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

(incorporated in the Cayman Islands with limited liability)

(Stock Code on Main Board: 1539)
(Stock Code on GEM: 8105)

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

On 6 June 2016, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) the 500,000,000 Shares in issue; and (ii) up to 50,000,000 Shares which may fall to be issued pursuant to the exercise of the outstanding share options which may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on Monday, 17 October 2016. The last day of dealings in the Shares on GEM will be Tuesday, 25 October 2016. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on Wednesday, 26 October 2016. The Company has fulfilled all pre-conditions for a transfer of listing under Rule 9A.02 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement made by the Company on 6 June 2016 in relation to the Transfer of Listing. On 6 June 2016, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) the 500,000,000 Shares in issue; and (ii) the 50,000,000 Shares which may fall to be issued pursuant to the exercise of the outstanding share options which may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on Monday, 17 October 2016. The last day of dealings in the Shares on GEM will be Tuesday, 25 October 2016. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on Wednesday, 26 October 2016 and the Shares will be delisted from GEM according to Rule 9A.09(6) of the Listing Rules.

REASONS FOR THE TRANSFER OF LISTING

The Group is one of the leading integrated energy saving solutions providers based in Hong Kong, specialising in lighting solutions. The Group is principally engaged in (i) provision of leasing service of lighting systems; (ii) trading of lighting products; and (iii) provision of Consultancy Service. The Board believes that the Transfer of Listing will enhance the profile of the Company and increase the trading liquidity of the Shares. The Board considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility. There is no intention of the Board to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 24 March 2015, the GEM Listing Date. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8105) will be Tuesday, 25 October 2016. Dealing in the Shares on the Main Board (Stock code: 1539) will commence at 9:00 a.m. on Wednesday, 26 October 2016.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot size of 2,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited and the branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited. No change will be made to the Chinese and English stock short names of the Company, the existing share certificates, board lot size, trading currency and share registrars of the Shares in connection with the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 5 March 2015, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group, which will expire on 4 March 2025. As at the date of this announcement, the Share Option Scheme fully complies with the requirements of Chapter 17 of the Listing Rules. Thus, the Share Option Scheme will remain effective upon the Transfer of Listing.

Pursuant to the Share Option Scheme and as at the date of this announcement, the Company may grant options in respect of a total of 50,000,000 Shares, representing 10% of the share capital of the Company in issue as at the GEM Listing Date, during the remaining term of the Share Option Scheme. The listing of the Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Listing Rules.

As at the date of this announcement, the Company has not issued, any options under the Share Option Scheme, warrants or similar rights or convertible equity securities of which will be transferred to the Main Board.

PUBLIC FLOAT

The Directors confirm that 73.50% of the total issued share capital of the Company is held by the public (as defined in the Listing Rules) as at the Latest Practicable Date. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Listing Rules.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors or controlling Shareholders or their respective associates has any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Listing Rules.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 28 September 2016 will continue to be valid and remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by its Articles or any applicable laws to be held; or

(c) the revocation or variation of such authority by an ordinary resolution of the Shareholders in general meeting.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company discloses the biographical information of each Director and senior management as follows:

EXECUTIVE DIRECTORS

Mr. Wong Man Fai Mansfield, aged 42, is the chief executive officer of the Company, chairman of the Board of Directors and an executive Director. He is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company, and was appointed as the chief executive officer of Synergy Lighting Limited on 1 July 2009. He was appointed as a Director of the Company on 30 December 2011. He is primarily responsible for the overall corporate strategies, development management and operation of the Group. Mr. Wong graduated from the University of Arizona, Arizona, United States with a Bachelor's degree in Electrical Engineering in May 1996. He also obtained a Master of Engineering (Electrical) from Cornell University, New York, United States in May 1997. He has over 10 years of management experience. Mr. Wong is the sole director and sole shareholder of Mpplication Group Limited, which provides information technology management services to the Group. Mr. Wong is the sole director and sole shareholder of Abundance Development Limited which is a Shareholder holding 9.45% of the issued share capital of the Company as at the date of this announcement.

Mr. Lam Arthur, aged 31, is an executive Director and a Shareholder who holds 7.09% of the issued share capital of the Company as at the date of this announcement. He was appointed as a Director and the vice chairman of the Company on 30 December 2011 and 3 February 2016 respectively, and is responsible for overseas development and research and development of the Group. Mr. Lam is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company. Mr. Lam graduated from the University of Notre Dame, Indiana, United States, with a Bachelor's degree in Mechanical Engineering in May 2008. Before joining the Group, Mr. Lam was an Associate (Trade Support and Risk Management) in Myo Capital Advisers Limited from November 2008 to June 2009. Mr. Lam is a certified Carbon Audit Professional and a certified Energy Manager of The Association of Energy Engineers (Hong Kong Chapter). Mr. Lam is the cousin of Mr. Lam Chung Ho Alastair, the non-executive Director of the Company.

Each of the executive Directors has entered into a service agreement with the Company. The terms and conditions of each of such service agreements are similar in all material respects. The service agreements are initially for a fixed term commencing from the GEM Listing Date until and including the date of the third annual general meeting following the GEM Listing Date and will continue thereafter until terminated by at least three months' written notice or payment in lieu to the other party. As approved by the Remuneration Committee of the Board on 3 February 2016, with effect from 1 April 2016, each of Mr. Wong Man Fai Mansfield and Mr. Lam Arthur shall be entitled to an annual basic salary (exclusive of discretionary bonus) of HK$900,000. The executive Directors' emoluments were determined by the Board with reference to their duties and responsibilities.

NON-EXECUTIVE DIRECTOR

Mr. Lam Chung Ho Alastair, aged 38, is a non-executive Director and a Shareholder holding 9.96% of the issued share capital of the Company as at the date of this announcement. He was the founder of the Group and was appointed as a Director of the Company on 14 December 2011. Mr. Lam does not have a management role and is not involved in the day-to-day management of the Group, but he, together with other executive Directors, takes part in formulating the Group's overall corporate strategies and management directions. Mr. Lam is also a director of Synergy Lighting Limited and Synergy Group Worldwide Limited, both are wholly-owned subsidiaries of the Company. Mr. Lam graduated from the University of Wisconsin-Madison, Wisconsin, United States with a Bachelor's degree in Business Administration in August 2001. From 2001 to 2006, Mr. Lam was the accounting executive in Qualipak Manufacturing Limited, a then wholly-owned subsidiary of Qualipak International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Lam has founded a company in 2005, ALGO Limited (進毅發展有限公司) ("**Dissolved Company**"), which engaged in manufacturing and supply of plastic bags and packing materials. According to Mr. Lam, the Dissolved Company was set up with the intent to engage in trading of plastic bags and packaging material. However, not long after the incorporation, Mr. Lam foresaw the decline of the business and decided to scale down and eventually close down the business to prevent any losses and focus on energy saving business instead. The Dissolved Company was dissolved by the Registrar of Companies pursuant to section 291(5) 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) on or about 9 July 2010, under which the Registrar of Companies is of the opinion that the registered office of a company or the name and address of a liquidator or founder member of a company cannot be ascertained, or the Registrar of Companies is of the opinion that a letter or notice to be sent is unlikely to be received by the person to whom it would be directed. The Dissolved Company was not wound up by its sole shareholder or its creditors, and was solvent at the time of its dissolution. As at the Latest Practicable Date, Mr. Lam was not aware of any liability or obligation on him in relation to the dissolution of the Dissolved Company.

