SYNERGIS HOLDINGS LIMITED

昇捷控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 02340)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Synergis Holdings Limited (the "Company" or "Synergis") announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018 HK$'000**	2017 HK$'000
Revenue	3	**1,532,986**	2,083,300
Cost of sales		**(1,382,846)**	(1,916,456)
Gross profit		**150,140**	166,844
Other income		**4,952**	9,801
General and administrative expenses		**(123,466)**	(148,505)
Impairment loss on goodwill	8	**(116,794)**	(55,000)
Impairment of contract assets	3(b)	**(47,162)**	(2,723)
Impairment of receivables	3(b)	**(23,271)**	(3,160)
Doubtful debt recovery	4	**339**	19,818
Gain on disposal of a subsidiary		**183**	-
Loss on disposal of subsidiaries		**(623)**	-
Interest expenses		**(6,235)**	(5,291)
Amortisation of intangible assets		**-**	(1,628)
Intangible asset write off		**-**	(33,907)
Loss before taxation	4	**(161,937)**	(53,751)
Taxation	5	**1,673**	(1,770)
Loss for the year		**(160,264)**	(55,521)
Loss attributable to:			
Equity holders of the Company		**(160,018)**	(54,377)
Non-controlling interests		**(246)**	(1,144)
		(160,264)	(55,521)
Losses per share for loss attributable to the equity holders of the Company			
- basic (HK cents)	6	**(37.7)**	(13.8)
- diluted (HK cents)	6	**(37.7)**	(13.8)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 **HK$'000**	2017 HK$'000
Loss for the year	**(160,264)**	(55,521)
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on long service payment liabilities	**(1,055)**	505
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,249)**	1,696
Realisation of exchange reserve upon disposal of subsidiaries	**152**	-
Other comprehensive (loss)/income for the year	**(2,152)**	2,201
Total comprehensive loss for the year	**(162,416)**	(53,320)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(162,170)**	(52,176)
Non-controlling interests	**(246)**	(1,144)
	(162,416)	(53,320)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**10,960**	15,263
Investment properties		**7,000**	5,600
Deferred tax assets		**6,528**	41
Prepayment		**2,331**	2,080
Goodwill	8	**-**	116,794
Total non-current assets		**26,819**	139,778
Current assets			
Contracting work-in-progress		-	349,294
Contract assets		**293,143**	**-**
Receivables	9	**379,983**	490,604
Deposits and prepayments	9	**22,188**	22,429
Taxation recoverable		**2,791**	2,594
Cash and cash equivalents		**103,084**	112,532
Time deposits with original maturities over three months		**10,866**	3,666
Total current assets		**812,055**	981,119
Current liabilities			
Payables and accruals	11	**569,783**	704,154
Contract liabilities		**10,953**	-
Bank loans	10	**166,000**	162,402
Taxation payable		**464**	565
Amount due to non-controlling interests		**-**	1,306
Amount due to other partner of joint operation		**-**	15
Total current liabilities		**747,200**	868,442
Net current assets		**64,855**	112,677
Total assets less current liabilities		**91,674**	252,455
Non-current liabilities			
Long service payment liabilities		**1,963**	1,380
Deferred tax liabilities		**189**	248
Total non-current liabilities		**2,152**	1,628
Net assets		**89,522**	250,827
Equity attributable to equity holders of the Company			
Share capital	12	**50,486**	50,486
Retained profits/accumulated losses and other reserves		**39,036**	201,499
		89,522	251,985
Non-controlling interests		**-**	(1,158)
Total equity		**89,522**	250,827

Notes to the Financial Statements

1. General Information

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company on 4 August 2003. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2003.

The principal business of the Group is principally engaged in the provision of property and facility management ("PFM") business and interiors and special projects ("ISP") business in Hong Kong, China and Macau.

The consolidated financial statements are presented in thousands of Hong Kong dollars (HK$), unless otherwise stated, and were approved for issue by the Board on 26 March 2019.

2. Basis of Preparation and Accounting Policies

The consolidated financial statements of Synergis Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2(c) below. The other new and amended standards which had become effective did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Standards and amendments to existing standards which are not yet effective

The following standards and amendments are effective after 2018 and have not been early adopted by the Group:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HKFRSs Amendments	Annual Improvements to HKFRS Standards 2015-2017 Cycle[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement [1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1]Effective for annual periods beginning on or after 1 January 2019
[2]Effective for annual periods beginning on or after 1 January 2020
[3]Effective for annual periods beginning on or after 1 January 2021
[4]Effective for annual periods to be determined

The Group will adopt the above standards and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for asset leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$14,283,000. Based on the preliminary assessment undertaken to date, it is estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and financial liabilities in the consolidated balance sheet primarily arising from leases of land and buildings. The interest expenses on the lease liabilities and the depreciation expenses on the right-of-use assets under HKFRS 16 will replace the rental charge under HKAS 17 in the consolidated income statement.

The Group has already commenced the assessment of the impact to the Group and the impact of adoption will be disclosed in the interim report 2019.

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior years.

(i) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note (ii) below.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	HK$'000
Closing retained earnings as at 31 December 2017 - HKAS 39	15,416
Increase in provision for accounts receivable	(293)
Opening retained earnings as at 1 January 2018 - HKFRS 9	15,123

Impairment of financial assets

The Group has receivables and contract assets that are subject to HKFRS 9's new expected credit loss model.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table above.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Contract assets and receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables (including accounts receivable and retention receivables) and contract assets. This resulted in an increase of impairment provision for receivables on 1 January 2018 by HK$293,000.

ISP Business

To measure the expected credit losses, accounts receivable, retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days invoiced.

The contract assets related to unbilled work in progress substantially share the same risk characteristics as the accounts receivable and retention receivables for the same types of contracts generated from ISP Business. The Group has assessed that the expected loss rate for accounts receivable, retention receivables and contract assets from ISP Business was immaterial. Except for the specific impairment provisions made against on the respective balances, no additional impairment provision for accounts receivable, retention receivables and contract assets from ISP Business was recognised during the year due to expected credit loss.

