsidiary	33	–	4	–	–
Operating profit before working capital changes		36,877	39,591	18,645	19,299
(Increase)/decrease in inventories		(150)	643	92	309
(Increase)/decrease in trade receivables		(10,657)	(25,980)	(2,923)	10,920
Increase in finance lease receivables		–	(709)	–	(233)
Decrease/(increase) in deposits, prepayments and other receivables		1,072	(604)	(1,369)	(3,427)
(Decrease)/increase in balances with associates		(1,282)	(2,594)	(656)	1,808
Increase/(decrease) in trade payables		4,749	978	(1,574)	8,428
Increase/(decrease) in amount due to a related company		347	(679)	(573)	168
(Decrease)/increase in accruals, other payables and deposits received		(660)	3,009	2,767	3,988
Cash generated from operations		30,296	13,655	14,409	41,260
Income tax paid		–	(6,832)	(6,357)	(5,535)
Net cash generated from operating activities		30,296	6,823	8,052	35,725

	Notes	Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
		HK$'000	HK$'000	HK$'000	HK$'000
				(Unaudited)	
Cash flows from investing activities					
Purchases of property, plant and equipment		(3,746)	(1,115)	(789)	(1,031)
Disposal of a subsidiary, net of cash disposed	33	–	(4)	–	–
Net cash used in investing activities		(3,746)	(1,119)	(789)	(1,031)
Cash flows from financing activities					
Interest paid on borrowings		(131)	(162)	(151)	(3)
Increase/(decrease) in amounts due to directors		69	(4,775)	(4,775)	–
Interest element on finance lease payments		(1)	–	–	–
Capital element of finance lease obligations		(9)	(7)	(5)	–
New borrowings		8,578	7,104	7,104	485
Repayment of borrowings		(4,207)	(11,975)	(9,565)	(125)
Dividends paid		(25,004)	–	–	(37,044)
Net cash used in financing activities		(20,705)	(9,815)	(7,392)	(36,687)
Net increase/(decrease) in cash and cash equivalents		5,845	(4,111)	(129)	(1,993)
Cash and cash equivalents at beginning of the year/period		1,468	7,313	7,313	3,202
Cash and cash equivalents at end of the year/period		7,313	3,202	7,184	1,209

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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 Unit 404B, 4/F, Block B, Sea View Estate, No.4-6 Watson Road, North Point, Hong Kong.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in trading of lighting products and provision of leasing and consultancy service.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Company name	Place and date of incorporation	Particulars of issued and fully paid up share capital	Effective interest held by the Company in the Relevant Periods	Principal activities
Synergy Group Worldwide Limited ("Synergy Worldwide") (note 1)	British Virgin Islands ("BVI") 8 August 2008	United States Dollar ("US$") 22,608	100%	Investment holding
Synergy Lighting Limited ("Synergy Lighting") (note 2)	Hong Kong 3 December 2008	HK$100	100%	Leasing, consultancy services and trading of lighting products

Notes:

(1) No audited financial statements have been prepared for the Company and Synergy Worldwide as there is no statutory requirement to have their financial statements audited under the relevant rules and regulations in the jurisdiction of incorporation.

(2) The statutory financial statements of Synergy Lighting for the years ended 31 March 2013 and 2014 were audited by BDO Limited, Certified Public Accountants, Hong Kong. The audited financial statements were unqualified.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Group reorganisation ("Reorganisation")

Prior to the Reorganisation, Lam Chung Ho, Alastair ("Mr. Alastair Lam"), Lam Arthur ("Mr. Arthur Lam"), Abundance Development Limited, Fine Sky International Enterprise Limited, Chu Kwok Hung Micky, Lam Sze Chung Paul Jr, Tsang Hui Yan, Sinochief Development Limited, Tsang Ho Kwan, Liu Aimei, Cheung Tsun Yung Thomas, Cheng Wan Gi, Sun Jianji, Lau Wai Yan, Kwan Ka Hing, Tong Chi Fung and Chow Tsz Wah, Success Gold Investment Ltd. each owned equity interest of Synergy Worldwide of 12.00%, 8.55%, 11.39%, 3.95%, 4.81%, 3.09%, 1.11%, 3.32%, 3.43%, 4.60%, 4.83%, 4.83%, 4.83%, 5.00%, 1.84%, 6.21%, 6.21% and 10.00%, respectively.

II. NOTES TO FINANCIAL INFORMATION (continued)

2. GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)

Group reorganisation ("Reorganisation") (continued)

In preparing the [**REDACTED**], the following steps have been carried out:

(a) The Company was incorporated in the Cayman Islands on 14 December 2011. The Company has an authorised share capital of HK$380,000 divided into 380,000 ordinary shares of HK$1.00 each. One share of HK$1.00 was issued and allotted nil-paid to Codan Trust Company (Cayman) Limited and such nil-paid subscriber share was transferred to Mr. Alastair Lam on 14 December 2011. On the same day, the Company issued and allotted 99 shares of HK$1.00 each nil-paid to Mr. Alastair Lam, such that Mr. Alastair Lam then held 100 shares of HK$1.00 each that were nil-paid. On 6 February 2012, the Company was registered as a non-Hong Kong company under Part XI of the then Companies Ordinance (Chapter 32 of the Laws of Hong Kong), the predecessor to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). [**REDACTED**].

(b) On [●], the sole shareholder of the Company, Mr. Alastair Lam passed a resolution to approve the sub-division of all the ordinary share of HK$1.00 each in the issued and unissued share capital of the Company into 100 shares. As a result, the authorised share capital of the Company became HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which 10,000 shares have been issued nil paid and held by Mr. Alastair Lam.

(c) On [●], the then shareholders of Synergy Worldwide (the "Synergy Worldwide Existing Shareholders"), the Company and Synergy Worldwide entered into a reorganisation agreement ("Reorganisation Agreement"), whereby the Company acquired from the Synergy Worldwide Existing Shareholders the entire issued share capital of Synergy Worldwide, in consideration of which the Company issued and allotted [**REDACTED**] to the Synergy Worldwide Existing Shareholders all credited as fully-paid at par the 10,000 shares issued nil-paid and held by Mr. Alastair Lam, such that on completion of the Reorganisation Agreement, the percentage shareholding of each of the Synergy Worldwide Existing Shareholders in Synergy Worldwide (before the Reorganisation) and in the Company (after the Reorganisation) was approximately the same.

Upon completion of the above steps on [●], the Company became the ultimate holding company of Synergy Worldwide. Mr. Alastair Lam, Mr. Arthur Lam, Abundance Development Limited, Fine Sky International Enterprise Limited, Chu Kwok Hung Micky, Lam Sze Chung Paul Jr, Tsang Hui Yan, Sinochief Development Ltd., Tsang Ho Kwan, Liu Aimei, Cheung Tsun Yung Thomas, Cheng Wan Gi, Sun Jianji, Lau Wai Yan, Kwan Ka Hing, Tong Chi Fung and Chow Tsz Wah, Success Gold Investment Limited each owned 12.00%, 8.55%, 11.39%, 3.95%, 4.81%, 3.09%, 1.11%, 3.32%, 3.43%, 4.60%, 4.83%, 4.83%, 4.83%, 5.00%, 1.84%, 6.21%, 6.21% and 10.00% of equity interests in the Company, respectively which mirrors their respective percentage of equity interest in Synergy Worldwide before the Reorganisation. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of Synergy Worldwide.

Basis of presentation

The Financial Information and Comparative Financial Information of the Group have been prepared as if the Company had always been the holding company of the Group. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2013, 2014 and 30 September 2014 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates.

II. NOTES TO FINANCIAL INFORMATION (continued)

3. BASIS OF PREPARATION

The Financial Information and Comparative Financial Information have been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies in note 5 which comply with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The Financial Information and Comparative Financial Information also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. All HKFRSs effective for the accounting periods commencing from 1 April 2012 and relevant to the Group have been adopted by the Group in the preparation of the Financial Information and Comparative Financial Information consistently throughout the Relevant Periods to the extent required or allowed by the transitional provisions in the HKFRSs. The Financial Information and Comparative Financial Information have been prepared under the historical cost convention.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information and Comparative Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information and Comparative Financial Information are disclosed in note 6.

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

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

At the date of this report, the following new or amended HKFRSs, potentially relevant to the Group's financial information, have been published but are not yet effective, and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[5]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) Financial Instruments

HKFRS 9 (2014) adds to the existing HKFRS 9. HKFRS 9 (2014) introduces new impairment requirement for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

II. NOTES TO FINANCIAL INFORMATION (continued)

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

HKFRS 9 (2014) Financial Instruments (continued)

A new "expected loss" impairment model in HKFRS 9 (2014) replaces the "incurred loss" model in HKAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

HKFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost, which may result in additional financial assets being measured at amortised cost.

A third measurement category has also been added for debt instruments – fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test.

HKFRS 15 Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it prospectively from the date of initial application.