Since 1 January 2012, Mr. Lam has been appointed as a member of the Wuhan City Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議武漢市委員會). He has been awarded the "Entrepreneur of Tomorrow" by EFG Bank and CAPITAL Entrepreneur Magazine in 2010; and the "CAPITAL Leaders of Excellence Awards 2011" by CAPITAL Magazine in 2011. Mr. Lam is the cousin of Mr. Lam Arthur, an executive Director.

Mr. Lam has entered into an appointment letter with the Company. He has been appointed with an initial term of three years commencing from the GEM Listing Date subject to termination in certain circumstances as stipulated in the letter of appointment. As approved by the Remuneration Committee of the Board on 3 February 2016, with effect from 1 April 2016, the annual remuneration payable to Mr. Lam for his role as a non-executive Director is HK$216,000. The non-executive Director's emoluments were determined by the Board with reference to his duties and responsibilities.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Koon Yan, aged 52, was appointed as an independent non-executive Director, the chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of the Company on 5 March 2015. He is a practicing and fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting in November 2000. Mr. Chung obtained the fellow membership of The Association of Chartered Certified Accountants in October 2003 and became a member of The Hong Kong Institute of Certified Public Accountants in October 1998, and was also admitted as an associate of The Institute of Chartered Accountants in England and Wales in October 2004. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and has more than 20 years' experience in accounting, auditing and taxation. Mr. Chung has been an independent non-executive director of Great World Company Holdings Limited (stock code: 8003), a company listed on the Stock Exchange, since May 2008 and an independent non-executive director of Asian Citrus Holdings Limited, a company listed on both the Stock Exchange (stock code: 73) and the AIM of the London Stock Exchange (stock code: ACHL), since November 2013. He was an independent non-executive director of China Financial Leasing Group Limited (stock code: 2312) from September 2004 to January 2013, Global Mastermind Holdings Limited (stock code: 8063) (previously known as "**Well Way Group Limited**") from January 2006 to April 2014 and Landsea Green Properties Co., Ltd. (stock code: 106) from June 2009 to July 2013, all of which are listed on the Stock Exchange.

Mr. Cheung Yick Hung Jackie, aged 49, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of the Company on 5 March 2015. Mr. Cheung has been a representative of KGI Asia Limited and KGI Futures (Hong Kong) Limited which carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO respectively since 29 March 2011. Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in November 1995 and as a solicitor of the Supreme Court of England and Wales in May 1997. He graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a degree of Bachelor of Laws and obtained the Postgraduate Certificate in Laws in November 1992 and November 1993 respectively. Mr. Cheung served as a District Councillor of the Central and Western District Council for the period from 1 January 2008 to 31 December 2015.

Dr. Wong Chi Ying Anthony, aged 60, was appointed as an independent non-executive Director, the chairman of the Nomination Committee, member of the Audit Committee and member of the Remuneration Committee of the Company on 5 March 2015. He is currently the vice chairman and an executive director of Ngai Hing Hong Company Limited (stock code: 1047), a company listed on the Stock Exchange, in charge of its research and development centre and responsible for its business development. Dr. Wong was an Associate Professor in the Department of Industrial and Manufacturing Systems Engineering of The University of Hong Kong from 1997 to 2006. He obtained a B. Tech (Hons) degree and a Ph. D degree in Chemical Engineering from The University of Bradford U.K. in December 1980 and in December 1983 respectively. Dr. Wong became a Corporate Member of The Institution of Chemical Engineers (MIChemE) and Chartered Engineer (C.Eng) of the Engineering Council, UK, in November 1999 and December 1999 respectively. On 1 June 2004, he obtained a status as a Chartered Scientist (CSci) from The Institution of Chemical Engineers and The Science Council, UK. He was also admitted as a member of The Hong Kong Institution of Engineers on 16 March 2000.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The terms and conditions of each such letters of appointment are similar in all material respects. Each of the independent non-executive Directors are appointed with an initial term of three years commencing from the GEM Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. As approved by the Remuneration Committee of the Board on 3 February 2016, with effect from 1 April 2016, the annual remuneration payable to the independent non-executive Directors for their role as independent non-executive Director is HK$216,000. The independent non-executive Directors' emoluments were determined by the Board with reference to their duties and responsibilities.

Save as disclosed above, there is no other information relating to the Directors which needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Tong Man Chun, aged 42, is the chief financial officer of the Group since December 2011 and was appointed as the company secretary of the Company on 16 December 2014. He is responsible for the Group's financial planning and management, and corporate governance. He is a Certified Public Accountant in Australia and member of The Hong Kong Institute of Certified Public Accountants. Mr. Tong graduated from the University of South Australia, Australia with a Bachelor's Degree in Accounting in March 1997. Mr. Tong was admitted as a Certified Public Accountant in Australia in October 2001 and was admitted as a member of The Hong Kong Institute of Certified Public Accountants in September 2005. Prior to joining the Group, he has over 16 years' experience in accounting, taxation, financial reporting and consultancy management and had worked in various corporate services companies and certified public accountants firms in Hong Kong and held various positions such as senior management consultant.

Save as disclosed above, the Directors and senior management of the Group did not hold any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas, in the three years immediately preceding the Latest Practicable Date.

REGULAR PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Listing Rules.

COMPLIANCE WITH THE LISTING RULES

The Board confirms that all pre-conditions for a transfer of listing under Rule 9A.02 of the Listing Rules have been fulfilled in relation to the Company and the Shares as at the date of this announcement.

KEY FINANCIAL INFORMATION

The following table sets forth the selected information of the Group's consolidated financial statements for the four years ended 31 March 2016:

	For the year ended 31 March							
	2013		**2014**		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Revenue								
– Trading of lighting products	27,179	*38.4*	42,059	*52.7*	74,856	*67.2*	78,896	*60.7*
– Consultancy Service	34,992	*49.4*	27,856	*34.8*	27,807	*24.9*	29,789	*22.9*
– Leasing service of lighting systems	8,672	*12.2*	10,020	*12.5*	8,831	*7.9*	21,383	*16.4*
Total revenue	70,843	*100.0*	79,935	*100.0*	111,494	*100.0*	130,068	*100.0*
Gross profit	49,825		50,994		63,839		69,213	
Profit attributable to the owners of the Company	22,062		23,538		26,229		35,402	

The following table shows a breakdown of the Group's revenue by geographical areas for the four years ended 31 March 2016:

	For the year ended 31 March							
	2013		2014		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	45,170	*63.8*	42,873	*53.6*	46,877	*42.1*	51,146	*39.3*
Overseas	25,673	*36.2*	37,062	*46.4*	64,617	*57.9*	78,922	*60.7*
Australia	8,190	*11.5*	3,853	*4.8*	22,305	*20.0*	35,999	*27.7*
Indonesia	42	*0.1*	52	*0.1*	221	*0.2*	10,727	*8.3*
Japan	10,065	*14.2*	23,594	*29.5*	34,471	*30.9*	19,192	*14.8*
Malaysia	4,080	*5.8*	5,859	*7.3*	552	*0.5*	3,818	*2.9*
Others	3,296	*4.6*	3,704	*4.7*	7,068	*6.3*	9,186	*7.0*
Total:	70,843	*100.0*	79,935	*100.0*	111,494	*100.0*	130,068	*100.0*

The table below shows an analysis of the Group's leasing service contracts on hand as at 31 March 2016:

As at 31 March 2016	**Number of contracts**	**Value of contracts** *HK$ million*
Hong Kong	92	19.9
Indonesia	46	65.6
Malaysia	5	10.1
	143 *(Note)*	95.6 *(Note)*

Note: Out of the 143 leasing service contracts on hand as at 31 March 2016, 102 contracts with a total contract value of HK$39.4 million have completed contract deployment and accordingly a contract value of HK$30.4 million out of such HK$39.4 million has been recognised as the Group's revenue for the past years and up to 31 March 2016.

Revenue

For the year ended 31 March 2016, the Group recorded total revenue of HK$130.1 million, representing an increase of 16.7% as compared to HK$111.5 million for the year ended 31 March 2015.

For the year ended 31 March 2016, the Group recorded a success in its leasing service segment. This was mainly attributable to its continuous effort in expanding into the overseas markets, in view of the increase in awareness of environmental protection and growing global demand for energy saving services and products in order to meet carbon emission reduction targets. The Group is in different stages of expansion in the overseas markets. While its leasing service business in the Indonesian market has started to generate revenue for the Group, it is also at various stages of business discussions with potential clients in Indonesia, South Africa and Malaysia, ranging from project initiation, MOUs and EMCs negotiation, pilot trial runs to project deployment. For the year ended 31 March 2016, the Group has been successful in expanding its leasing service business both in Hong Kong and overseas. As a result, revenue generated from the Group's leasing service segment increased by 142.1% from HK$8.8 million for the year ended 31 March 2015 to HK$21.4 million for the year ended 31 March 2016, while both of the trading segment and Consultancy Service segment of the Group also recorded a steady growth.

Revenue generated from the Group's trading segment increased by 5.4% from HK$74.9 million for the year ended 31 March 2015 to HK$78.9 million for the year ended 31 March 2016 due to the increase in sales of lighting products. For the two years ended 31 March 2016, the revenue generated from the trading segment in Australia was HK$22.3 million and HK$36.0 million respectively. For the two years ended 31 March 2016, the revenue generated from the trading segment in Japan was HK$34.5 million and HK$19.2 million respectively.

There has been an increasing trend in the revenue generated from the trading segment in Australia since the year ended 31 March 2014. As for the trading segment in Japan, although revenue dropped from HK$34.5 million for the year ended 31 March 2015 to HK$19.2 million for the year ended 31 March 2016, the Group has achieved expansion of its trading business in Japan since 2013, with revenue increased from HK$10.1 million in 2013 to HK$34.5 million in 2015. The Directors believe that the decrease in revenue from the trading segment in Japan was due to fluctuations in the trading cycle which are not uncommon in the industry. The Directors believe that the Group's success in achieving expansion of its business in Japan and Australia could be attributable to the following factors: (i) the Group's continual effort to strengthen its research and development capabilities to customise and manufacture products to meet the market demand; (ii) the Group's effort in giving support to its distributors, including employing additional staff to support the distributor, continuously revising the product lists and marketing materials and providing free samples and test reports to the distributors; and performing regular meetings and visits to Japan and Australia to obtain the latest market information and to update the distributors about the latest technology development of the Group, as well as to meet the end-users on request by the distributors.

As the Group sells the lighting products to overseas distributors for their subsequent sales to their end-users in the overseas markets and the Group is not responsible for the operation of their activities, the Group relies on the overseas distributors to manage their activities and ensure the quality of services provided to the end-users. As such, the Group faces risks related to the non-performance of its overseas distributors. In the event of failure of any overseas distributors to comply with the Group's policies, it could lead to spoil of the "Synergy" brand and unfavourable public perception of the Group and/or its lighting products, which could have an adverse effect on the Group's business, operating results and financial condition. Further, there can be no assurance that the distributors will be able to comply with their obligations under the distribution agreements. If the Group is unable to appoint replacement distributors in the relevant countries, the Group's business, financial condition and results of operations may be adversely affected.

The revenue generated from the Consultancy Service segment for the year ended 31 March 2016 increased by 7.1% to HK$29.8 million from HK$27.8 million for the year ended 31 March 2015 due to the increase in resources we placed in such segment such as additional staff employed for the marketing and promotion of such business segment. Since the year ended 31 March 2013, the revenue generated from the Consultancy Service segment remained relatively stable at approximately HK$30 million. The decrease in the percentage of the Group's revenue contributed by the Consultancy Service segment since the year ended 31 March 2013 was primarily attributed to the expansion of the trading segment and leasing service segment.

During the three years ended 31 March 2016, the Group provided Consultancy Service to two clients for their projects which were mainly located in the PRC. It is the Group's intention to continue to work with these Consultancy Service clients to provide consultancy services to them, and also to work with them to develop potential new markets in the PRC and elsewhere as well as to explore potential clients for the Group's Consultancy Service.

The growth in the Group's revenue since its financial year ended 31 March 2013 was mainly a result of the increase in its leasing service and trading business, while its Consultancy Service business remained largely stable. Apart from the growth in the Group's business segments, the growth in revenue was also attributable to expansion of the Group's business in the overseas markets, with revenue from overseas clients as a percentage to the Group's total revenue increased from 36.2% for the year ended 31 March 2013 to 60.7% for the year ended 31 March 2016, among which was mainly contributed by an increase in overseas leasing business as well as expansion of the Group's overseas trading business. During the same period, revenue from businesses from the Group's clients in Hong Kong remained largely stable, with HK$45.2 million for the year ended 31 March 2013 to HK$51.1 million for the year ended 31 March 2016.

Gross profit

The Group recorded a gross profit of HK$69.2 million for the year ended 31 March 2016, representing an increase of 8.4% as compared to the previous year. The increase is in line with the revenue growth but is partially offset by the decrease in gross profit margin for the year ended 31 March 2016 as compared to the previous year.

The Group's gross profit margin has been dropping from 70.3% for the year ended 31 March 2013 to 53.2% for the year ended 31 March 2016. The drop is resulted from the increase in the Group's undertaking of leasing business and trading of lighting products which have a relatively lower gross profit margin when compared to Consultancy Service. The gross profit margin for the leasing business and trading of lighting products is lower than that of Consultancy Service because the direct costs of Consultancy Service (which mainly included staff salaries and research costs, but do not include material costs and installation costs which are the components of the costs for the leasing service business and trading business) are relatively low as compared to the attributable income. The combined portion of revenue from leasing business and trading of lighting products have been contributing an increasing percentage of 50.6%, 65.2%, 75.1% and 77.1% to the Group's total revenue for the years ended 31 March 2013 to 31 March 2016 respectively. The growth in the Group's leasing service and trading business is in line with the growth in the Group's total revenue over the period.