PFM Business

To measure the expected credit losses of accounts receivable from PFM Business, accounts receivable have been grouped on shared credit risk characteristics and the days invoiced. On that basis, additional impairment provision of approximately HK$293,000 as at 1 January 2018 was determined.

The provision for impairment for accounts receivable as at 31 December 2017 reconcile to the opening provision for impairment on 1 January 2018 as follows:

	HK$'000
Opening provision as at 31 December 2017 - HKAS 39	70,577
Amounts restated through opening retained earnings	293
Opening provision as at 1 January 2018 - HKFRS 9	70,870

(ii) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVOCI");

- those to be measured subsequently at fair value through profit or loss ("FVPL"); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and

- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as at FVOCI only if both of the following criteria are met:

- the objective of the Group's business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and

- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

(a) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

(b) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated income statement. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised directly in the consolidated income statement and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income instatement and presented in the period in which it arises.

(c) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables (including accounts receivable and retention receivables) and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

For other financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 January 2018, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for impairment for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for impairment will be recognised as equal to lifetime expected losses.

(iii) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the modified retrospective approach in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

Reclassifications were made as at 1 January 2018 to reflect the terminology used under HKFRS 15:

- contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work

- contract liabilities recognised in relation to construction contracts were previously presented as amounts due to customers for contract work

- contract liabilities recognised in relation to property management contracts were previously presented as amounts due to customers for property and facility management services

The following adjustments were made to the amounts recognised in the consolidated balance sheet on 1 January 2018:

	At 31 December 2017 (as originally presented) HK$'000	Effects of adoption of HKFRS 15 HK$'000	At 1 January 2018 (as restated) HK$'000
Consolidated balance sheet (extract)			
Contracting work-in-progress	349,294	(349,294)	-
Contract assets	-	349,294	349,294
Payables and accruals	704,154	(25,097)	679,057
Contract liabilities	-	25,097	25,097

Other than the above reclassifications, the adoption of HKFRS 15 has no material impact to the consolidated income statement and balance sheet, and has no impact to the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

(iv) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns and discounts and after eliminating sales within the Group.

Revenue are recognised when or as the control of the services or goods is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the services or goods may transfer over time or at a point in time. Control of the services or goods is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the purchaser; or

- creates and enhances an asset that the purchaser controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services or goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on output method that best depict the Group's performance in satisfying the performance obligation. The output method is made reference to the gross value of contracting work to date as compared to the total contract sum receivable under the contracts.

An entity is a principal if it controls the promised good or service before transferring it to the customer. An entity is an agent if its role is to arrange for another entity to provide the good or service.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(a) Provision of services of property and facility management

Property and facility management fees and other supporting service fees are recognised when the services are rendered and in accordance with the terms of agreements. There are two types of agreement, namely management remuneration contracts ("MR Contracts") and lump sum contracts ("LS Contracts"). Under a MR Contract, the Group is remunerated based on a fixed percentage of the costs involved in the management of the property or facility, and only such fee is recognised as the Group's revenue. Under a LS Contract, the Group is paid a lump sum fee which normally covers the costs involved, thus the whole of lump sum fee is recognised as the Group's revenue.

(b) Provision of construction services

Under HKFRS 15, revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If construction projects create or enhance an asset that the customer controls as the asset is created or enhanced, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the output method for measuring progress.

The excess of cumulative revenue recognised in consolidated income statement over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in consolidated income statement is recognised as contract liabilities.

(c) Sale of goods

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the products are delivered to the customer. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3. Segment Information

In accordance with the Group’s internal financial reporting provided to the chief operating decision-maker, identified as the Executive Committee, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are:

- property and facility management services in Hong Kong;
- property and facility management services in China;
- ancillary business including security, cleaning, laundry, procurement and maintenance contracting; and
- interiors and special projects.

(a) Segment Results (in HK$'000)

2018	PFM Hong Kong	PFM China	Ancillary Business	PFM Business	ISP Business	Corporate Overhead (Note I)	Total
Revenue							
- At a point in time	-	-	20,268	20,268	-	-	20,268
- Over time	548,454	28,135	96,618	673,207	839,511	-	1,512,718
Revenue	548,454	28,135	116,886	693,475	839,511	-	1,532,986
Gross profit	64,181	10,100	21,682	95,963	54,177	-	150,140
Operating expenses	(37,685)	(18,442)	(16,601)	(72,728)	(41,443)	(9,295)	(123,466)
Operating profit/(loss) before exceptional items	26,496	(8,342)	5,081	23,235	12,734	(9,295)	26,674
Doubtful debt recovery (Note II)	-	-	339	339	-	-	339
Impairment of contract assets and receivables (Note 3 (b))	(26)	(3,206)	(853)	(4,085)	(66,348)	-	(70,433)
Operating profit/(loss)	26,470	(11,548)	4,567	19,489	(53,614)	(9,295)	(43,420)
Impairment loss on goodwill				-	-	(116,794)	(116,794)
Acquisition loan interest expenses				-	-	(2,360)	(2,360)
Other interest expenses				-	(3,875)	-	(3,875)
Gain on disposal of a subsidiary				-	183	-	183
Loss on disposal of subsidiaries				-	(623)	-	(623)
Other income				4,840	112	-	4,952
Profit/(loss) before taxation				24,329	(57,817)	(128,449)	(161,937)
Taxation				(4,271)	5,944	-	1,673
Profit/(loss) for the year				20,058	(51,873)	(128,449)	(160,264)