The Group is in the process of making an assessment of the potential impact of these new or amended HKFRSs and the directors of the Company (the "Directors") so far concluded that the application of these new or amended HKFRSs will have no material impact on the Group's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Information and Comparative Financial Information are summarised below. These policies have been consistently applied to all the years/periods presented unless otherwise stated.

Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the Company and/or its other subsidiaries. The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., the existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control described above.

Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates and joint ventures (continued)

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

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 consolidated statement of comprehensive income during the period in which they are incurred.

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 useful lives are as follows:

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

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

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

Revenue recognition

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

Leasing service income consists of:

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

(ii) finance lease income and is recognised over the period of lease using the effective interest method.

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

Leasing

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

The Group as lessor

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

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

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

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

Intangible assets

(i) Acquired intangible assets

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

Exclusive rights to use technical know-how	5 years

(ii) Impairment

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

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

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.

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.

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

(i) Financial assets

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

Loans and receivables

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

Impairment loss on financial assets

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

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

For Loans and receivables

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

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

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

(ii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables, dividends payable, amounts due to directors/a related company, finance lease obligations, and borrowings, 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.

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.

Equity-settled share-based payment transactions

Share issued to other parties

Share issued in exchange of goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measure by reference to the fair value of the shares issued. The fair values of the goods or services received are recognised, with a corresponding increase in equity. If the fair value cannot be reliably estimated, it required to make reference to the fair value of the equity instruments.

Derecognition

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

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

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.

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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.

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.

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

Employee benefits – defined contributions

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

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of other 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;
- interests in joint ventures; and
- interests in associates

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

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

Capitalisation of borrowing costs

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

Provisions and contingent liabilities

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

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

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).

II. NOTES TO FINANCIAL INFORMATION (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(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).

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.

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 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 arms 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) share of results of joint ventures;

(iv) income tax expense; and

(v) 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 but interests in joint ventures, interests in associates, cash and cash equivalents, amounts due from associates 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 but tax liabilities, borrowings, finance lease obligations, amounts due to directors/a related company and corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

II. NOTES TO FINANCIAL INFORMATION (continued)

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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 a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

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.

Impairment of trade and other receivables

The Group's management assesses the collectibility of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amounts of trade and other receivables are disclosed in notes 21 and 22, respectively.

Impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of finance lease receivables is disclosed in note 19.

II. NOTES TO FINANCIAL INFORMATION (continued)

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Depreciation

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of property, plant and equipment is disclosed in note 15.

Estimated useful lives of intangible assets

In assessing the estimated useful lives of the intangible assets, the Group takes into account factors like the expected usage of the assets by the Group based on past experience, the technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of the useful lives is a matter of judgment based on the experience of the Group. The carrying amount of intangible assets is disclosed in note 16.

Impairment of non-financial assets

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.

Fair value of intangible assets

Intangible assets acquired separately by the Group during the Relevant Periods are initially recognised at fair value. The Group engaged independent professionally qualified valuers to perform the valuation of the intangible assets of the Group at the date of acquisition. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. The carrying amount of intangible assets of the Group was approximately HK$1,348,000, HK$578,000 and HK$193,000 as at 31 March 2013, 2014 and 30 September 2014, respectively.

Warranty provision

The Group generally offers 2-3 years warranty for the lighting products during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The warranty provision is based on the historical experience and statistics. The carrying amount of warranty is disclosed in note 26.

Income tax

Determining income tax provisions requires the Group to make judgment on the tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. 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 judgment 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 is amounted to approximately HK$13,151,000, HK$13,801,000 and HK$11,472,000 as at 31 March 2013, 2014 and 30 September 2014, respectively.

II. NOTES TO FINANCIAL INFORMATION (continued)

7. SEGMENT INFORMATION

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

(1) Provision of leasing service of lighting systems;

(2) Trading of lighting products; and

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

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

	Leasing service of lighting systems	Trading of lighting products	Consultancy service	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2013				
Revenue from external customers	8,672	27,179	34,992	70,843
Reportable segment profit	4,924	11,007	33,626	49,557
As at 31 March 2013				
Reportable segment assets	10,079	15,445	27,992	53,516
Reportable segment liabilities	2,033	6,059	10	8,102
Capital expenditure	3,716	–	–	3,716
Depreciation	1,954	–	–	1,954

	Leasing service of lighting systems	Trading of lighting products	Consultancy service	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2014				
Revenue from external customers	10,020	42,059	27,856	79,935
Reportable segment profit	4,921	19,142	26,537	50,600
As at 31 March 2014				
Reportable segment assets	8,127	32,195	37,238	77,560
Reportable segment liabilities	1,311	7,313	48	8,672
Capital expenditure	1,087	–	–	1,087
Depreciation	2,480	–	–	2,480

II. NOTES TO FINANCIAL INFORMATION (continued)

7. SEGMENT INFORMATION (continued)

	Leasing service of lighting systems	Trading of lighting products	Consultancy service	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 September 2013 (unaudited)				
Revenue from external customers	4,773	19,171	11,853	35,797
Reportable segment profit	2,920	9,261	11,325	23,506
Capital expenditure	775	–	–	755
Depreciation	1,256	–	–	1,256

	Leasing service of lighting systems	Trading of lighting products	Consultancy service	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 September 2014				
Revenue from external customers	4,181	23,163	10,503	37,847
Reportable segment profit	2,092	9,981	10,119	22,192
As at 30 September 2014				
Reportable segment assets	10,588	30,998	27,190	68,776
Reportable segment liabilities	1,452	18,166	46	19,664
Capital expenditure	809	–	–	809
Depreciation	1,107	–	–	1,107

II. NOTES TO FINANCIAL INFORMATION (continued)

7. SEGMENT INFORMATION (continued)

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Financial Information and Comparative Financial Information as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Reportable segment profit	49,557	50,600	23,506	22,192
Unallocated corporate income	1,800	2,179	904	906
Unallocated corporate expenses	(17,894)	(17,330)	(7,691)	(5,797)
Finance costs	(223)	(231)	(219)	(3)
Share of results of associates	(4,384)	(4,198)	(2,067)	(1,971)
Share of results of joint ventures	–	–	–	–
Profit before income tax	28,856	31,020	14,433	15,327

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Reportable segment assets	53,516	77,560	68,776
Interests in joint ventures	–	–	–
Interests in associates	19,096	14,898	12,924
Cash and cash equivalents	7,313	3,202	1,209
Due from associates	1,117	3,711	1,903
Other corporate assets	4,671	4,481	4,894
Group assets	85,713	103,852	89,706

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Reportable segment liabilities	8,102	8,672	19,664
Borrowings	5,038	167	527
Finance lease obligations	7	–	–
Provision for taxation	13,151	13,801	11,472
Deferred tax liabilities	–	–	286
Due to a related company	732	53	221
Due to directors	4,775	–	–
Other corporate liabilities	2,360	46,089	10,634
Group liabilities	34,165	68,782	42,804

II. NOTES TO FINANCIAL INFORMATION (continued)

7. SEGMENT INFORMATION (continued)

The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

	Revenue from external customers			
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Hong Kong (domiciled)	45,170	42,873	17,831	15,825
Malaysia	4,080	5,859	5,859	–
Australia	8,190	3,853	3,853	6,855
Japan	10,065	23,594	6,665	14,884
Overseas (e.g. Thailand, Singapore, Fiji, The United States)	3,338	3,756	1,589	283
	70,843	79,935	35,797	37,847

	Non-current assets		
	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Hong Kong (domiciled)	29,738	22,361	19,572

The geographical location of revenue allocated is based on the location at which the goods delivered and services 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 country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues. During each of the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, revenue derived from these customers are as follows:

	Revenue from external customers			
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Customer A#	34,992	27,856	11,853	n/a
Customer B##	n/a	n/a	5,859	n/a
Customer C##	9,621	23,594	6,665	14,884
Customer D##	8,178	n/a	3,853	6,855
Customer E#	n/a	n/a	n/a	10,503

Attributable to segment of Consultancy Service

Attributable to segment of trading of lighting products

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

II. NOTES TO FINANCIAL INFORMATION (continued)

8. REVENUE, OTHER INCOME AND GAINS

(a) Revenue, which is also the Group's turnover, represents the income from trading of lighting products and provision of leasing and consultancy services. Revenue recognised during the Relevant Periods is as follows:

	Revenue from external customers			
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Leasing service income	8,672	10,020	4,773	4,181
Trading of lighting products	27,179	42,059	19,171	23,163
Consultancy service income	34,992	27,856	11,853	10,503
	70,843	79,935	35,797	37,847

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

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Other income				
Management service income received from an associate	1,800	1,800	900	900
Others	–	137	–	89
	1,800	1,937	900	989
Gains				
Net foreign exchange gain	–	–	4	6
	1,800	1,937	904	995