Cash flows

The Group recorded a net operating cash outflow of HK$2.8 million for the year ended 31 March 2016, which was mainly due to (i) an increase of leasing service projects as at 31 March 2016 in which costs were mainly paid at the initial stage of the lease term while the income would be received evenly over the lease term as evidenced by the increase in the finance lease receivables, resulting in operational cash outflow at the early stage of the lease term; and (ii) an increase in trade receivables which was due to delay payments from two distributors. The net operating cash outflow for the year ended 31 March 2016 was also contributed by the additional expenses of the Group of HK$5.9 million for salaries and overseas travelling for business development so as to further secure the Group's business potentials and projects on hand for the financial year ending 31 March 2017.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company increased by 35.0% from HK$26.2 million for the year ended 31 March 2015 to HK$35.4 million for the year ended 31 March 2016. Excluding the non-recurring listing-related expenses of about HK$15.6 million for the year ended 31 March 2015, the Group's profit for the year ended 31 March 2016 was recorded as HK$35.4 million, representing a 15.4% decrease as compared to HK$41.9 million for the year ended 31 March 2015. The drop was mainly due to (i) an increase in post-listing expenses, which included professional fees and other listing-related expenses, of more than HK$2.4 million; and (ii) an increase in expenses incurred in salary and overseas travelling totaling HK$5.9 million for business development so as to further secure the Group's business potentials and projects on hand for the financial year ending 31 March 2017.

Inventories and trade receivables

The following table shows the Group's inventories and average inventory turnover days for the periods indicated:

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Inventories	405	195	13,721

	For the year ended 31 March		
	2014	**2015**	**2016**
Average inventory turnover days	7	3	50

The increase in the Group's inventories to HK$13.7 million as at 31 March 2016 and hence the increase of average inventory turnover days to 50 days was mainly due to an increase of projects pending or during installation stage or secured by the Group as at 31 March 2016. With some of such pending projects completed by 30 June 2016, certain of the inventories was subsequently utilised. As at the Latest Practicable Date, all the inventories as at 31 March 2016 have been utilised.

The following table shows the Group's trade receivables and average trade receivable turnover days for the periods indicated:

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	69,897	58,550	84,941

	For the year ended 31 March		
	2014	**2015**	**2016**
Average trade receivable turnover days	260	210	201

The Group's average trade receivable turnover days has been improving. As at the Latest Practicable Date, HK$51.2 million of the Group's trade receivables as at 31 March 2016 has been settled, representing 60.3% of the total amount of its trade receivables as at 31 March 2016.

The outstanding trade receivables as of 31 March 2016 was mainly related to delay payments from two of our distributors. To the best understanding of the Directors, these two distributors are in the course of developing customers in their respective markets and require intensive capital investment to do so. However, based on the historical payment pattern and with several settlements received from these two distributors after 31 March 2016, which represented 71.6% and 51.2% of the total amount due from them respectively, the Group is satisfied with the credit status of such two distributors.

Analysis of operational and financial performance of the Group after 31 March 2016

The following table sets out the Group's revenue, gross profit and gross profit margin and a breakdown of revenue, gross profit and gross profit margin by business segment, for the three months ended 30 June 2016 which is extracted from the Group's unaudited management accounts for the same period:

	For the three months ended 30 June 2016			
	Leasing service	**Trading**	**Consultancy Service**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	35,244	23,791	–	59,035
Cost of sales	19,377	16,296	123 *(Note)*	35,796
Gross profit/(loss)	15,867	7,495	(123) *(Note)*	23,239
Gross profit margin	45.0%	31.5%	N/A	39.4%

Note: During this period, the Group did not record any income from Consultancy Service. The amount of HK$123,000 represents the amount of the Group's costs incurred for the Consultancy Service segment during the period.

For the three months ended 30 June 2016, the Group recorded a total revenue of HK$59.0 million, representing an increase of 118.3% as compared to HK$27.0 million for the three months ended 30 June 2015.

Revenue generated from the leasing service segment increased by almost 12 times from HK$2.7 million for the three months ended 30 June 2015 to HK$35.2 million for the three months ended 30 June 2016, such increase was mainly a result of our recent rapid development in the Indonesian market. Our Group completed the first deployment of its leasing service contracts in Indonesia in December 2015. Since December 2015 and up to 30 June 2016, the Group has completed the deployment of 43 leasing service contracts out of a total of 83 leasing service contracts signed on or before 30 June 2016 with its client in Indonesia. The end-users of the leasing services, to the Directors' best knowledge and belief, are companies within a major conglomerate group headquartered in Indonesia. For the two years ended 31 March 2016, the revenue generated from the leasing service segment in Indonesia was nil and HK$10.7 million respectively.

The rapid development of the Group's leasing services in the Indonesian market is mainly due to successfully securing sizable leasing service contracts serving a major Indonesian conglomerate group which operates substantial number of commercial buildings and shopping malls. The Directors believe that the Group's success in achieving expansion in its leasing services in Indonesia could be attributable to, among others, the following factors, most of which the Directors' believe stemmed from the Group's solid track record in providing leasing services in Hong Kong: (i) the Group has been delegating more manpower and resources to penetrate into the Indonesian market through marketing activities, and introduction of the Group credentials in the energy saving business to target potential customer(s), and the Group's successful implementation of its business expansion strategy to focus on target customer(s) which are member(s) of sizable groups of companies, and being key player(s) in the Group's targeted business field(s), such as owners, developers or managers of large commercial and retail development, shopping malls, carparks, etc.; (ii) the Group's research and development team being able to customise the products efficiently for use by different clients according to their needs; (iii) the Group's experience and capability to manage the original equipment manufacturers (OEM) effectively including approval of designs and production of customised products with high quality so that the Group is able to cater the customers' requests efficiently; (iv) the Group's ability to carry out services in a timely manner by making use of the Group's project management experiences; and (v) the ability to provide incentives to potential customers by offering more savings to them compared to other energy saving services and products.

The Directors further believe that when compared to other companies in the Indonesian market which mainly focus on trading of energy saving products, the Group's leasing service would be more competitive and attractive to potential customers since (i) the leasing services provided by the Group do not require capital expenditure from customers; and (ii) the Group's technology and capability in achieving energy savings (proven by the Group's track record) would reduce customers' spendings on energy, and thus reducing their overall operating costs. The Group also believes that the successful deployment of its energy saving products for use in commercial buildings and shopping malls operated by the major Indonesian conglomerate group could be significant illustration of the Group's capability and also sustainability of its business strategy which, in turn, could lead to more potential business opportunities for the Group.

Revenue generated from the Group's trading segment for the three months ended 30 June 2015 and 2016 remained stable at HK$24.3 million and HK$23.8 million, respectively.