2017	PFM Hong Kong	PFM China	Ancillary Business	PFM Business	ISP Business	Corporate Overhead (Note I)	Total
Revenue	538,592	67,228	91,731	697,551	1,385,749	-	2,083,300
Gross profit	67,729	15,469	18,776	101,974	64,870	-	166,844
Operating expenses	(36,600)	(16,759)	(18,364)	(71,723)	(59,208)	(15,495)	(146,426)
Operating profit/(loss) before exceptional items	31,129	(1,290)	412	30,251	5,662	(15,495)	20,418
Doubtful debt recovery (Note II)	-	12,698	349	13,047	6,771	-	19,818
Impairment of contract assets and receivables	-	(2,463)	(697)	(3,160)	(2,723)	-	(5,883)
Operating profit/(loss)	31,129	8,945	64	40,138	9,710	(15,495)	34,353
Impairment loss on goodwill				-	-	(55,000)	(55,000)
Amortisation of intangible assets				-	-	(1,628)	(1,628)
Intangible asset write off				-	-	(33,907)	(33,907)
Acquisition loan interest expenses				-	-	(2,925)	(2,925)
Other interest expenses				(162)	(2,204)	-	(2,366)
Other expenses				(840)	(900)	(339)	(2,079)
Other income				6,377	5	-	6,382
Interest income from former ultimate holding company				294	3,125	-	3,419
Profit/(loss) before taxation				45,807	9,736	(109,294)	(53,751)
Taxation				(4,236)	(3,397)	5,863	(1,770)
Profit/(loss) for the year				41,571	6,339	(103,431)	(55,521)

Note I: Corporate overhead mainly represents corporate and administrative activities, and shared services.

Note II: The amount represents settlement of receivables which were previously impaired.

(b) Impairment of Contract assets and Receivables

A provision of approximately HK$70,433,000 (2017: HK$5,883,000) was included based on the impairment assessment on the balances mainly including the remaining contract assets and receivables related to Hsin Chong Group Holdings Limited ("Hsin Chong") and its subsidiaries (collectively "Hsin Chong Group"), after consideration of the further deterioration of the financial situation of Hsin Chong Group as indicated by (i) loss of a major contract during 2018; (ii) no materialisation of the re-financing and restructuring plan based on the latest public information; (iii) appointment of joint liquidators on Hsin Chong, and receivers on certain of its operating subsidiaries; and (iv) certain winding up petitions filed against Hsin Chong and certain of its subsidiaries including that by the Group (more details are set out in note 9 below).

4. Loss before Taxation

	2018	2017
	HK$'000	HK$'000
Loss before taxation is arrived after charging/(crediting):		
Staff costs, including directors' emoluments	**672,963**	700,780
Impairment loss on goodwill	**116,794**	55,000
Impairment of contract assets	**47,162**	2,723
Impairment of receivables	**23,271**	3,160
Depreciation	**7,303**	6,806
Auditor's remuneration		
-Audit	**1,856**	1,520
-Non-audit services	**232**	223
Operating lease rental on land, buildings and office equipment	**12,515**	12,380
Fair value gain on investment properties	**(1,400)**	(2,000)
Doubtful debt recovery	**(339)**	(19,818)
Bank interest income	**(238)**	(292)
Gain on disposal of a subsidiary	**(183)**	-
Loss on disposal of subsidiaries	**623**	-
Intangible asset write off	**-**	33,907
Interest income from former ultimate holding company	**-**	(3,419)

5. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits/(loss) for the year after application of available tax losses brought forward for both years. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax charged/(credited) to the consolidated income statement represents:

	2018	2017
	HK$'000	HK$'000
Current taxation		
Hong Kong profits tax		
- provision for the year	**4,975**	7,768
- over provision in prior years	**(102)**	(35)
Overseas tax		
- provision for the year	**-**	108
Deferred taxation	**(6,546)**	(6,071)
	(1,673)	1,770

6. Losses Per Share

(a) Basic losses per share is calculated by dividing the Group's loss attributable to the equity holders less dividends (if any) to convertible preference shareholders by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Loss attributable to equity holders (HK$'000)	**(160,018)**	(54,377)
Weighted-average ordinary shares issued ('000)	**424,850**	393,376
Basic losses per share (HK cents)	**(37.7)**	(13.8)

(b) The diluted losses per share for the year ended 31 December 2018 and 2017 are the same as the basic losses per share because the exercise of the Group's share options and convertible preference shares would result in a decrease in losses per share for the year.

7. Dividend

At a meeting held on 26 March 2019, the Board resolved not to declare final dividend for year ended 31 December 2018 (2017: Nil).

8. Intangible Assets and Goodwill

	Goodwill HK$'000	**Trademark HK$'000**	**Backlog orders HK$'000**	**Total HK$'000**
Cost				
At 1 January 2017	171,794	48,826	15,934	64,760
Write off during the year	-	(48,826)	-	(48,826)
At 31 December 2017 and 31 December 2018	171,794	-	15,934	15,934
At 31 December 2018	**-**	**-**	**-**	**-**
Accumulated amortisation/ Impairment				
At 1 January 2017	-	(13,291)	(15,934)	(29,225)
Amortisation for the year	-	(1,628)	-	(1,628)
Impairment charge for the year	(55,000)	-	-	-
Write off during the year	-	14,919	-	14,919
At 31 December 2017	(55,000)	-	(15,934)	(15,934)
Impairment charge for the year	(116,794)	-	-	-
At 31 December 2018	**(171,794)**	-	**(15,934)**	**(15,934)**
Net Book Value				
At 31 December 2018	**-**	-	-	-
At 31 December 2017	116,794	-	-	-

The impairment charge of HK$116,794,000 was made as at 31 December 2018 (2017: HK$55,000,000) regarding the goodwill recognised upon the Group's acquisition of the ISP business, as a result of management assessment of the ISP Business's prospect, taking account of the reduction of the outstanding workload for contract on hand as at 31 December 2018 and the increasingly competitive business environment of the ISP business in future. The net book value of intangible assets and goodwill arising from the acquisition of ISP business in late 2012 was nil as at 31 December 2018.