9. FINANCE COSTS

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Interest expenses for financial liabilities carried at amortised cost:				
Interest on finance leases	1	–	–	–
Interest on loans and import loans wholly repayable within five years	131	162	151	3
	132	162	151	3
Transaction costs on import loans	91	69	68	–
	223	231	219	3

II. NOTES TO FINANCIAL INFORMATION (continued)

10. PROFIT BEFORE INCOME TAX

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

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Auditor's remuneration	330	340	–	–
Amortisation of intangible assets (included in cost of sales)	770	770	385	385
Cost of inventories sold	14,024	22,072	9,059	12,810
Depreciation of property, plant and equipment	2,161	2,534	1,286	1,133
Employee benefit expenses (including directors' remuneration (note(11))				
– salaries and welfare	5,010	5,230	2,545	2,424
– defined contributions	214	225	110	104
	5,224	5,455	2,655	2,528
Warranty provision, net of reversal	480	296	323	165
Bad debts written off	19	222	–	–
Losses on disposals of property, plant and equipment	75	385	–	315
Net foreign exchange loss/(gain)	108	2	(4)	(6)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Minimum lease payments under operating leases in respect of offices, warehouses, motor vehicle licences and an office equipment	1,354	1,686	847	886

II. NOTES TO FINANCIAL INFORMATION (continued)

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

The remuneration of each of the directors for the Relevant Periods is set out below:

	Fees	Salaries, allowances and benefits in kind	Defined contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2013				
Executive directors:				
Lam Chung Ho, Alastair (note (i))	–	240	12	252
Wong Man Fai, Mansfield	–	240	12	252
Lam Arthur	–	360	15	375
Total	–	840	39	879
Year ended 31 March 2014				
Executive directors:				
Wong Man Fai, Mansfield	–	240	12	252
Lam Arthur	–	360	15	375
	–	600	27	627
Non-executive director:				
Lam Chung Ho, Alastair (note (i))	–	240	12	252
Total	–	840	39	879
Six months ended 30 September 2013 (unaudited)				
Executive directors:				
Lam Chung Ho, Alastair	–	120	6	126
Wong Man Fai, Mansfield	–	120	6	126
Lam Arthur	–	180	8	188
Total	–	420	20	440
Six months ended 30 September 2014				
Executive directors:				
Wong Man Fai, Mansfield	–	150	8	158
Lam Arthur	–	150	8	158
	–	300	16	316
Non-executive director:				
Lam Chung Ho, Alastair (note (i))	–	–	–	–
Total	–	300	16	316

Notes:

(i) Pursuant to resolution entered on 10 March 2014, Mr. Alastair Lam was redesignated as a non-executive director of the Company with effect from 10 March 2014.

(ii) Mr. Cheung Yick Hung Jackie, Mr. John Chung Koon Yan and Dr. Wong Chi Ying Anthony were appointed as the independent non-executive directors of the Company with payment of their fees commencing from [●]. There were no fees or other emoluments payable to independent non-executive directors during the Relevant Periods.

II. NOTES TO FINANCIAL INFORMATION (continued)

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group included 1 director for the year ended 31 March 2014 (Six months ended 30 September 2013 (unaudited): 1), respectively, whose emoluments are reflected in note (a). No director is included in the five highest paid individuals for the year ended 31 March 2013 and the six months ended 30 September 2014.

The analysis of the emolument of the remaining 5, 4 and 5 highest paid individuals for years ended 31 March 2013, 2014 and the six months ended 30 September 2014 (Six months ended 30 September 2013 (unaudited): 4), respectively, whose remuneration fell within the band of nil to HK$1,000,000, are set out below:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Salaries, allowances and benefits in kind	1,917	1,596	774	1,081
Defined contributions	70	58	29	38
	1,987	1,654	803	1,119

(c) During the Relevant Periods, no director or any of the highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE

(a) Income tax

Hong Kong profits tax is provided at 16.5% on the estimated assessable profits in the Relevant Periods, where the profits arising in or derived from Hong Kong that the Group is domiciled and operates. The amount of taxation in the consolidated statements of comprehensive income during the Relevant Periods represents:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Current tax				
– Hong Kong profits tax	6,794	7,482	3,354	3,206
Deferred tax				
– charged to profit or loss	–	–	–	286
Income tax expense	6,794	7,482	3,354	3,492

II. NOTES TO FINANCIAL INFORMATION (continued)

12. INCOME TAX EXPENSE (continued)

(a) Income tax (continued)

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Profit before income tax	28,856	31,020	14,433	15,327
Tax at statutory tax rate of 16.5%	4,761	5,118	2,381	2,529
Effect of share of results of associates	723	693	341	325
Effect of non-deductible expenses	1,452	1,441	559	323
Effect of non-taxable income	–	(62)	–	–
Effect of temporary differences	(132)	302	73	315
Tax concession	(10)	(10)	–	–
Income tax expense	6,794	7,482	3,354	3,492

(b) Deferred tax

Details of the deferred tax liabilities recognised and movements in the Relevant Periods:

	Accelerated tax depreciation
	HK$'000
At 1 April 2012, 31 March 2013, 1 April 2013, 31 March 2014 and 1 April 2014	–
Charged to profit or loss for the period	286
At 30 September 2014	286

Company

No provision of Hong Kong profits tax has been provided by the Company as the Company did not derive any assessable profits during the years ended 31 March 2013, 2014 and the six months ended 30 September 2014.

II. NOTES TO FINANCIAL INFORMATION (continued)

13. DIVIDENDS

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Special interim dividends	25,004	40,016	–	–

Special interim dividends of approximately HK$25,004,000 and HK$40,016,000, represented dividends of HK$1,106.0 and HK$1,770.0 per share, paid by Synergy Worldwide to its then equity owners during the years ended 31 March 2013 and 2014, respectively.

14. EARNINGS PER SHARE

The calculations of basic earnings per share for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014 are based on the profit attributable to owners of the Company of approximately HK$22,062,000, HK$23,538,000 and HK$11,835,000, respectively (Six months ended 30 September 2013 (unaudited): [**REDACTED**]), and on the [**REDACTED**] issuable (being the number of shares of the Company prior to the [**REDACTED**] as if these shares had been issued throughout the Relevant Periods.

No diluted earnings per share is presented as the Group had no potential ordinary shares during the Relevant Periods.

II. NOTES TO FINANCIAL INFORMATION (continued)

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Lighting systems	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2012					
Cost	751	164	9,037	95	10,047
Accumulated depreciation	(559)	(128)	(1,983)	–	(2,670)
Net book amount	192	36	7,054	95	7,377
Year ended 31 March 2013					
Opening net book amount	192	36	7,054	95	7,377
Additions	–	30	–	3,716	3,746
Transfer in/(out)	–	–	2,818	(2,818)	–
Disposals	–	–	(92)	–	(92)
Depreciation	(175)	(32)	(1,954)	–	(2,161)
Closing net book amount	17	34	7,826	993	8,870
At 31 March 2013 and 1 April 2013					
Cost	751	194	11,679	993	13,617
Accumulated depreciation	(734)	(160)	(3,853)	–	(4,747)
Net book amount	17	34	7,826	993	8,870
Year ended 31 March 2014					
Opening net book amount	17	34	7,826	993	8,870
Additions	–	28	–	1,087	1,115
Transfer in/(out)	–	–	1,242	(1,242)	–
Reclassification	–	–	(188)	(471)	(659)
Disposals	–	–	(385)	–	(385)
Depreciation	(17)	(37)	(2,480)	–	(2,534)
Closing net book amount	–	25	6,015	367	6,407
At 31 March 2014 and 1 April 2014					
Cost	751	222	10,961	367	12,301
Accumulated depreciation	(751)	(197)	(4,946)	–	(5,894)
Net book amount	–	25	6,015	367	6,407
Six months ended 30 September 2014					
Opening net book amount	–	25	6,015	367	6,407
Additions	183	39	–	809	1,031
Transfer in/(out)	–	–	410	(410)	–
Reclassification	–	–	(108)	(101)	(209)
Disposals	–	–	(315)	–	(315)
Depreciation	(8)	(18)	(1,107)	–	(1,133)
Closing net book amount	175	46	4,895	665	5,781
At 30 September 2014					
Cost	183	224	10,161	665	11,233
Accumulated depreciation	(8)	(178)	(5,266)	–	(5,452)
Net book amount	175	46	4,895	665	5,781

II. NOTES TO FINANCIAL INFORMATION (continued)

16. INTANGIBLE ASSETS

	HK$'000
At 1 April 2012	
Cost	3,851
Accumulated amortisation	(1,733)
Net book amount	2,118
Year ended 31 March 2013	
Opening net book amount	2,118
Amortisation	(770)
Closing net book amount	1,348
At 31 March 2013 and 1 April 2013	
Cost	3,851
Accumulated amortisation	(2,503)
Net book amount	1,348
Year ended 31 March 2014	
Opening net book amount	1,348
Amortisation	(770)
Closing net book amount	578
At 31 March 2014 and 1 April 2014	
Cost	3,851
Accumulated amortisation	(3,273)
Net book amount	578
Six months ended 30 September 2014	
Opening net book amount	578
Amortisation	(385)
Closing net book amount	193
At 30 September 2014	
Cost	3,851
Accumulated amortisation	(3,658)
Net book amount	193

The Group's intangible assets represented the exclusive rights to use some technical know-how of the lighting products and amortisation is provided on a straight-line basis over the estimated useful lives of 5 years. During the year ended 31 March 2010, the Group entered into agreement with an independent third party for purchase of intangible assets with an aggregate consideration comprising of cash consideration amounted to HK$1,600,000 and allotment of class A ordinary shares of Synergy Worldwide.