For the three months ended 30 June 2015 and 2016, the Group did not record any Consultancy Service income.

The following table shows a breakdown of the Group's revenue by geographical areas for the three months ended 30 June 2016:

	HK$'000	*%*
Hong Kong	9,612	16.3
Overseas	49,423	83.7
Australia	7,289	12.3
Indonesia	31,015	52.5
Japan	8,649	14.7
Malaysia	2,469	4.2
Others	1	0.0
	59,035	100

For the three months ended 30 June 2016, the Group's distributors, business partners and employees remained stable.

The following table shows an analysis of the Group's new leasing service contracts procured after 31 March 2016 and up to the Latest Practicable Date:

New contracts procured after 31 March 2016	**Number of contracts**	**Value of contracts** *HK$ million*
Hong Kong	8	1.3
Indonesia	102	100.9
Malaysia	4	7.1
	114	109.3

Application of GEM Listing proceeds

The net proceeds from the GEM Listing, after deducting the underwriting commission and other expenses in connection with the GEM Listing, amounted to approximately HK$7.1 million. As at 30 June 2016, the Group has utilised HK$3.3 million of the net proceeds, which represented 46.5% of the net proceeds from the GEM Listing. Set out in the following table are details of the Group's application of the GEM Listing proceeds as at 30 June 2016:

	(accumulated) *HK$ million*	**% over total proceeds**
Expansion of the Group's business in international markets	1.1	15.5%
Expansion of the Group's business in the PRC	0.4	5.6%
Expansion of the Group's business in HK	0.7	9.9%
Marketing activities to enhance the Group's brand image and recognition	0.6	8.5%
Enhance our research and development capabilities	0.5	7.0%
Total	3.3	46.5%

Guarantees

As disclosed in the 2015/2016 annual report of the Company, a Hong Kong subsidiary of the Group has committed to provide corporate guarantees ("**Guarantees**", each a "**Guarantee**") to two independent third parties in Malaysia in respect of equipment lease agreements entered into between the independent third parties and an associate of the Group.

Pursuant to a guarantee dated 12 September 2014, Synergy Lighting Limited ("**SLL**"), the Hong Kong operating subsidiary of the Group, agreed to guarantee the obligations of Synergy Esco (Malaysia) Sdn. Bhd. ("**SEM (Malaysia)**"), a company wholly-owned by SCML, under an equipment lease agreement entered into between an independent third party ("**Party A**") and SEM (Malaysia). The tenure of the equipment lease was agreed to be 48 months, with a monthly rent payable by SEM (Malaysia) thereunder amounting to RM20,464 (equivalent to HK$40,928).

Pursuant to another guarantee dated 26 March 2015, SLL agreed to guarantee the obligations of SEM (Malaysia) under another equipment lease agreement entered into between an independent third party ("**Party B**") to SEM (Malaysia). This lease agreement covered two equipment leases with different tenure, one of which was agreed to be 59 months with a monthly rent payable by SEM (Malaysia) thereunder amounting to RM20,886.75 (equivalent to HK$41,773.50), and the other was agreed to be 59 months with a monthly rent payable by SEM (Malaysia) thereunder amounting to RM26,836 (equivalent to HK$53,672).

Party A and Party B are overseas financial institutions. The arrangements under both lease agreements were in the form of "sale and lease back" whereby SEM (Malaysia) sold the relevant equipment to Party A and Party B, and each of Party A and Party B then leased the equipment back to SEM (Malaysia) for its use during the tenure at an agreed monthly rental. So far as the Directors are aware, sale and lease back arrangements are commonly used in equipment financing whereby the original owner (or buyer) of the equipment can retain possession and use of the equipment while not having to tie up the capital required for the equipment.

The Directors believe that the Guarantees were provided by the Group due to the following reasons:

(a) as SCML has a broad shareholder base, it is difficult for all the shareholders of SCML to agree to provide the guarantee proportionately; and

(b) the Group is given to understand that Party A and Party B preferred corporate guarantees over personal guarantees, especially due to the reason that the Group is a listed company in Hong Kong which is generally entrusted by the public.

As the Group values the synergy of new businesses which SCML could bring in to the Group, the Group decided to provide such guarantees to SCML in order to assist SCML to further develop their business and to bring in new businesses to the Group at the same time.

Prospects and business strategies

Prospects

The Directors believe that since the beginning of the large scale development of energy saving business in the late 1980s or early 1990s with its principal aim to combat with rising energy costs, there has also been increasing awareness of environmental protection around the globe due to severe climate change. The Group is optimistic towards the outlook of the energy saving business because of the increasing need for energy efficiency for the environment as well as the need for costs saving. After the announcement of the 2015 Paris Climate Conference, the Directors believe that there has been an increase in the awareness of environmental protection, carbon emission reduction commitment and demand for energy saving services and products, especially in countries in Asia and South Africa. The Directors also believe that governmental regulations on energy efficiency and the need to control or reduce operating costs for most corporations also drive the demand for energy saving services and products.

Riding on the anticipated increasing demand for energy saving services and products, the Group will continue to take proactive business strategies to develop and expand its energy saving services and products offerings. The Group will continue to expand its business in the domestic and global markets through customisation of its lighting products, appointment of distributors and entering into strategic partnerships with potential business partners worldwide. With the growing global demand to meet carbon emission reduction targets, the Group targets to continue to build on its energy saving business track record in Hong Kong to expand locally in Hong Kong and overseas, especially those potential markets in Asia and South Africa.

In particular, the Group has the following business strategies.

Business strategies

Continue using EMC model to develop the leasing service segment of the Group and expand its leasing service to overseas markets

The Group's leasing services comprise a full range of services along the business value chain from advising on lighting solutions to provision of after-sales services. The contract which the Group enters into in respect of its leasing services is generally referred as EMC. Before the Group enters into EMCs with its customers, the Group provides on-site electricity consumption assessment using its calibrated measuring devices. Based on the on-site data obtained, the Group would propose different energy saving lighting products for its customers. During the term of the EMC, the Group leases the lighting products to its customers with the objective to achieve significant electricity consumption savings for its customers. The Group charges a pre-determined fixed monthly leasing fee which represents a portion of the estimated savings on the customers' electricity charges after replacing their existing lighting products with the Group's proposed lighting products based on the assessment results. The Group provides the same type of leasing services to its local and international customers.

The Group's leasing services can be classified as operating leases or finance leases depending on the term of the EMC and the lifetime of the lighting products leased to the customer under the EMC. The Company will classify an EMC as a finance lease when the term of the EMC covers a substantial period of the lifetime of the lighting products leased to the customer under the EMC, or when the title of the lighting products will be transferred to the customer upon expiry of the term of the EMC. Currently, save for a small portion of the Group's revenue from its leasing segment in Hong Kong are from operating leases, almost all of the revenue from the Group's leasing segment in Hong Kong and all revenue from the Group's leasing segment overseas are from finance leases. The Directors believe that the large proportion of finance leases in the Group's leasing service business in recent years was mainly due to growing trend of the Group's leasing service customers who intend to enter into longer term of contract with the Group in view of the Group's established track record and credentials of continuous successful energy saving projects.