9. Receivables, Deposits and Prepayments

The credit period of the Group's accounts receivable generally ranges from 30 to 60 days (2017: 30 to 60 days) and the majority of the Group's accounts receivable are denominated in Hong Kong dollars. The ageing analysis of accounts receivable by invoice date is as follows:

	2018	2017
	HK$'000	HK$'000
Accounts receivable		
0 to 30 days	**145,452**	173,954
31 to 60 days	**41,098**	43,424
61 to 90 days	**14,516**	15,977
Over 90 days	**117,934**	120,289
	319,000	353,644
Retention receivables and other receivables	**155,795**	207,537
Receivables	**474,795**	561,181
Deposits and prepayments	**22,188**	22,429
	496,983	583,610
Impairment of account receivables, retention receivables and other receivables	**(94,812)**	(70,577)
	402,171	513,033

The Group made a provision for amounts of receivables of approximately HK$70,870,000 (after restated as at 1 January 2018) based on the impairment assessment for the year ended 31 December 2017 which was mainly related to Hsin Chong Group. Approximately HK$1,213,000 of contract assets that previously impaired were reallocated to receivables during the year. Further provision for amounts of receivables of approximately HK$23,271,000 based on the impairment assessment for the year ended 31 December 2018 which mostly related to Hsin Chong Group has been made as well. During the year, approximately HK$339,000 of receivables which were previously impaired has been recovered. As a result, the total receivables with provision for impairment as at 31 December 2018 were approximately HK$94,812,000. Details movement of provision for impairment is as follows:

	Note	**2018**	2017
		HK$'000	HK$'000
Impairment of receivable			
At 1 January		**70,577**	82,304
Change in accounting policy – HKFRS 9		**293**	-
At 1 January (as restated)		**70,870**	82,304
Provision for impairment transferred from contract assets		**1,213**	4,847
Provision for impairment recognised	3(b)	**23,271**	3,160
Doubtful debts recovery		**(339)**	(19,818)
Exchange differences		**(203)**	84
At 31 December		**94,812**	70,577

A settlement agreement ("2018 Settlement Agreement") was entered with Hsin Chong on 1 June 2018, which superseded the previous settlement agreement. This agreement requested for the repayment of the net receivables of approximately HK$75,779,000 as of 30 April 2018 plus interest by five installments over the period from 1 June 2018 to 30 April 2019. The total amount of net receivables of approximately HK$75,592,000 was outstanding to be recovered with Hsin Chong Group under the 2018 Settlement Agreement. On the ground that Hsin Chong has repeatedly defaulted payments under the 2018 Settlement Agreement and the financial deterioration of Hsin Chong Group, the Company delivered a petition (the "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 of approximately HK$79,000,000 including interest under the 2018 Settlement Agreement. The hearing for the Petition was adjourned to May 2019. 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.

The maximum exposure to credit risk at the reporting date is the carrying value of the accounts receivable mentioned above. The Group does not hold any collateral as security.

10. Bank Loans

	2018	2017
	HK$'000	HK$'000
Portion due for repayment within one year	**144,000**	126,402
Portion due for repayment after one year, which contains a clause of repayment on demand		
(i) in the second year	**22,000**	24,000
(ii) in the third to fifth years, inclusive	**-**	12,000
	166,000	162,402

Notes:

(a) As at 31 December 2018, the Group had bank loans of HK$166,000,000 (2017: HK$162,402,000) denominated in Hong Kong dollars.

(b) The bank loans of the Group carried weighted average interest rates of 4.5% (2017: 3.0%) per annum.

(c) The Group's bank loan of HK$36,000,000 (2017: HK$60,000,000) is subject to a floating charge over the assets of the Company and its subsidiaries.

(d) The Group's bank loan of HK$126,000,000 (2017: HK$150,000,000) is personally guaranteed by an indirect controlling shareholder.

(e) The carrying amounts of loans approximate their fair values.

11. Payables and Accruals

The credit period of the Group's accounts payable generally ranges from 30 to 60 days (2017: 30 to 60 days). The ageing analysis of accounts payable by invoice date is as follows:

	2018	2017
	HK$'000	HK$'000
Accounts payable		
0 to 30 days	**323,386**	375,704
31 to 60 days	**17,822**	21,694
61 to 90 days	**5,727**	16,286
Over 90 days	**34,011**	38,879
	380,946	452,563
Retention payables, other payables and accruals	**188,837**	226,494
Amounts due to customers for property and facility services	**-**	10,955
Amounts due to customers for contract work	**-**	14,142
	569,783	704,154

12. Share Capital

	Number of shares '000	**Amount HK$'000**
Ordinary shares		
At 1 January 2017	350,544	35,055
Share issued upon exercise of options granted under the Share Option Scheme	4,786	479
Placing of new share (Note (a))	69,520	6,952
At 31 December 2017, 1 January 2018 and 31 December 2018	**424,850**	**42,486**
Convertible preference shares (Note (b))		
At 31 December 2017, 1 January 2018 and 31 December 2018	**80,000**	**8,000**
Ordinary shares and convertible preference shares issued and fully paid		
At 31 December 2018	**504,850**	**50,486**
At 31 December 2017	504,850	50,486

Notes:

(a) The Company entered into a placing agreement on 12 May 2017, pursuant to which 69,520,000 new shares of the Company were placed to independent investors at the placing price of HK$1.09 per share. The completion of placing took place on 13 June 2017.

(b) 800,000,000 CPSs of HK$0.75 each were issued as part of the consideration paid for the acquisition of ISP business in late 2012.

DIVIDEND

The Board resolved not to declare final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 May 2019 to Friday, 24 May 2019, both days inclusive (Hong Kong time), for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 Annual General Meeting. In order to be eligible to attend and vote at the 2019 Annual General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 17 May 2019 (Hong Kong time).

During the period mentioned above, no transfers of shares of the Company will be registered.

