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SYNERGIS HOLDINGS LIMITED

昇捷控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 02340)

PROFIT WARNING

This announcement is made by Synergis Holdings Limited (the “Company”) 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).

References are made to the annual report of the Company for the year ended 31 December 2016, the annual report of the Company for the year ended 31 December 2017, the interim report of the Company for the six months ended 30 June 2018 and the announcement of the Company dated 18 January 2019. Capitalised terms used herein shall have the same meanings as those defined in the said documents.

IMPAIRMENT LOSS ON GOODWILL

The Company acquired interiors and special projects business (“ISP Business”) in late 2012 (“Acquisition”). The goodwill generated from the Acquisition was allocated to ISP Business cash-generating unit. As a result of the Acquisition, the Company is required to assess the carrying value of the goodwill annually. Primarily due to the lack of new orders replenishment of ISP Business during 2017 and the increasingly competitive business environment of ISP Business, a non-cash goodwill impairment charge of approximately HK\$55 million was made to adjust the carrying value of the goodwill related to Acquisition to estimated recoverable amount for the year ended 31 December 2017. In view of the rise in competitions and the reduction of the outstanding workload for contracts on hand from last year, a further impairment provision on all the remaining carrying value of the goodwill related to Acquisition of approximately HK\$117 million is expected to be recognised for the year ended 31 December 2018.

PROVISION FOR DOUBTFUL DEBT AND CONTRACT ASSETS

Based on the impairment assessment on the respective balance arising from transactions with Hsin Chong Group Holdings Limited (“Hsin Chong”) and its subsidiaries (collectively “Hsin Chong Group”), the Company made a provision for amounts including receivables and contract assets of approximately HK\$90 million for the year ended 31 December 2016. In view that the financial position of Hsin Chong continued to worsen as reflected by its recent announcements, the Company is expected to make a further provision for amounts including receivables and contract assets of approximately HK\$60 million for the year ended 31 December 2018.

On the ground that Hsin Chong has repeatedly defaulted payments under the 2018 Settlement Agreement, the Company delivered a petition to the Court of First Instance of High Court of Hong Kong (the “High Court”) against Hsin Chong on 18 January 2019 that Hsin Chong be wound up by the High Court so as to recover the outstanding debts under the 2018 Settlement Agreement in the amount of approximately HK\$79.0 million including interest due from Hsin Chong Group. The Company has sought legal advice as to actions it may take to protect its rights, and will make further announcements as and when appropriate.

PROFIT WARNING

Because of the impairment loss on goodwill of approximately HK\$117 million and the provision for the amounts including receivables and contract assets due from Hsin Chong Group of approximately HK\$60 million, the Company is expected to record a substantial increase in loss for the year ended 31 December 2018 as compared to a loss of approximately HK\$54 million for the corresponding period in 2017.

The Board wishes to emphasise that the information contained in this announcement is based on the preliminary review by the Board of the latest unaudited consolidated management accounts of the Company for the year ended 31 December 2018, 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 Company for the year ended 31 December 2018 will be announced on 26 March 2019.

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

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

Hong Kong, 6 March 2019

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. Lau Man Tak, Mr. Eric Lee Hon Man and Dr. Wong Yun Kuen as Independent Non-executive Directors.