The Group's intangible assets are valued on a fair value basis at the time of purchase by external independent valuer. Fair value was estimated by the relief-from-royalty approach by taking into account the future economic benefits (i.e. future royalties) throughout economic life to its present value.

As at the reporting dates, the Directors have performed impairment review for the intangible assets are in the opinion that no impairment is recognised.

II. NOTES TO FINANCIAL INFORMATION (continued)

17. INTERESTS IN JOINT VENTURES

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
At beginning of the year/period	–	–	–
Cost of unlisted investment*	–	–	–
Share of post-acquisition losses	–	–	–
At end of the year/period	–	–	–

* Synergy Mexico (as below-mentioned), a company was incorporated in Hong Kong with paid-up capital of HK$10,000 on 2 December 2010. Accordingly the Group shared its investment cost of HK$5,500 during the year ended 31 March 2011. The Group has discontinued recognition its share of losses of joint ventures since year ended 31 March 2012.

Particulars of the joint ventures, which are accounted for using the equity method in the Financial Information and Comparative Financial Information, are as follows:

Name of companies	Form of entity	Place and date of incorporation	Ownership interest	Profit sharing	Principal activities
Synergy Lighting (Mexico) Limited ("Synergy Mexico")	Limited liability	Hong Kong 2 December 2010	55%	55%	Investment holding
LNG Synergy S.A.DE C.V. ("LNG Synergy")	Limited liability	Mexico 27 May 2011	54.99%	54.99%	Provision of energy saving solution

Despite the Group's holding of 55% and 54.99% interest in Synergy Mexico and LNG Synergy, respectively, the Directors have confirmed that neither the Group nor other shareholder of the joint ventures has unilateral control over the operating and financing decisions of the joint ventures in accordance with the joint venture agreement. Accordingly, the Directors consider it is appropriate to account for the Group's interests therein as joint ventures.

LNG Synergy was incorporated in Mexico as an operating vehicle of Synergy Mexico to focus on the provision of energy saving solution in the region of Mexico. The Group granted the exclusive rights to use, market, promote and sell the Group's energy saving lighting products and services in Mexico to LNG Synergy.

Synergy Mexico and LNG Synergy are unlisted corporate entities whose quoted market price is not available.

As at 31 March 2013, 2014 and 30 September 2014, the Group has no outstanding investment in the joint ventures.

II. NOTES TO FINANCIAL INFORMATION (continued)

17. INTERESTS IN JOINT VENTURES (continued)

The aggregate summarised financial information of the joint ventures that are not individually material extracted from management accounts prepared in accordance with HKFRS is set out below:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Aggregate carrying amount of interests in immaterial joint ventures	–	–	–

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Aggregate amounts of the share of immaterial joint ventures:				
Loss from continuing operations	(32)	(54)	(27)	(26)
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	(32)	(54)	(27)	(26)

The Group has discontinued recognition its share of losses of joint ventures. The amounts of unrecognised share of losses, both for the year/period and cumulatively, are as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Unrecognised share of losses of joint ventures for the year/period	32	54	27	26
Accumulated unrecognised share of losses of joint ventures	85	139	112	165

On 17 October 2014, Synergy Worldwide disposed of its entire investment in Synergy Mexico to another joint venture partner at a consideration of HK$1.

II. NOTES TO FINANCIAL INFORMATION (continued)

18. INTERESTS IN ASSOCIATES

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
At beginning of the year/period	23,480	19,096	14,898
Share of post-acquisition losses and other comprehensive income	(4,384)	(4,198)	(1,974)
Share of net assets	19,096	14,898	12,924

The amounts due from/to associates are unsecured, interest-free and repayable on demand.

Particulars of the associates, which are accounted for using the equity method in the Financial Information and Comparative Financial Information, are as follows:

Name of companies	Place and date of incorporation	Issued and fully paid up share capital	Percentage of equity interest attributable to the Company	Principal activities
Synergy Cooling Management Limited ("Synergy Cooling")	BVI 1 April 2011	US$18,400	27.17%	Investment holding
Synergy Cooling Management (HK) Limited ("Synergy Cooling HK")	Hong Kong 21 April 2011	HK$1	27.17%	Leasing and maintenance services of cooling systems
Synergy Cooling Management (Malaysia) Limited ("Synergy Cooling Malaysia (BVI)")	BVI 11 November 2013	US$100	27.17%	Investment holding
Synergy ESCO (Malaysia) Sdn. Bhd. ("Synergy ESCO (Malaysia)")	Malaysia 17 April 2014	Malaysian Ringgit ("RM") 100	27.17%	Provision of cooling management systems solutions
Synergy Cooling ESCO (HK) Limited ("Synergy ESCO (HK)")	Hong Kong 11 June 2014	HK$1	27.17%	Provision of energy management systems solutions

Synergy Cooling, Synergy Cooling HK, Synergy Cooling Malaysia (BVI), Synergy ESCO (Malaysia) and Synergy ESCO (HK) are unlisted corporate entities whose quoted market price is not available.

II. NOTES TO FINANCIAL INFORMATION (continued)

18. INTERESTS IN ASSOCIATES (continued)

The summarised financial information of the material associates extracted from management accounts prepared in accordance with HKFRS is set out below:

Synergy Cooling

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Non-current assets	77,167	66,400	61,016
Current assets	4,887	4,791	4,747
Current liabilities	(1,519)	(1,520)	(1,520)
Non-current liabilities	–	–	–

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Revenue	–	–	–	–
Loss from continuing operations	(10,959)	(10,864)	(5,436)	(5,428)
Post-tax profit or loss from discontinued operation	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	(10,959)	(10,864)	(5,436)	(5,428)
Dividends received from Synergy Cooling	–	–	–	–

Reconciliation to the Group's interests in associates:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Net assets of Synergy Cooling	80,535	69,671	64,243
Percentage of equity interest attributable to the Group	27.17%	27.17%	27.17%
Carrying amount of the Group's interests in associates	21,884	18,932	17,457

II. NOTES TO FINANCIAL INFORMATION (continued)

18. INTERESTS IN ASSOCIATES (continued)

Synergy Cooling HK

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Non-current assets	551	561	538
Current assets	2,153	2,742	2,978
Current liabilities	(12,963)	(18,148)	(20,107)
Non-current liabilities	–	–	–

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Revenue	3,880	4,176	2,443	2,016
Loss from continuing operations	(5,172)	(4,586)	(2,171)	(1,746)
Post-tax profit or loss from discontinued operation	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	(5,172)	(4,586)	(2,171)	(1,746)
Dividends received from Synergy Cooling HK	–	–	–	–

Reconciliation to the Group's interests in associates:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Net liabilities of Synergy Cooling HK	(10,259)	(14,845)	(16,591)
Percentage of equity interest attributable to the Group	27.17%	27.17%	27.17%
Carrying amount of the Group's interests in associates	(2,788)	(4,034)	(4,508)

II. NOTES TO FINANCIAL INFORMATION (continued)

18. INTERESTS IN ASSOCIATES (continued)

The aggregate summarised financial information of the associates that are not individually material extracted from management accounts prepared in accordance with HKFRS is set out below:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Aggregate carrying amount of interests in immaterial associates	–	–	(25)

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000
			(Unaudited)	
Aggregate amounts of the share of immaterial associates:				
Loss from continuing operations	–	–	–	(22)
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	(3)
Total comprehensive income	–	–	–	(25)

II. NOTES TO FINANCIAL INFORMATION (continued)

19. FINANCE LEASE RECEIVABLES

The Group provides financial leasing service of lighting products in Hong Kong. The Group's finance lease receivables as at reporting dates are as follows:

	Minimum lease payments			Present values of minimum lease payments		
	As at 31 March		As at 30 September	As at 31 March		As at 30 September
	2013	2014	2014	2013	2014	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	–	465	638	–	231	424
In the second to fifth years, inclusive	–	576	601	–	478	518
	–	1,041	1,239	–	709	942
Less: Unearned finance lease income	–	(332)	(297)	n/a	n/a	n/a
Present value of minimum lease payments	–	709	942	–	709	942
Analysed for reporting purposes as:						
– Current assets				–	231	424
– Non-current assets				–	478	518
				–	709	942

The effective interest rates of the Group's finance leases are ranging from 6% to 53% and 6% to 68% per annum for the year ended 31 March 2014 and the six months ended 30 September 2014, respectively. There are no unguaranteed residual values of assets under finance leases. Finance lease receivables are secured over the lighting products. No contingent rent arrangements were made in the Relevant Periods.