MANAGEMENT DISCUSSION AND FINANCIAL ANALYSIS

FINANCIAL OVERVIEW

				Change	
		2018	2017	Amount	%
Revenue	HK$' million	1,533.0	2,083.3	(550.3)	-26.4%
Gross profit	HK$' million	150.1	166.8	(16.7)	-10.0%
Gross profit margin		9.8%	8.0%	-	+1.8%
Operating expenses	HK$' million	(123.5)	(148.5)	25.0	+16.8%
Operating profit before exceptional items	HK$' million	26.7	20.4	6.3	+30.9%
Doubtful debts recovery	HK$' million	0.3	19.8	(19.5)	-98.5%
Impairment of contract assets and receivables	HK$' million	(70.4)	(5.9)	(64.5)	-1,093.2%
Impairment loss on goodwill	HK$' million	(116.8)	(55.0)	(61.8)	-112.4%
Intangible asset write off	HK$' million	-	(33.9)	33.9	+100%
(LBITDA)/EBITDA	HK$' million	(31.4)	50.5	(81.9)	-162.2%
Losses attributable to Shareholders	HK$' million	(160.0)	(54.4)	(105.6)	-194.1%
Basic losses per share	HK cents	(37.7)	(13.8)	(23.9)	-173.2%

The Group reported consolidated revenue of approximately HK$1,533.0 million for the year ended 31 December 2018, a decrease of approximately 26.4% over the year ended 31 December 2017 as a result of the completion of few key contracts and fewer new contracts with substantial revenue contributions of interiors and special projects business (the "ISP Business") having been awarded. In spite of keen competition and rising cost, the management team had successfully improved gross profit margin and was able to achieve a gross profit margin of 9.8% for this year, 1.8% higher than that recorded last year. The gross profit was still decreased by 10% to approximately HK$150.1 million despite that the management strived hard for the year. After management has imposed appropriate cost control measures during the year, the operating expenses have been reduced by 16.8% to approximately HK$123.5 million. As a result of that the operating profit before exceptional items has been increased by 30.9% to HK$26.7 million. However, including the additional amount of approximately HK$116.8 million on full impairment loss of goodwill and HK$70.4 million on impairment of contract assets and receivables, the Group recorded a loss attributable to shareholders of approximately HK$160.0 million as compared to the loss of approximately HK$54.4 million recorded last year. Loss per share was 37.7 HK cents (2017: losses per share was 13.8 HK cents).

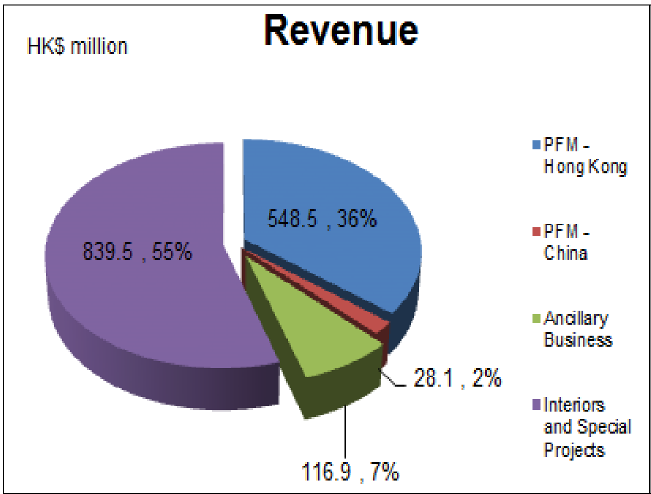
In view that the financial position of Hsin Chong Group Holdings Limited ("Hsin Chong") continued to worsen, the Group made a provision of amounts including contract assets and receivables of approximately HK$63.0 million, the majority of which is mainly related to several ISP contracts with Hsin Chong, for the year ended 31 December 2018, further to the provision of amounts including contract assets and receivables of approximately HK$90 million made for the year ended 31 December 2016. On the ground that Hsin Chong has repeatedly defaulted payments under the second settlement agreement entered in between Hsin Chong and the Company on 1 June 2018 (the "2018 Settlement Agreement") and the financial deterioration of Hsin Chong Group, the Company delivered a petition (the "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 and its subsidiaries. The hearing for the Petition has been adjourned to May 2019. 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. Details of the update can be referred to the announcements of the Company dated 18 January 2019 and 6 March 2019.

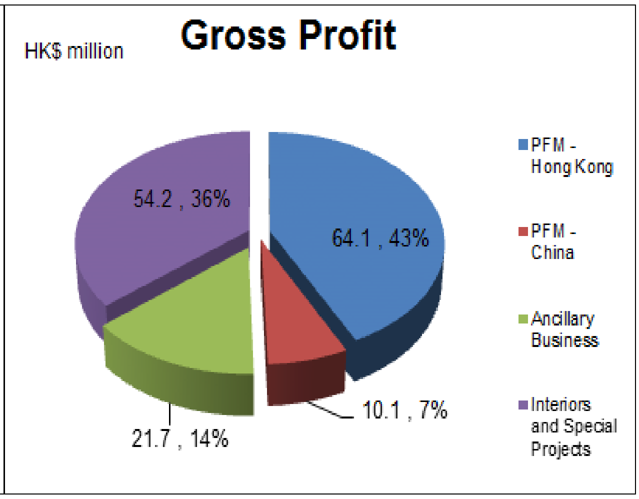
Besides, due to decreased outstanding workload for contract on hand of ISP Business during the year and the uncertainties under increasingly competitive business environment of ISP Business, a further non-cash goodwill impairment provision on all the remaining carrying value of the goodwill generated from the acquisition of ISP Business in late 2012 ("Acquisition") of approximately HK$116.8 million was made for the year ended 31 December 2018.

BUSINESS REVIEW AND PROSPECTS

BUSINESS OVERVIEW

The Group's property and facility management ("PFM") business and ancillary business (the "Ancillary Business") (collectively, the "PFM Business") remained stable in revenue, profits and continued to maintain its solid market position whilst ISP Business has contributed over half of the Group's revenue.