The Directors believe that the Group faces the following operating risks in respect of the finance leases and operating leases of the Group's leasing business:

(a) credit risk – the leasing services provided by the Group are subject to the risk that customers or counterparties may delay or fail to perform their contractual obligations. Any material non-payment or non-performance by customers or counterparties could adversely affect the Group's financial position, results of operations and cash flows. Under an operating lease, the Group will incur bad debt if the leasing customer fails to settle the leasing fees pursuant to the terms of the EMC. However, during the term of an EMC, if the customer or counterparty is unable to settle the remaining lease receivables pursuant to the terms of the EMC, under a finance lease, the Group will write off a larger amount of bad debt when compared to an operating lease since the majority of the lease receivables under a finance lease have been recorded as revenue upon completion of deployment of the lighting products to the customer. Accordingly, the impact of credit risk on the Group's results will be higher in the case of a finance lease if the customer is unable to settle the remaining lease receivables pursuant to the terms of the EMC when compared to an operating lease. In order to minimise the credit risk faced by the Group, the Group assesses the credit quality of each potential customer before accepting any new leasing service contract. Besides, the management of the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts; and

(b) foreign exchange risk – the Group will be exposed to foreign exchange risk when providing leasing services to overseas customers since the revenue from the overseas countries is denominated in currencies other than Hong Kong dollar and the terms of EMC contracts are generally at least three years. In view of the long contract term of the EMC, the Group's respective finance lease receivable is subject to exchange rate fluctuations. Currently, the Group does not adopt any foreign currency hedging measures. However, the Group will monitor its foreign exchange exposure and will consider hedging the foreign currency exposure should the need arises.

The Group's leasing service segment has been expanding, with its revenue contribution as a percentage to the Group's total revenue increased from 12.2% for the year ended 31 March 2013 to 16.4% for the year ended 31 March 2016. With the leasing service contracts on hand as at 31 March 2016 and the new contracts procured since 1 April 2016 and up to the Latest Practicable Date, the Group is positive with the increase in revenue from its leasing service segment for the year ending 31 March 2017 and ahead. It is anticipated that there will be an increase in revenue from the leasing service segment from Indonesia and Malaysia for the year ending 31 March 2017 due to the increase in leasing services provided to the Indonesian and Malaysian customers which own a substantial number of shopping malls and commercial buildings.

Benefiting from the credentials of continuous successful energy saving projects completed by the Group, together with providing one stop energy saving solutions, the Group had successfully penetrated into a number of overseas markets during the year ended 31 March 2016, including among others, Indonesia and Malaysia, for its leasing business. As at the Latest Practicable Date, the Group was in active business negotiation to provide leasing services to a major retailer which owns and operates supermarket stores throughout South Africa. The Group has completed trial run in selected outlets of such potential client and it is expected that the parties will go into commercial negotiation of the leasing service contracts in due course.

The Directors have been actively pursuing different opportunity to expand into overseas market with high potential, including Indonesia. The Group started its business in Indonesia in mid 2015 when a Director was acquainted with a business associate from a business gathering in early 2015 who is an Indonesian and engaged in variety of businesses including provision of cleaning services in malls and commercial buildings in Indonesia. Through such business associate, the Group was able to leverage on its solid track record in providing leasing services in Hong Kong and secure sizable leasing service contracts serving end-customers in Indonesia, namely, an Indonesian conglomerate group which operates substantial number of commercial buildings and shopping malls. The Group completed the first deployment of its leasing service contracts in Indonesia in

December 2015. In addition, the Group has started to work closely with certain overseas financial institutions to expand its business among the clientele or business connections of these institutions in Indonesia, and the Directors believe that these financial institutions may provide financing to the Group for its business expansion. Going forward, the Group will continue to approach its potential customers in Indonesia through business connections and referrals to further establish itself in the Indonesian market.

With its successful penetration into the Indonesian and Malaysian markets, the Group intends to continue to build on its business track record in Hong Kong and those overseas countries to expand its leasing business with existing clients as well as broaden its client base to include more potential clients in those countries as well as other potential overseas markets.

Other than the operating risks in relation to the Group's leasing business as set out above, the Directors believe that the Group faces the following risks during the expansion of its leasing services in the overseas market:

(a) economic and market instability risk – external factors such as financial crisis or economic recessions in the overseas markets could adversely affect the Group's business, operating results, financial conditions, and prospects. The demand for energy saving services and products may decrease if the level of consumption in the overseas markets is affected by such changing market conditions and hence the Group's business, operating results and financial conditions may be adversely affected; and

(b) political risk – including but not limited to, the possible enactment of stricter environmental protection laws, imposition of restrictions on the provision of energy saving services, strained or altered foreign relations, unfavourable labour conditions or employee strikes, could limit the Group's ability to enter into certain overseas markets, or lead to project disruptions and losses of personnel and assets, which could affect the Group's overseas expansion, overall financial condition and profitability. Taking the political condition in Indonesia as an example, having more than 30 provinces, the central government of Indonesia delegates power of governance to regional governments. The election of the regional governments may be tainted by corruption and violations of rules and regulations regarding the election. This may lead to social unrest which may affect the Group's operation and/or expansion in the Indonesian market.

Other than the above risks faced by the Group during its expansion of the leasing business in the overseas market, the Directors believe that the Group faces the following risks in relation to provision of leasing services in the Indonesian market:

(a) geological risk – Indonesia is located in a volcanically active region and is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves. A significant earthquake, geological disturbance or tsunami affecting any of Indonesia's more populated cities could severely disrupt the Indonesian economy. If the Indonesian government is unable to timely deliver aid to the affected communities, political and social unrest could result, which could affect the Group's operation and/or expansion in the Indonesian market, overall financial condition and profitability; and

(b) labour risk – the services provided by the Group under an EMC include deployment and installation of lighting products to the customers, which involve local labours. If the Indonesian regulations permitting the formation of labour unions continue to liberalise and economic conditions weaken, labour unrest and activism may increase. Labour unrest, activism or disputes could have an adverse effect on the Group's business and financial conditions, and the non-performance of labours (for example, when during strike) could have unfavourable impact on the customers' perception of the Group.

Continue to develop its trading of lighting products business through appointment of distributors and expanding its products offerings

To continue to expand its trading business in the overseas markets, the Group will continue to explore suitable new overseas markets for its energy saving lighting products and identify suitable distributors with wide distribution networks or other strategic partners to cooperate with in expanding its clientele globally. The Group will also continuously evaluate the performance of its existing distributors and work with them to expand the Group's sales in those areas.

As disclosed in the prospectus of the Company dated 13 March 2015, the Group plans to hire additional sales and marketing professionals to work with its distributors to strengthen its marketing activities. The additional sales and marketing professionals are also expected to seek new business opportunities for direct sales or distributorship of the Group's lighting products in other potential overseas markets.

Apart from expanding the coverage of its distributorship and business network, the Group will continue to expand its product range to enrich its products offerings to cater for the needs of its existing and potential clients.