Finance lease receivables amounted to approximately HK$709,000 attributable to Synergy Lighting as at 31 March 2014 were subject to the Deed of Charge as detailed in note 27(b).

20. INVENTORIES

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Finished goods	389	405	305

II. NOTES TO FINANCIAL INFORMATION (continued)

21. TRADE RECEIVABLES

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Trade receivables, net	44,139	69,897	58,977

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from cash on delivery to 180 days. The Directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Based on invoices date, ageing analysis of the Group's trade receivables as at the reporting dates is as follows:

	At as 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
0 to 30 days	15,152	25,040	17,608
31 to 90 days	5,461	906	7,721
91 to 180 days	17,533	9,587	7,771
181 to 365 days	5,987	23,929	20,875
Over 365 days	6	10,435	5,002
	44,139	69,897	58,977

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

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	22,967	16,467	10,990
1 to 30 days past due	6,686	20,705	22,880
31 to 90 days past due	13,732	753	7,573
91 to 180 days past due	389	13,567	7,665
181 to 365 days past due	361	17,352	5,562
Over 365 days past due	4	1,053	4,307
	44,139	69,897	58,977

At each of the reporting dates, the Group's trade receivables are individually determined for impairment testing. The Group's trade receivables as at the reporting dates that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that

II. NOTES TO FINANCIAL INFORMATION (continued)

21. TRADE RECEIVABLES (continued)

trade receivables that were past due but not impaired under review are of good credit quality. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly. During the years ended 31 March 2013 and 2014, the Group has determined trade receivables of approximately HK$19,000 and HK$222,000 respectively (note 10) as irrecoverable and written off. There was no written-off of trade receivables for the six months ended 30 September 2014.

Included in the Group's trade receivables are amounts due from four related companies, in which Mr. Alastair Lam's close relatives are the major shareholders and the key management personnel, with aggregate receivables, of approximately HK$379,000, HK$338,000 and HK$380,000 as at 31 March 2013, 2014 and 30 September 2014, respectively. The credit terms offered to those related companies are ranging from cash on delivery to 30 days.

The maximum amount due from these four related companies during the year ended 31 March 2013, individually amounted to approximately HK$220,000, HK$589,000, HK$9,000 and HK$33,000.

The maximum amount due from these four related companies during the year ended 31 March 2014, individually amounted to approximately HK$136,000, HK$620,000, nil and HK$42,000.

The maximum amount due from these four related companies during the six months ended 30 September 2014, individually amounted to approximately HK$134,000, HK$498,000, nil and HK$33,000.

Included in the Group's trade receivables is the trading amount due from a joint venture, LNG Synergy, of approximately HK$194,000 as at 31 March 2013, 2014 and 30 September 2014 and the credit term offered to LNG Synergy is cash on delivery. The maximum amount due from LNG Synergy during the years ended 31 March 2013, 2014 and the six months ended 30 September 2014 amounted to approximately HK$194,000.

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

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
US$	14,649	31,412	30,462
Thailand Baht	13	13	13

During the year ended 31 March 2013, the Group has obtained a banking facilities of HK$8,000,000 which was certified with Deed of Charge as below mentioned in note 27(b). Accordingly, all the Group's trade receivables of approximately HK$44,139,000 and HK$69,897,000 as at 31 March 2013 and 2014, respectively, were subject to the Deed of Charge. The details of the banking facilities are set out in note 27(b).

II. NOTES TO FINANCIAL INFORMATION (continued)

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		As at 31 March		As at 30 September
		2013	2014	2014
	Notes	HK$'000	HK$'000	HK$'000
Deposits		226	767	3,526
Prepayments		1,836	1,791	2,058
Other receivables	(a)	955	1,487	1,732
		3,017	4,045	7,316

Notes:

(a) Included in the Group's other receivables are non-trading amount due from Synergy Mexico, of approximately HK$90,000, HK$199,000 and HK$199,000 as at 31 March 2013, 2014 and 30 September 2014, respectively.

Deposits, prepayments and other receivables amounted to approximately HK$396,000 and HK$1,702,000 attributable to Synergy Lighting as at 31 March 2013 and 2014, respectively, were subject to the Deed of Charge as detailed in note 27(b).

23. DUE FROM/(TO) DIRECTORS/A RELATED COMPANY/ASSOCIATES

The balances were unsecured, interest free, and repayable on demand.

(a) Amounts due from associates of approximately HK$1,117,000, HK$3,711,000 and HK$1,903,000 as at 31 March 2013, 2014 and 30 September 2014, respectively, represented the net outstanding balances with the associate group of Synergy Cooling. The amount due from Synergy Cooling HK of approximately HK$2,517,000 and HK$4,511,000 attributable to Synergy Lighting as at 31 March 2013 and 2014, respectively, was subject to the Deed of Charge as detailed in note 27(b).

(b) Amount due to a related company of approximately HK$732,000, HK$53,000 and HK$221,000 as at 31 March 2013, 2014 and 30 September 2014, respectively, representing the outstanding payables of computer software consultancy service to a related company as detailed in note 34(a)(iv), wholly owned by Mr. Mansfield Wong.

(c) As at 31 March 2013, the balance of approximately HK$4,775,000 were due to directors, of which have been fully settled during the year ended 31 March 2014.

II. NOTES TO FINANCIAL INFORMATION (continued)

24. CASH AND CASH EQUIVALENTS

The Group's bank balances of approximately HK$7,305,000 and HK$3,187,000, attributable to Synergy Lighting, were subject to the Deed of Charge of banking facilities as at 31 March 2013 and 2014, respectively. The details of the banking facilities are set out in note 27(b).

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

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
US$	–	1	3

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

25. TRADE PAYABLES

Ageing analysis of trade payables as at the reporting dates is as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
0 to 30 days	2,065	3,065	3,830
31 to 90 days	2,050	32	3,823
91 to 180 days	739	2,733	3,839
Over 180 days	5	7	2,773
	4,859	5,837	14,265

During the Relevant Periods, the Group made purchase with various manners, operating on cash on delivery, payment in advance terms, or granted with credit term of 30 days.

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

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Renminbi ("RMB")	4,212	3,161	11,603
US$	629	–	–

II. NOTES TO FINANCIAL INFORMATION (continued)

26. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Notes	As at 31 March		As at 30 September
		2013	2014	2014
		HK$'000	HK$'000	HK$'000
Current liabilities:				
Accruals		688	3,019	3,526
Other payables	(a)	2,173	3,256	4,353
Warranty provision	(b)	630	904	1,043
Deposits received		1,056	1,156	3,786
		4,547	8,335	12,708
Non-current liabilities:				
Deposits received		1,056	573	353

Notes:

(a) Included in the Group's other payables are outstanding amount of approximately HK$6,000, HK$30,000 and HK$135,000 due to a shareholder company of Synergy Worldwide as at 31 March 2013, 2014 and 30 September 2014, respectively. The amount is unsecured, interest-free and repayable on demand.

Included in the Group's other payables are outstanding amount of approximately HK$17,000 as at 30 September 2014 due to a related company, in which Mr. Arthur Lam's close relative is a shareholder. The amount is unsecured, interest-free and repayable on demand. The amount due to the related company as at 30 September 2014 has been fully settled in October 2014 after the Relevant Periods.

(b) The movements in the warranty provision are as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
At the beginning of the year/period	161	630	904
Provision for the year/period	480	432	254
Unused amounts reversed	–	(136)	(89)
Amounts utilised	(11)	(22)	(26)
	630	904	1,043

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

II. NOTES TO FINANCIAL INFORMATION (continued)

27. BORROWINGS

		As at 31 March		As at 30 September
		2013	2014	2014
	Notes	HK$'000	HK$'000	HK$'000
Unsecured bank loans, with guarantees:				
– Amounts payable within one year	(a)	250	167	42
– Amounts repayable after one year but contain a repayable on demand clause		167	–	–
		417	167	42
Secured import loans, with guarantees:				
Amounts payable within one year	(b)	4,621	–	–
Unsecured other loans, without guarantees:				
Amounts payable within one year	(c)	–	–	101
Current liabilities		5,038	167	143
Unsecured other loans, without guarantees:				
Amounts payable in second to fifth year	(c)	–	–	384
Non-current liabilities		–	–	384

Notes:

(a) The Group entered into a bank loan agreement with a bank which give the bank the right at it sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. The interest rate offered by the bank is the prime rate or Hong Kong Interbank Offer Rate plus 3% to 4.125% per annum, whichever higher is applicable. The Group's interest-bearing bank borrowings bore interest rate of 5.25% for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014.

The bank borrowings are jointly and severally guaranteed with subordination amount of HK$7,500,000 by Mr. Alastair Lam and Mr. Arthur Lam (collectively the "Personal Guarantees"), the directors of the Company.