- The revenue of PFM Business – Hong Kong of approximately HK$665.4 million which was slightly above that of last year (2017: HK$630.4 million)

- The gross profit of PFM Business – Hong Kong of approximately HK$85.8 million which was very similar to that of last year (2017: HK$86.5 million)

- Because one of key contracts expired during the year, the revenue and gross profit of PFM Business – China reduced substantially to approximately HK$28.1 million (2017: HK$67.2 million) and approximately HK$10.1 million (2017: HK$15.5 million) respectively as compared those of last year.

- Due to the completion of few key contracts and fewer new contracts with substantial revenue contributions of ISP Business, the revenue and gross profit reduced by 39.4% and 16.4% to approximately HK$839.5 million (2017: HK$1,385.7 million) and HK$54.2 respectively million (2017:HK$64.8 million) as compared with last year.

The operating results of PFM Business and ISP Business in the following sections excluded the exceptional items, being the impairment of contract assets and receivables due to credit loss, the recovery of doubtful debts and the impairment loss on goodwill respectively.

Operating Profit/(Loss) before exceptional items (HK$' Million)								
	2018	2017	Change Amount	Change %	1st half 2018	2st half 2018	Change Amount	Change %
PFM - Hong Kong	26.5	31.1	(4.6)	-14.8%	8.2	18.3	10.1	+123.2%
Ancillary Business - Hong Kong	5.1	0.4	4.7	+1,175%	0.2	4.9	4.7	+2,350.0%
PFM Business - Hong Kong Sub-total	**31.6**	**31.5**	**0.1**	**0.3%**	**8.4**	**23.2**	**14.8**	**+176.2%**
PFM - China	(8.3)	(1.3)	(7.0)	-538.5%	(2.4)	(5.9)	(3.5)	-145.8%
PFM Business - Sub-total	**23.3**	**30.2**	**(6.9)**	**-22.8%**	**6.0**	**17.3**	**11.3**	**+188.3%**
ISP Business	**12.7**	**5.7**	**7.0**	**+122.8%**	**5.2**	**7.5**	**2.3**	**+44.2%**
Corporate Overheads	**(9.3)**	**(15.5)**	**6.2**	**+40.0%**	**(5.3)**	**(4.0)**	**1.3**	**+24.5%**
Total	**26.7**	**20.4**	**6.3**	**+30.9%**	**5.9**	**20.8**	**14.9**	**+252.5%**

When comparing with the interim results of the Group, the financial performance of operating results for the second half of 2018 has been improved substantially especially on the operating profit from approximately HK$5.9 million for the six months ended 30 June 2018 to approximately HK$26.7 million for the year ended 31 December 2018 since the management teams, especially that of PFM Business in Hong Kong, paid more attention to provide quality services to our customers, tenants and residents and have been more cost conscious in terms of monitoring the operating expenditure. Our two-third of operating profit for the year ended 31 December 2018 was achieved in the second half of the year.

Property and Facility Management Business

Property and Facility Management

The PFM Business in Hong Kong is capable of sustaining a diverse portfolio for a wide spectrum of clients including government, corporate clients, public institutions and private clients. The scope of service covers government departments, large-scale public facilities, transportation systems, airport cargo terminals, education institutions, hospitals, commercial and industrial properties, public housing estates, private housing and car parks, etc.

Hong Kong:

In 2018, our facility management team has successfully extended our portfolio to management services for international school and luxurious retail brand by the award of the first facilities management contract for the newly established Malvern College Hong Kong in Tai Po with a contract period for three years and the newly opened Zung Fu House for Mercedes-Benz showroom and service centre at Chai Wan. During the year, key corporate clients such as MTR Corporation Limited, HKU SPACE, Asia Airfreight Terminal Company Limited and Hong Kong Jockey Club, have maintained good relationship with us. In addition, our property management team also put effort into extending its scope of services to the prestige residential properties from last year in addition to the property management for large scale residential estates. Priding ourselves on our extensive property management expertise and professional quality-based management model, we won some successful bids in Mid-levels and Stanley including Grenville House, Robinson Mansion, Mirror Marina, Grosse Pointe Villa, 6 – 8 Stanley Village Road and Braemar Hill Mansions.

Besides, we have been providing car park management services for public and private car park operators, including 42 the Hong Kong Housing Authority's car parks and 48 Link Real Estate Investment Trust's car parks during the year. With effort to develop our car park business, we have gained recognition from MTR Corporation Limited, which awarded us a three-year car park management contract with an estimated contract sum of approximately HK$40 million for West Kowloon Station Car Park in Hong Kong Section of Express Rail Link.

In addition to the contracts above, the Group has also obtained 39 new contracts from two-year to three-year with a total contract sum of over HK$263 million. Significant contracts include:

- Property Management Service Contracts: Kwong Ming Court, Yee Fung Garden, Hampton Place and Greenknoll Court; and

- Facility Management Service Contracts: Taxi Services Management at Hong Kong International Airport, Kwong Wah Hospital maintenance contract, West Kowloon Cultural District Authority Cyberport Office and Offices of Employees Retraining Board and Hong Kong Council for Accreditation of Accreditation of Academic and Vocational Qualifications, etc.

Apart from expanding our business portfolio, we are also capable of maintaining high retention rate for our existing contracts, which proves that our quality services are being recognised by our clients and also enables us to generate steady revenue to the Group. Below are the key contracts successfully renewed with a contract period of two to three years with an increase in service fee during the year:

- Property Management Service Contracts: Hin Ming Court, Wan Tau Tong Estate, Yuk Ming Court, Fu Shin Estate, Evelyn Towers, Summit Insurance Building, Hong Pak Court, Tai Wo Estate, Pearl Gardens and Wah Kwai Estate; and

- Facility Management Service Contracts: The Hang Seng University of Hong Kong, Asia Airfreight Terminal Company Limited, The Education University of Hong Kong, HKU SPACE and provision of Services for Customer Service Centre and Backend Accountancy for MTR Stations.

