SYNERGIS HOLDINGS LIMITED
昇捷控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 02340)

IMPAIRMENT LOSS ON GOODWILL AND PROFIT WARNING

This announcement is made by Synergis Holdings Limited (the "Company" and together with its subsidiaries, the "Group") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the "Board") of the Company wishes to inform the shareholders of the Company (the"Shareholders") and potential investors that based on the preliminary review of the Board, there is an impairment loss on the goodwill of the Company to be accounted in the financial statements of the Group for the year ended 31 December 2017, primarily resulting in a loss not less than HK$50 million to be recorded as compared to a loss of approximately HK$40 million for the corresponding period in 2016.

IMPAIRMENT LOSS ON GOODWILL

(1) Reasons for Impariment Loss on Goodwill

The Company acquired interiors and special projects business (the "ISP Business") in late 2012 (the "Acquisition"), which are the provision of alteration and addition, demolition, renovation and conservation, fitting-out, maintenance and construction works in Hong Kong, Mainland China and Macau. The goodwill generated from the Acquisition was allocated to ISP Business cash-generating unit (the "CGU").

As a result of the Acquisition, the Company is required to assess the carrying value of the goodwill allocated to the CGU annually. Accordingly, the Company has performed the annual assessment of impairment on goodwill based on the recoverable amount of ISP Business derived from cash flow projections based on approved management budget over a three-year period. However, primarily due to lack of new orders replenishment of ISP business during the year and the increasingly competitive business environment of ISP Business, a non-cash goodwill impairment charge of approximately HK$55 million to adjust the carrying value of the goodwill related to Acquisition in late 2012 to estimated recoverable amount.

Pursuant to the requirements of Hong Kong Accounting Standards 36 — Impairment of Assets and the Company's accounting policy, the assets has to be carried at no more than their recoverable amounts (i.e. the higher of the "fair value less costs to sell" and the "value in use"). In assessing value in use, the estimated future cash flows are discounted to their present value. The Company will recognise provision for impairment for the shortfall between the recoverable amount of assets and the carrying value.

In light of the above, the Company made a goodwill impairment charge of approximately HK$55 million for the year ended 31 December 2017.

(2) Impact of the Impairment Loss on Goodwill on the Financial Position of the Group

The impairment loss on goodwill will primarily cause the Group to record a loss of not less than HK$50 million for the year ended 31 December 2017 as compared to a loss of approximately HK$40 million for the corresponding period in 2016.

The Board believes that the said provision for impairment on goodwill is based on the principle of prudence, and provides a full, true and fair reflection of the financial position of the Group and the value of its assets as at 31 December 2017. The Board wishes to emphasise that the impairment loss is a non-cash item which will not have any impact on the cash flow of the Group. The Board also considers that the said provision for impairment on goodwill is in line with the relevant provision of Hong Kong Accounting Standards and the Company's accounting policy to adjust the carrying value to reflect the recoverable amount of the Company's assets.

PROFIT WARNING

In addition to an impairment loss of approximately HK$55 million on the Group's goodwill expected to be recognised for the year ended 31 December 2017 as mentioned above, the Group also took a write-off of Hsin Chong's trademark that the Group acquired along with interiors and special projects division in late 2012 of approximately HK$28 million (net of tax) for the period ended 30 June 2017, therefore the Group is expected to record a loss of not less than HK$50 million for the year ended 31 December 2017 as compared to a loss of approximately HK$40 million for the corresponding period in 2016.

The Board wishes to emphasise that the information contained in this announcement is based on the preliminary review of the Board on the latest unaudited consolidated management accounts of the Group for the year ended 31 December 2017, which have not been confirmed and finalised by the Company's independent external auditor and may be subject to further adjustments. The annual results of the Group for the year ended 31 December 2017 will be announced on 27 March 2018.

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

By order of the Board
Synergis Holdings Limited
Kingston Chu Chun Ho
Chairman

Hong Kong, 20 March 2018

As at the date of this announcement, the Board comprises Mr. Kingston Chu Chun Ho (Chairman) and Mr. Terence Leung Siu Cheong (Deputy Chairman and Managing Director) as Executive Directors; and Mr. Kan Fook Yee, Mr. Lau Man Tak, Mr. Eric Lee Hon Man and Dr. Wong Yun Kuen as Independent Non-executive Directors.