Following the cancellation of the bank loan agreement in November 2014, the Personal Guarantees have been released thereafter.

(b) The Group obtained banking facilities of HK$8,000,000 from a bank under SME Financing Guarantee Scheme operated by The Hong Kong Mortgage Corporation Limited ("HKMC") ("SME Banking Facilities") including letter of credits, trust receipts, account payable financing and packing loan. The SME Banking Facilities was guaranteed by HKMC for an amount of HK$6,400,000 with risk sharing factor of 80% (the "HKMC Guarantee"). In addition, the SME Banking Facilities are under (i) personal guarantee executed by Mr. Alastair Lam, Mr. Arthur Lam and Mr. Mansfield Wong, the directors of the Company (collectively the "HKMC Personal Guarantees"); and (ii) deed of charge over receivables of Synergy Lighting, a wholly-owned subsidiary of the Company (collectively the "Deed of Charge"), which certified in favour of a bank, and (iii) deed of subordination of HK$2,600,000 executed by Synergy Lighting and Synergy Worldwide.

The Deed of Charge was certified in August 2012 and created by Synergy Lighting in favour of a bank upon the negotiation of the SME Banking Facilities. The Deed of Charge was valid as at 31 March 2013 and 2014. According to the terms stated in the Deed of Charge, in the opinion of the Directors, where applicable to Synergy Lighting as consulted and acknowledged with the bank, the Deed of Charge included all Synergy Lighting's existing and future book debts, moneys, and receivables of any nature. Accordingly, all trade receivables of approximately HK$44,139,000 (note 21), rental deposits of approximately

II. NOTES TO FINANCIAL INFORMATION (continued)

27. BORROWINGS (continued)

HK$424,000, certain of deposits, prepayments and other receivables of approximately HK$396,000 (note 22) and amounts due from Synergy Cooling HK and Synergy Lighting (China) Limited ("Synergy (China)"), a fellow subsidiary of Synergy Lighting, of approximately HK$2,517,000 (note 23(a)) and HK$317,000, respectively, as attributable to Synergy Lighting, and the bank balances of approximately HK$7,305,000 (note 24) as at 31 March 2013 were subject to the Deed of Charge.

All trade receivables of approximately HK$69,897,000 (note 21), finance lease receivables of approximately HK$709,000 (note 19) certain of deposits, prepayments and other receivables of approximately HK$1,702,000 (note 22) and amounts due from Synergy Cooling HK of approximately HK$4,511,000 (note 23(a)), as attributable to Synergy Lighting, and the bank balances of approximately HK$3,187,000 (note 24) as at 31 March 2014 were subject to the Deed of Charge.

The SME Banking Facilities include clauses which give the bank the right at it sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. The secured import loan bore interest rate of 1% per annum over the bank's prime lending rate, subject to fluctuation and change from time to time at the bank's discretion, where the prime lending rate is 5.25% per annum during the years ended 31 March 2013 and 2014. All the secured import loans were due within 90 days.

The SME Banking Facilities amounting to HK$8,000,000, of which approximately HK$4,621,000 has been utilised as at 31 March 2013.

The SME Banking Facilities and the HKMC Guarantee have been cancelled with effective from 18 November 2013 and the Deed of Charge has been released in July 2014.

Following the cancellation of the SME Banking Facilities, the HKMC Personal Guarantees have been released thereafter.

(c) During the six months ended 30 September 2014, the Group obtained a loan from an independent third party amounting to HK$485,000. The loan bore interest rate of 3.45% for the six months ended 30 September 2014.

(d) Based on the schedule repayment dates set out in the bank loan and other loan agreements as mentioned in (a) and (c), the borrowings are repayable as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Within one year	250	167	143
In the second year	167	–	121
In the third to fifth year	–	–	263
	417	167	527

As at 31 March 2013 and 2014, the Group's banking facilities of HK$50,000 including corporate credit cards, of which approximately HK$26,000 and HK$11,000 had been utilised, respectively. As at 30 September 2014, the Group's banking facilities of HK$100,000, of which HK$12,000 had been utilised. The corporate credit cards are guaranteed by Mr. Alastair Lam.

II. NOTES TO FINANCIAL INFORMATION (continued)

28. FINANCE LEASE OBLIGATIONS

As at 31 March 2013, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments	Present values of minimum lease payments
	As at 31 March	As at 31 March
	2013	2013
	HK$'000	HK$'000
Within one year	7	7
In the second to fifth years, inclusive	–	–
	7	7
Less: future finance charges	–	n/a
Present value of lease obligations	7	7
Less: Amount due for settlement within 12 months (shown under current liabilities)		(7)
Amount due for settlement after 12 months		–

The Group leases an office equipment under finance leases. The lease term is 5 years, with effective interest rate of approximately 5% in the Relevant Periods. The Group has fully settled the finance lease obligations during the year ended 31 March 2014. No arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the charge over the leased asset.

29. SHARE CAPITAL

The Company was incorporated in Cayman Islands on 14 December 2011 with an authorised share capital of HK$380,000 divided into 380,000 shares of par value of HK$1.00 each. One share of HK$1.00 in the share capital was issued and allotted nil paid to Codan Trust Company (Cayman) Limited and such nil-paid subscriber share was transferred to Mr. Alastair Lam on 14 December 2011. On the same day, the Company issued and allotted 99 shares of HK$1.00 each nil paid to Mr. Alastair Lam.

On [●], each ordinary share of HK$1.00 in the issued and unissued share capital of the Company was divided into 100 ordinary shares of HK$0.01 each, such that the authorised share capital of the Company became HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each, out of which 10,000 shares have been issued nil paid and held by Mr. Alastair Lam.

For the purpose of this report, the share capital presented as at 31 March 2013, 2014 and 30 September 2014 represented the share capital of Synergy Worldwide.

Synergy Worldwide was incorporated in the BVI with limited liability on 8 August 2008. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each.

On 18 December 2009, the authorised share capital of Synergy Worldwide was changed by a written resolution of Synergy Worldwide, whereby Synergy Worldwide reclassified its share capital in two classed, class A ordinary shares and class B ordinary shares, all existing issued shares of Synergy Worldwide were re-designated as class A ordinary shares. As a result, Synergy Worldwide was then authorised to issue a maximum of 50,000 shares comprising of 47,625 class A ordinary shares and 2,375 class B ordinary shares.

According to the Memorandum of Association and Articles of Association ("M&A") of Synergy Worldwide, Synergy Worldwide has two classes of shares, namely (i) class A ordinary shares and (ii) class B ordinary shares. The holder of a class B ordinary share shall have the option to request Synergy Worldwide to redeem such class B ordinary share for a certain amount within the period of 60 days after the second anniversary of the date of issue (the "Redemption Period"). In the event that a holder of class B ordinary shares does not exercise the option to redeem (the "Put Option") within the Redemption Period, the class B ordinary shares shall automatically be converted into class A ordinary shares on a

II. NOTES TO FINANCIAL INFORMATION (continued)

29. SHARE CAPITAL (continued)

one to one basis (the "Automatic Conversion"). Any transfer of class B ordinary shares shall be subject to the right of first refusal of other holders of class B ordinary shares and holders of class A ordinary shares to purchase such class B ordinary shares on a pro-rata basis. Except for the differences above, class A ordinary shares and class B ordinary shares will however rank *pari passu* with each other in all respects. Mr. Alastair Lam signed agreements with the holders of class B ordinary shares and Synergy Worldwide at the date of each allotment of class B ordinary shares, which stated that Mr. Alastair Lam would assume the redemption liability of all class B ordinary shares upon exercise of the Put Option within the Redemption Period. The agreements were entered into at the same time and in contemplation of issues of the class B ordinary shares. The contractual effects of the agreements are therefore considered together with the terms of the class B ordinary shares in assessing the classification of the class B ordinary shares as equity or debt. Taken together the effect is that Synergy Worldwide has no contractual obligation to deliver cash to the holders of the class B ordinary shares. Accordingly, the class B ordinary shares are classified as equity instruments under HKAS 32 *Financial Instruments: Presentation*. None of the holders of class B ordinary shares exercised the Put Option during the Redemption Period.

	Class A shares of US$1.00 each	Class B shares of US$1.00 each	Class A shares		Class B shares		Total	
			US$	HK$'000 equivalent	US$	HK$'000 equivalents	US$	HK$'000 equivalents
Authorised:								
As at 1 April 2012, 31 March 2013, 2014 and 30 September 2014	47,625	2,375	47,625	370	2,375	18	50,000	388

	Notes	Class A shares of US$1.00 each	HK$'000 equivalent	Class B shares of US$1.00 each	HK$'000 equivalent	Total HK$'000
Issued and fully paid:						
As at 1 April 2012	(a)	22,483	175	125	1	176
Issue/(repurchase) of shares	(b)	125	1	(125)	(1)	(-)
As at 31 March 2013, 2014 and 30 September 2014		22,608	176	–	–	176

Notes:

(a) The details of class A and class B ordinary shares, including allotments of class A and class B ordinary shares, repurchase of class B ordinary shares, Automatic Conversion of class B ordinary shares to class A ordinary shares, since the incorporation of Synergy Worldwide to 1 April 2012, are summarised in the "History and Corporate Development" section to the [**REDACTED**].