Continue to expand in the PRC markets through offering Consultancy Service

During the three years ended 31 March 2016, the Group provided Consultancy Service to two clients for their projects which were mainly located in the PRC. It is the Group's intention to continue to work with these Consultancy Service clients to provide consultancy services to them, and also to work with them to develop potential new markets in the PRC and elsewhere as well as to explore potential clients for the Group's Consultancy Service.

Impact of future plans and strategies on the Group

It has been the Group's strategy to expand into potential overseas markets. With the encouraging results of the Group's expansion of its leasing services in Indonesia, Malaysia and South Africa, the Directors expect that the Group will continue its business strategy to expand its leasing business, and if the growth of the Group's leasing services continues, it is expected that the leasing service segment would become the Group's core business direction and business segment in the future.

In view of the Group's leasing service contracts on hand as at 31 March 2016 and new contracts procured since 1 April 2016 and up to the Latest Practicable Date, as well as the Group's strategic partnership with overseas financial institutions for its leasing business, it is expected that revenue from the Group's leasing service segment will increase for the year ending 31 March 2017, whereas revenue from the trading and Consultancy Service segments of the Group is expected to remain stable for the year ending 31 March 2017. The Group expects to generate revenue from its leasing services in South Africa in the last quarter for the year ending 31 March 2017 subject to the successful conclusion of the leasing service contract(s) with the potential client. The Group's strategic partnership with overseas financial institutions for its leasing business is in the form of factoring arrangement and potential equipment leasing arrangement, for further information in relation to such arrangements, please refer to the paragraph headed "Working capital of the Group" below.

It is noted that the gross profit margin for leasing service segment of the Group has improved in the three months ended 30 June 2016 when compared with that for the year ended 31 March 2016, but due to the fact that the gross profit margin for the leasing service segment has a relatively lower gross profit margin when compared to Consultancy Service, the expected increase in revenue contribution from the leasing service segment will lead to a corresponding drop in the proportion of revenue from Consultancy Service business (which has the highest gross profit margin) which in turn will lower the overall gross profit margin of the Group. It is currently expected that the overall gross profit margin of the Group for the year ending 31 March 2017 will decrease slightly as compared to that for the year ended 31 March 2016 as a result of the increase in revenue contribution from the leasing service segment.

The Group's cost of sales mainly comprises material costs, installation expenses, research and development expenses, depreciation of lease lighting systems, warranty costs and transportation costs; with material costs, installation costs and research and development expenses being the major components of the cost of sales for the leasing service segment. With the expected expansion of the leasing service segment, it is expected that the Group would incur more costs for materials, research and development and installation expenses for implementation of the leasing projects.

Working capital of the Group

Following the expansion in the leasing service segment, in particular the overseas markets, it is anticipated that the Group will require more working capital for (i) purchase of equipment and lighting products for provision of leasing service; (ii) recruitment of additional support staff mainly for provision of leasing service; and (iii) meeting overseas travel expenses incurred in developing the new overseas markets. Hence, the short term capital requirement of the Group is expected to increase, and it is expected that the Group will satisfy its short term capital requirement through a combination of internal resources as well as external financing. The Group has (i) liaised with commercial banks to increase the facility amount of its banking facilities, these facilities are generally long term in nature with repayment period of five years; (ii) negotiated with a commercial bank which has extensive business coverage in Asia, especially in Indonesia and Malaysia, to provide commercial banking financing as well as exploring opportunity to provide structured financing to suit the development of the leasing service segment of the Group in Indonesia and Malaysia. As at the Latest Practicable Date, the Group (i) has obtained a new loan facility of HK$35 million with repayment period of five years from a commercial bank; (ii) was pending approval of a credit facility with a principal amount of HK$6.6 million from an international leasing company; and (iii) was in negotiation of a loan facility with a commercial bank.

The Group has also in place factoring arrangement with an international leasing company whereby the Group could sell its accounts receivables resulting from the monthly leasing fees of the Group's leasing business to such leasing company, if required, to satisfy the Group's short term capital requirement. Pursuant to the factoring arrangement, the customers of the Group's leasing services will remit payments to the leasing company instead. Details of the factoring arrangement such as interest rate and the terms of the payment will be determined between the Group and the leasing company on a case-by-case basis. Under the factoring arrangement, since the accounts receivables of the Group are sold to the international leasing company, the credit risk faced by the Group arising from default in payment of monthly leasing fees by the Group's leasing service customers will be reduced.

In addition, the Group has formed strategic partnership with overseas financial institutions for potential equipment leasing arrangement to support its overseas leasing business. Although no formal agreement in relation to the strategic partnership has been entered into by the Group as at the date of this announcement, the Directors understand that other than introducing and referring the Group's leasing services to the customers of these overseas financial institutions, it is mutually agreed between the Group and the overseas financial institutions that if so required, the Group is able to satisfy its short term and long term capital requirement by entering into equipment lease agreements with overseas financial institutions on a project-by-project basis.

Those equipment lease agreements are in the form of "sale and lease back" arrangements which are commonly used in equipment financing whereby the Group can retain possession and use of the equipment while not having to tie up the capital required for the equipment. Such equipment financing arrangement is similar to the equipment lease agreements entered into between an associate of the Group and the overseas financial institutions as set out in the paragraph headed "Guarantees" above, and has been adopted to finance certain project sites in respect of the Group's overseas leasing business. The Directors believe that going forward, the Group and these international financial institutions will continue to cooperate and enter into arrangements including but not limited to factoring arrangement and equipment financing to satisfy the Group's short term capital requirement if so required.

The Directors believe that going forward, the Group will be exposed to foreign exchange risk. As it is expected that there will be an increase in revenue from the leasing service contracts in Indonesia and Malaysia for the year ending 31 March 2017, and the revenue from these overseas countries is denominated in currencies other than Hong Kong dollar, the Group will be exposed to foreign exchange risk due to exchange rate fluctuations. For example, if there is a depreciation of the Indonesian Rupiah or Malaysian Ringgit against the Hong Kong dollar, the Group's profit before tax will decrease. After considering the current and future exchange rate level and the foreign currency market for Indonesia and Malaysia, the Group does not adopt any foreign currency hedging measure as at the Latest Practicable Date. However, the Group will monitor its foreign exchange exposure and will consider hedging the foreign currency exposure should the need arises.

The Group's exposure to overseas taxation in relation to its leasing business

During the year ended 31 March 2016, the Group expanded its leasing service segment in the international market. For the year ended 31 March 2016, all revenue from the Group's leasing services provided to overseas customers were classified as finance lease and the revenue was recognised upon completion of deployment of the lighting products. In respect of the Group's tax exposure, since the Group provides leasing services to its overseas customers in Hong Kong and it does not have any overseas operating subsidiaries, the Group's overseas leasing service customers settle their lease payments to the Group through overseas remittance and they withhold a portion of the lease payments based on the applicable withholding tax rate. The Group receives settlement from these overseas customers net of withholding tax.