(b) In August 2012, Synergy Worldwide repurchased 125 class B ordinary shares in consideration of HK$721,000 (the "Repurchase") from a shareholder with no premium at the same amount the latter purchased shares during the year ended 31 March 2011. On the same day, Synergy Worldwide issued and allotted 125 class A ordinary shares of US$1.00 each at a consideration of approximately HK$721,000 to the same shareholder. The total allotments of 125 class A ordinary shares credited approximately HK$1,000 as fully-paid at par to the account of share capital and HK$720,000 to the account of share premium during the year ended 31 March 2013, respectively.

II. NOTES TO FINANCIAL INFORMATION (continued)

30. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statements of changes in equity in section I.

Share premium

Under the bye-laws and M&A of Synergy Worldwide, there is no restriction on the share premium account.

Capital reserves

(i) Capital reserves represent the capital contributions made by a major shareholder of Synergy Worldwide, Mr. Alastair Lam, upon allotment of the class B ordinary shares.

(ii) As mentioned in note 29(b) in respect of the Repurchase in August 2012, in the opinion of the Directors, the corresponding capital reserves of approximately HK$716,000 recognised at the time of issue of shares during the year ended 31 March 2011, were released upon the Repurchase during the year ended 31 March 2013.

31. OPERATING LEASE ARRANGEMENT

(a) As lessor

Future minimum lease rental receivables under non-cancellable operating leases of the Group in respect of lighting systems as at the reporting dates are as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Within one year	7,650	6,091	5,509
Within second to fifth year	7,736	5,137	3,440
	15,386	11,228	8,949

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

The Group has signed leasing contracts with a customer, where both parties authorised and agreed that the Group would place a security deposit of approximately HK$150,000 (the "Security Deposit") in a bank (the "Security Bank") in favour of the customer, the customer shall have the right and sole discretion to demand the Security Bank an amount equal to any cost, loss or damage suffered by itself as the direct or indirect result of any breach of the leasing arrangement by the Group. The provision of the leasing service has been executed by the Group since the year ended 31 March 2012. However both parties and the Security Bank are still in the administrative progress upon the issue of bank guarantee letter, accordingly the Security Deposit has not yet made by the Group.

II. NOTES TO FINANCIAL INFORMATION (continued)

31. OPERATING LEASE ARRANGEMENT (continued)

(b) As lessee

Future minimum rental payables under non-cancellable operating lease of the Group in respect of offices, warehouses, motor vehicle licences and an office equipment as at the reporting dates are as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Within one year	1,542	799	1,137
Within second to fifth year	711	54	905
	2,253	853	2,042

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

32. COMMITMENTS

The Group has the following commitments as at the reporting dates in respect of:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Commitments for investment in/establishment of a subsidiary			
– Contracted, but not provided for	43,841	–	–

Pursuant to sino foreign equity joint venture agreement (the "EJV" Agreement) entered into among the Synergy (China) and other parties for establishing a sino-foreign equity joint venture company, Jingan Synergy Energy Management Company Limited ("Jingan Synergy") in the People's Republic of China on 5 February 2013, of which 72% shareholding of Jingan Synergy is owned by Synergy (China). As at 31 March 2013, the total investment commitment in Jingan Synergy of Synergy (China) is amounted to approximately HK$43,841,000 in accordance with the EJV Agreement. On 23 September 2013, Jingan Synergy has been established.

Following the disposal of Synergy (China) as detailed in note 33, the Group has no commitments for the establishment of Jingan Synergy thereafter.

II. NOTES TO FINANCIAL INFORMATION (continued)

33. DISPOSAL OF A SUBSIDIARY

On 10 March 2014, the Group disposed of a wholly-owned subsidiary, Synergy (China), to Mr. Alastair Lam, at a consideration of HK$100. Synergy (China) holds 72% equity interests in Jingan Synergy. Synergy (China) and Jingan Synergy are engaged in investment holding and provision of energy saving solutions in the People's Republic of China, respectively. The consolidated financial information of Synergy (China) at the date of disposal were as follows:

	HK$'000
Cash and cash equivalents	4
Other payables	(381)
	(377)
Due to the Group disposed of	381
Loss on disposal of a subsidiary	(4)
Total consideration	–
Satisfied by:	
Cash	–
Net cash outflow arising on disposal:	
Cash consideration	–
Cash and bank balances disposed of	4
	4

II. NOTES TO FINANCIAL INFORMATION (continued)

34. RELATED PARTY TRANSACTIONS

(a) Save as disclosed in notes 21, 22, 23, 26, 27, 29 and 30 to these Financial Information and Comparative Financial Information, the Group had the following material related parties transactions during the Relevant Periods:

		Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
				(Unaudited)	
Leasing service income from related companies	(i)	2,560	3,320	1,371	1,100
Sales to related companies	(ii)	16	123	56	88
Sales to a joint venture	(iii)	194	–	–	–
Computer software consultancy service fees paid to a related company	(iv)	636	636	318	168
Rental expenses paid to a related company	(v)	149	165	77	90
Management service income received from an associate	(vi)	1,800	1,800	900	900

Notes:

(i) The total leasing service income amounted to approximately HK$2,560,000, HK$3,320,000 and HK$1,100,000 for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively, were contributed from related companies, in which Mr. Alastair Lam's close relatives are the major shareholders and the key management personnel. The transactions with the related companies were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The trade receivables due from the related companies as at 31 March 2013, 2014 and 30 September 2014, are detailed in note 21.

(ii) The total sales of goods amounted to approximately HK$16,000, HK$123,000 and HK$88,000 for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively, were contributed from related companies, in which Mr. Alastair Lam's and Mr. Arthur Lam's close relatives are the major shareholders and the key management personnel. The transactions with the related companies were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

(iii) The total sales of goods amounted to approximately HK$194,000 for the year ended 31 March 2013 were contributed from LNG Synergy. The transactions with LNG Synergy were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The trade receivables due from LNG Synergy as at 31 March 2013, 2014 and 30 September 2014 are detailed in note 21.

(iv) The Group has paid computer software consultancy service fees of approximately HK$636,000, HK$636,000 and HK$168,000 for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively, to a related company, which is wholly owned by Mr. Mansfield Wong. Mr. Mansfield Wong is the executive director of the Company. The transactions with the related company were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The non-trading outstanding balances due to this related company as at 31 March 2013, 2014 and 30 September 2014, are detailed in note 23(b).

(v) The Group has paid rental expenses of approximately HK$149,000, HK$165,000 and HK$90,000 for the years ended 31 March 2013, 2014 and the six months 30 September 2014, respectively, to a related company, in which Mr. Arthur Lam's close relative is a shareholder. The transactions with the related company were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The non-trading outstanding balances due to this related company as at 30 September 2014 are detailed in note 26(a).

II. NOTES TO FINANCIAL INFORMATION (continued)

34. RELATED PARTY TRANSACTIONS (continued)

(vi) The Group has received management service income of approximately HK$1,800,000, HK$1,800,000 and HK$900,000 from an associate, Synergy Cooling HK during the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively. The transactions with Synergy Cooling HK were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

(b) The Group has obtained a bank loan of approximately HK$1,000,000 during the year ended 31 March 2011. The bank loan is jointly and severally guaranteed by Mr. Alastair Lam and Mr. Arthur Lam with subordination amount of HK$7,500,000. The outstanding balances of interest-bearing bank borrowings as at 31 March 2013, 2014 and 30 September 2014 are detailed in note 27(a).

(c) The Group has obtained banking facilities of approximately HK$8,000,000 during the year ended 31 March 2013. The bank facilities are jointly and severally guaranteed by Mr. Alastair Lam, Mr. Arthur Lam and Mr. Mansfield Wong. The outstanding balances of interest-bearing bank borrowings as at 31 March 2013 are detailed in note 27(b).

(d) The Group has obtained banking facilities of corporate credit cards for daily operational use, which are guaranteed by Mr. Alastair Lam. The details of the banking facilities as at 31 March 2013, 2014 and 30 September 2014 are set out in note 27.

(e) The Group has disposed interest of Synergy (China) to Mr. Alastair Lam at a consideration of HK$100 during the year ended 31 March 2014. The details of the disposal are set out in note 33.

(f) Effective from 12 September 2014, a Hong Kong subsidiary of the Group has committed to provide a corporate guarantee to an independent third party in Malaysia in respect of an agreement entered into between the independent third party and an associate of Synergy Worldwide. The duration of the agreement is 48 months and the monthly rent charged to the associate of Synergy Worldwide, amounting to approximately RM20,500. The corporate guarantee includes undertaking to indemnify the independent third party against all losses, expenses, charges and damages incurred or suffered by the independent third party in the consequence of any failure by the associate of Synergy Worldwide to perform its obligation under the agreement.

(g) Compensation of key management personnel

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

	Year ended 31 March		Six months ended 30 September	
	2013	**2014**	**2013**	**2014**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
			(Unaudited)	
Short-term employee benefits	1,376	1,449	689	661

II. NOTES TO FINANCIAL INFORMATION (continued)

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 March 2013, the Group has issued 125 class A ordinary shares at the same consideration of approximately HK$721,000, with the Repurchase simultaneously as above-mentioned in note 29(b).

(b) During the year ended 31 March 2013, the Group has utilised a deposit of approximately HK$17,000 received from a leasing service customer for lighting systems, with net book amount amounting to approximately HK$25,000 not returning to the Group upon expiry of the leasing service agreement under mutual agreement between both parties.

(c) During the year ended 31 March 2014 and the six months ended 30 September 2014, the Group has transferred certain construction in progress and lighting systems to inventories with aggregate net book amount amounting to approximately HK$659,000 and HK$209,000, respectively, upon the change of usage of lighting products acquired, resulting from certain leasing contracts were reclassified from the form of operating lease to finance lease.

36. 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 interest rate of the Group's borrowings is disclosed in note 27. As the Group has no significant variable interest-bearing financial assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses. The Directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

Foreign currency risk

The Group's revenue and expenses are mainly in HK$ which is the functional currency of all entities making up the Group. The Group's assets and liabilities as at the reporting dates, denominated in other currencies other than HK$ are disclosed in notes 21, 24 and 25. 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 and US$. As HK$ 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. No sensitivity analysis for Thailand Baht is presented as management considered the exposure is insignificant.

II. NOTES TO FINANCIAL INFORMATION (continued)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table details the Group's sensitivity of the Group's results for the Relevant Periods in regards to a 5% appreciation in HK$ against RMB. 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 HK$ against RMB would have the same magnitude on the Group's results for the Relevant Periods.

	RMB		
	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Result for the year/period (note)	211	158	580

Note: This is mainly attributable to the exposure outstanding on trade payables at the end of the respective reporting period.

Exposures to foreign exchange rates vary during the year/period 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 Company has no foreign currency risk as at 31 March 2013, 2014 and 30 September 2014.

Credit risk

The Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness.

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 lease 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 trade receivables through consultancy services providing to one customer ("the Consultancy Service Customer") and trading of lighting products contributing from an overseas customer (the "Japan Customer") during the Relevant Period.

The Group's consultancy services provided to the Consultancy Service Customer, amounted to approximately HK$34,992,000, HK$27,856,000 and nil which accounted for approximately 49%, 35% and nil of the Group's total revenue for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively. The corresponding trade receivables contributed approximately HK$27,992,000, HK$37,238,000 and HK$16,688,000 which accounted for approximately 63%, 53% and 28% of the Group's trade receivables as at 31 March 2013, 2014 and 30 September 2014, respectively.

II. NOTES TO FINANCIAL INFORMATION (continued)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The sole shareholder/director of the Consultancy Service Customer is Mr. Alastair Lam's business partner (the "Mr. Alastair Lam's Business Partner"), both parties made joint investment in form of joint venture in their own individual business, and that joint investment has no trading relationship with the Group. In addition, the spouse of Mr. Alastair Lam's Business Partner is the ultimate beneficial owner of a company which jointly established Jingan Synergy with Synergy (China). Synergy (China) holds 72% equity interests in Jingan Synergy, and the spouse of Mr. Alastair Lam's Business Partner is a non-controlling shareholder of Jingan Synergy with 8% indirect equity interests.

The Group's revenue contributing from the Japan Customer, amounted to approximately HK$9,621,000, HK$23,594,000 and HK$14,884,000 which accounted for approximately 14%, 30% and 39% of the Group's total revenue for the years ended 31 March 2013, 2014 and six months ended 30 September 2014, respectively. The corresponding trade receivables contributed approximately HK$9,605,000, HK$18,294,000 and HK$18,127,000 which accounted for approximately 22%, 26% and 31% of the Group's trade receivables as at 31 March 2013, 2014 and 30 September 2014, respectively.

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

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

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 as at the reporting dates, based on the contractual undiscounted payments, are as follows:

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	Within 6-12 months	Within 1-2 years	Within 2-3 years	Over 3 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2013								
Trade payables	4,859	4,859	4,859	–	–	–	–	–
Accruals and other payables	2,861	2,861	6	2,855	–	–	–	–
Borrowings	5,038	5,129	–	4,828	131	170	–	–
Finance lease obligations	7	7	–	5	2	–	–	–
Due to a related company	732	732	732	–	–	–	–	–
Due to directors	4,775	4,775	4,775	–	–	–	–	–
	18,272	18,363	10,372	7,688	133	170	–	–

II. NOTES TO FINANCIAL INFORMATION (continued)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	Within 6-12 months	Within 1-2 years	Within 2-3 years	Over 3 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2014								
Trade payables	5,837	5,837	5,837	–	–	–	–	–
Accruals and other payables	6,275	6,275	30	6,245	–	–	–	–
Dividends payable	40,016	40,016	40,016	–	–	–	–	–
Borrowings	167	170	–	128	42	–	–	–
Due to a related company	53	53	53	–	–	–	–	–
	52,348	52,351	45,936	6,373	42	–	–	–

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	Within 6-12 months	Within 1-2 years	Within 2-3 years	Over 3 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 September 2014								
Trade payables	14,265	14,265	14,265	–	–	–	–	–
Accruals and other payables	7,879	7,879	152	7,727	–	–	–	–
Dividends payable	2,972	2,972	2,972	–	–	–	–	–
Borrowings	527	594	–	88	69	138	276	23
Due to a related company	221	221	221	–	–	–	–	–
	25,864	25,931	17,610	7,815	69	138	276	23

II. NOTES TO FINANCIAL INFORMATION (continued)

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	At as 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Loans and receivables			
Trade receivables	44,139	69,897	58,977
Finance lease receivables	–	709	942
Other receivables	955	1,487	1,732
Due from associates	1,117	3,711	1,903
Cash and cash equivalents	7,313	3,202	1,209
	53,524	79,006	64,763

Financial liabilities

	As at 31 March		As at 30 September
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
At amortised costs			
Trade payables	4,859	5,837	14,265
Accruals and other payables	2,861	6,275	7,879
Dividends payable	–	40,016	2,972
Borrowings	5,038	167	527
Finance lease obligations	7	–	–
Due to a related company	732	53	221
Due to directors	4,775	–	–
	18,272	52,348	25,864

38. 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 shareholder's 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.

II. NOTES TO FINANCIAL INFORMATION (continued)

38. CAPITAL MANAGEMENT (continued)

Management regards total equity as capital. The amount of capital as at 31 March 2013, 2014 and 30 September 2014 amounted to approximately HK$51,548,000, HK$35,070,000, and HK$46,902,000, respectively, which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

39. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of failure to notify chargeability to tax of a Hong Kong subsidiary for the year of assessment of 2010/2011 to Inland Revenue Department ("IRD") in Hong Kong. Under Section 82A of the Inland Revenue Ordinance, the maximum penalty as a result of the failure to notify chargeability would be treble the amount of tax undercharged of the year of assessment concerned.

In April 2013, the Group has received tax assessment for 2009/2010 and 2010/2011 issued from IRD ("IRD Tax Assessment"). Pursuant to the IRD Tax Assessment, which were assessed based on the information submitted by the Group to IRD, the adjusted tax loss was approximately HK$5,107,000 for the year of assessment of 2009/2010 (the "Adjusted Tax Losses") and tax liability was approximately HK$2,196,000 for the year of assessment of 2010/2011. The Adjusted Tax Losses for the year of assessment of 2009/2010 was used to offset against the assessable profits for the year of assessment of 2010/2011.

In the opinion of the Directors, taking into consideration of IRD Tax Assessment received, the tax liability for the year of assessment of 2010/2011 is approximately HK$2,196,000. Accordingly, the Directors are in the opinion that the maximum penalty as a result of the failure to notify chargeability for year of assessment of 2010/2011 would be approximately HK$6,588,000, which is subject to further/additional tax assessment of the IRD, if any.

40. EVENT AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, the Group has the following subsequent events undertaken by the Company or by the Group after 30 September 2014.

On 17 October 2014, Synergy Worldwide disposed of its entire investment in Synergy Mexico to another joint venture partner at a consideration of HK$1.

The companies in the Group underwent the Reorganisation in preparation for the [**REDACTED**] of [**REDACTED**]. Further details of the Reorganisation are set out in the paragraph headed Group Reorganisation in the History and Corporate Development to the [**REDACTED**].

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 September 2014.

Yours faithfully,
BDO Limited
Certified Public Accountants
[●]
[●]
Hong Kong