In respect of the Group's exposure to risk relating to transfer pricing, the Directors have considered the following: (1) the Group provides the leasing services directly to the overseas independent customers and an associate, and does not involve any companies in the Group in overseas, and the terms of transactions are mutually agreed based on normal commercial negotiations; and (2) the Group provides its leasing services directly to its overseas customers in Hong Kong. Accordingly, the Group is subject to income tax in Hong Kong in respect of the overseas leasing services it provides.

Based on the aforementioned, the Directors consider that the Group is not exposed to other tax risks.

Future intention to acquire additional equity interest in SCML

The Group first acquired 27.17% interest in SCML in April 2011 as the Group would like to expand into the energy saving air-conditioning and cooling management business. As disclosed in the Company's announcement dated 6 October 2015 (the "**Announcement**"), pursuant to a sale and purchase agreement dated 6 October 2015 and entered into among Synergy Worldwide as purchaser and Fuqi Holdings Limited as vendor, Synergy Worldwide acquired 9.42% interest in SCML, an associated company of the Group, at a consideration of HK$19.5 million. Upon completion of such acquisition, the Group's interest in SCML increased from 27.17% to 36.59%.

As disclosed in the Announcement, the consideration for the acquisition was determined based on normal commercial terms and after arm's length negotiations between the relevant parties; and the Group has also taken into consideration the growth potential and business outlook of the SCML group of companies, the potential business synergy between the energy saving air-conditioning and cooling management business of SCML and the energy saving business of the Group, the potential sharing of resources and service and product offerings, as well as the potential broadening of client base of the Group through the client base and business connection of SCML. The Directors believe that the acquisition can further broaden the Group's industry experience and service offerings into the area of air-conditioning and cooling management solutions which would be beneficial to the Group as a whole as an energy saving solutions provider. This is because the Directors believe that the potential sharing of customer base of the SCML group could create synergy between the lighting business and the cooling business, and it could also further strengthen the Group's market positioning to be a one-stop energy saving solutions provider given the electricity consumption for the use of lighting and cooling appliances represent around 80% of the commercial electricity consumption as a whole. Moreover, as potential or target clients of the Group's leasing business are mostly large corporations or owners or operators shopping malls, hypermarkets or supermarkets, large scale chain stores, commercial or office buildings, car parks or property developers or property management companies, which utilise relatively substantial amount of electricity in the properties which they manage or operate, the Directors also believe that the ability to position the Group with capabilities and expertise, and also the ability to pull resources and manpower, to provide energy saving solutions for both the lighting and cooling aspects to suit potential or target clients' energy saving requirements, could enhance the Group's business bargaining power and potentials to obtain businesses for the Group. With the potential benefits of business positioning and joint marketing efforts, it could also benefit the SCML group and enhance their ability to obtain cooling business for their group which, in turn, could benefit the Group as a whole.

During the year ended 31 March 2016, the Group's revenue from overseas leasing business increased substantially, with a majority of the increment contributed from business generated from Indonesia and Malaysia. During such period, the Group and SCML together had successfully captured new businesses from both Malaysia and Indonesia, which new businesses contributed to both the revenue of the Group and the revenue of the SCML group of companies.

As at the Latest Practicable Date, the Group has obtained 9 leasing service contracts in Malaysia with a total contract value of HK$17.1 million through the introduction or synergy created from the sharing of expertise, resources and service offerings, and potential client base and connections with SCML. The Directors also believe that the successful penetration of the Group into the Indonesian market and its ability to obtain sizable leasing service contracts serving major Indonesian conglomerate end-user could also be partly attributed to the ability of the Group to position itself and its associate companies as a one-stop energy saving solutions provider for both lighting and cooling solutions because such end-user group owns and operates substantial number of commercial buildings, shopping malls and property developments of various types which utilise relatively substantial amount of electricity for lighting and cooling equipment in the properties which they manage or operate. SCML group companies also generated revenue from the provision of cooling management solutions to such end-user group during the year ended 31 March 2016. The increase in the Group's leasing business in the Indonesian and Malaysian markets, not only increases the total revenue of the Group, but also further strengthens the Group's business track record and paves the way for the Group's further growth in those markets as well as other potential overseas markets.

The Directors consider that the strategic value in the acquisition of further interest in SCML has been materialised. The Group does not preclude further strategic acquisition of interest in SCML in the future when suitable opportunities should arise; however, the Group currently does not have any intention to acquire further interest in SCML.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the websites of the Company at www.synergy-group.com and the Stock Exchange at www.hkexnews.hk and www.hkgem.com:

1. the memorandum of association and Articles of the Company;

2. the first quarterly report of the Company for the three months ended 30 June 2016;

3. the Directors' report and annual report of the Company for the year ended 31 March 2016;

4. the interim report of the Company for the six months ended 30 September 2015;

5. the circular of the Company dated 5 August 2016 in relation to the proposals for grant of general mandates to issue new shares and repurchase shares, re-election of director and notice of annual general meeting;

6. the circular of the Company dated 26 June 2015 in relation to the proposals for grant of general mandates to issue new shares and repurchase shares, re-election of director and notice of annual general meeting; and

7. each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the Listing Rules and the GEM Listing Rules.

DEFINITIONS

"Articles"	the articles of association of the Company
"Board"	the board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Synergy Group Holdings International Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM

"Consultancy Service(s)"	consultancy service(s) provided by the Group to third parties in assisting them in providing leasing service of lighting systems in their markets
"Director(s)"	the director(s) of the Company
"EMC(s)"	energy management contract(s)
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing"	the listing of Shares on the GEM in March 2015
"GEM Listing Date"	the date on which the Shares were listed on GEM, being 24 March 2015
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended from time to time
"Group"	the Company and its subsidiaries from time to time
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Latest Practicable Date"	14 October 2016, being the latest practicable date prior to the issue of this announcement for ascertaining certain information contained in this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"MOU(s)"	memorandum of understanding
"PRC"	the People's Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RM"	Malaysian Ringgit, the lawful currency of Malaysia
"SCML"	Synergy Cooling Management Limited, a company incorporated in the British Virgin Islands on 1 April 2011
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 5 March 2015
"Shareholder(s)"	the holder(s) of Share(s)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Synergy Worldwide"	Synergy Group Worldwide Limited, a company incorporated in the British Virgin Islands on 8 August 2008, a wholly-owned subsidiary of the Company and was interested in 36.59% in SCML
"Transfer of Listing"	the transfer of listing of the Shares from GEM to the Main Board pursuant to the Listing Rules

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

Hong Kong, 17 October 2016

As at the date of this announcement, the Board comprises:

Executive Directors	*Mr. Wong Man Fai Mansfield* *Mr. Lam Arthur*
Non-executive Director	*Mr. Lam Chung Ho Alastair*
Independent non-executive Directors	*Mr. Chung Koon Yan* *Mr. Cheung Yick Hung Jackie* *Dr. Wong Chi Ying Anthony*

For the purpose of this announcement, unless otherwise specified, conversions of RM into HK$ are based on the approximate exchange rate of RM1 to HK$2.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the websites of GEM at www.hkgem.com on the "Latest Company Announcements" page for seven days from the day of its posting, the Stock Exchange at www.hkexnews.hk and the Company at www.synergy-group.com.