Our efforts to provide quality services are recognized by the public. At the Excellence in Facility Management Award 2018 organized by the Hong Kong Institute of Facility Management, we won not only three excellence awards and a silver award but Tuen Mun Public Riding School also won the Grand Award (Institutional & Government Properties), which is the highest honour we received at the same competition over the years. At the Link Award Presentation Ceremony, we won 13 awards, including the Excellent Contractor Award of the Mid-term of 2018: Property Management Support Services. Besides, we also won the Best Sustainability Award in Quality Improvement and Experience Sharing Convention 2017/18. In recognition of our efforts, our PFM business has set a record high by receiving 185 property and security services awards from various regions.

Revenue for this business segment has slightly increased by 1.8% but gross profit has decreased by around 5.3% to approximately HK$64.1 million. In view of general inflation, the operating expenses have increased by 3.0% only. Thus, the operating profit has decreased by around 14.8% of that of last year to approximately HK$26.5 million. We strived hard to expand our business under keen competition and can keep the gross profit margin of 11.7%. On the other hand, due to the reengineering exercise of management team carried out from August 2018, we succeeded in reducing operating expenses substantially by 28.8% from approximately HK$22.0 million recorded for the first half of the year to approximately HK$15.7 million for the second half of the year. We are sure that it will increase our competitive strength in 2019 with the cost-conscious mindset.

China:

In view of keen competition from large developers in China, our Group would strategically focus on and allocate resources to Shanghai team. However, due to the lack of substantial new contracts awarded in 2018 and the expiration of one of key contracts in Beijing, revenue for this business segment has decreased by 58.2% to approximately HK$28.1 million from that of last year. The operating loss for this segment has increased substantially to approximately HK$8.3 million, which included the compensation cost of approximately HK$3.7 million in relation to the scaling down exercise of the operation teams in Southern China and Northern China in the second half of 2018 after revisiting the business strategies for the long term development of China Business. The management team targets to turn around and generate profit from 2019 with our strong commitment.

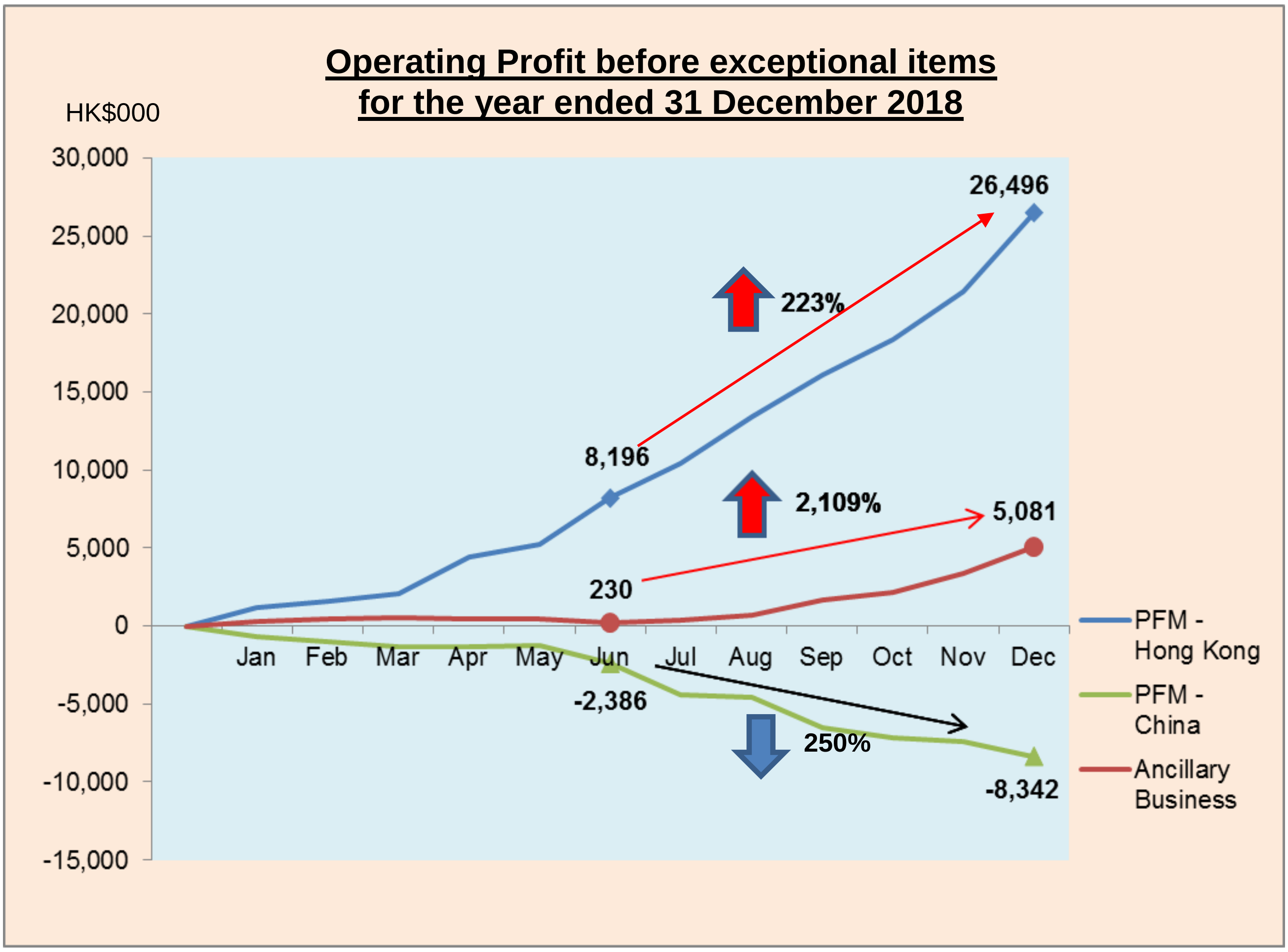
Ancillary Business:

Our Ancillary Business comprising integrated procurement, laundry, cleaning, security and maintenance services has long been offering flexible services to the clients and supporting our core PFM business. Cleaning business is still the main revenue contributor to this segment. A number of new cleaning contracts with a total contract sum of approximately HK$30 million were awarded during the year. Major contracts include cleaning services contracts for branches of the Bank of East Asia, Limited at Hong Kong Island and the New Territories, Foodies Market Limited in Tai Wai, Hampton Place, a building located at 33 Des Voeux Road Central, Loplus@Johnston and Radiant Towers. Besides, our maintenance services business has improved its performance from the second half of 2018. Major contracts include maintenance and technical supports for Fung Chuen Court, Chun Wo Commercial Centre, Wan Tau Tong Estate, Tai Wo Estate and Kwong Ming Court.

Total revenue from the Ancillary Business reported a 27.3% increase from that of last year to approximately HK$116.9 million due to more business for our cleaning and maintenance services this year. The gross profit has increased by 15.4% from that of the last year to approximately HK$21.7 million. Due to the decrease in operating expenses in the second half of 2018 and the increase of 2% in gross margin of approximately HK$2.9 million from last year, this business segment recorded an encouraging result, the operating profit for this segment of approximately HK$5.1 million for the year.

We put more efforts to enhance the business model of our Ancillary Business and reposition its strategy from the second half of 2018. Nearly all of the operating profit during the year of approximately HK$5.1 million from Ancillary Business was achieved in the second half which showed strong commitment of the new management team to reach a new height.

It is expected that our cleaning business will continue to be our main profit contributor to the Ancillary Business in 2019. We believe that, in 2019, our maintenance services business will further improve its business and become one of key contributors to our Ancillary Business. Our maintenance services business has also received the qualifications of Registered Minor Works Contractor and Registered Electrical Contractor. Having become a Registered Fire Service Installation Contractor (Classes 1 & 2) in February 2019, we have planned to bid for and undertake fire services including the related improvement and renovation works. With enhanced quality of our Ancillary Business services, business diversification and the advantages of having managed large portfolio of residential units, the management is highly confident that higher revenue and profit contribution are anticipated in the coming year.



Stepping into 2019, given that Synergis has continued to adopt a total quality management approach, which helps us to maintain a high standard of services and provide premium services to our clients as in the past. We have a dedicated management team, strong backup force comprising professional headquarters supporting team, technical and security support team. This gives us confidence to grasp all possible opportunities to expand our market share with our enlarging service scope and quality service and to retain our current clients for more prosperous reward in Hong Kong. The management team is ambitious to perform much better than it did in 2018.

Interiors & Special Projects

As a part of the core business of Synergis, ISP Business provides one-stop ISP services including planning, design, consultancy, project management, demolition work, site formation work, repair and restoration of historic buildings work, etc. to its local and overseas customers.

During the year, the total revenue and gross profit of ISP Business recorded approximately HK$839.5 million and approximately HK$54.2 million respectively, representing a decrease of 39.4% in revenue and a decrease of 16.4% in gross profit respectively when compared to those of last year. The decrease in revenue was mainly due to the completion of few key contracts and fewer new contracts with substantial revenue contributions for the year but we have endeavored to improve and successfully increased our gross profit margin by 1.8% from 4.7% to 6.5%. The significant revenue contribution came from 4 key projects including residential development at Discovery Bay North Phase 16, decoration works for a hotel in Tung Chung, the new factory development of a well-established pharmaceutical brand in Yuen Long, builder works for automation of arrival bags delivery at Hong Kong International Airport, which contributed over half of ISP Business's revenue for the year. Management took a more cautious approach to monitor the operating expenses this year and thus operating expenses decreased by 30.0%. Therefore, the operating profit increased from approximately HK$5.7 million recorded last year to approximately HK$12.7 million this year.

Despite the increasing competitive environment of the industry, ISP Business has managed to obtain a number of new projects during the year with the contract sum amounting to approximately HK$917.2 million. The major contracts mainly for alteration and addition, and construction are listed below:

- A Temple Renovation Project at Kowloon Tong;
- Proposed Commercial Building Development Works at 2C&2D Lau Li Street and 68-70 Electric Road;
- Residential Development at 2 Headland Road, Repulse Bay; and
- Renovation of Existing Toilets at Watson Centre in Kwai Chung.

The total outstanding workload for contracts on hand, as of 31 December 2018, exceeded approximately HK$1.0 billion, over two-third of which are expected to be completed in 2019. In view that ISP Business faced a very challenging business environment recently and suffered reduction of the outstanding workload for contracts on hand, its business performance and the challenging situation are unlikely to be significantly improved in the near future, it is inevitable for us to make a further provision of approximately HK$117 million on all the remaining carrying value of the goodwill arising from the acquisition of ISP Business in late 2012 for this year, further to the provision of approximately HK$55 million made last year.

Stepping in 2019, ISP Business would focus on the core businesses (fitting-out, alteration and addition, renovation, special construction project, demolition, etc.) and we believe that we may gain an opportunity to better serve our clients with the team's commitment to excellence in the coming years.

Financial Position and Financial Risk Management

As of 31 December 2018, the total outstanding bank loan was approximately HK$166.0 million, which is very similar to that of last year and scheduled to be repaid over the next two years. This includes an outstanding balance of approximately HK$36.0 million (of which around HK$12.0 million is due over one year) related to the banking facility drawn down for acquiring the ISP Business in November 2012 and a term loan of approximately HK$40.0 million (of which around HK$10.0 million is due over one year) drawn down to support ISP operation. The remaining sum represents the working capital loans for supporting ISP operation and business development. During the year, the Group's sources of fund were generated primarily from operating activities and financing activities including existing banking facilities.

Interest costs on bank borrowings are primarily charged based on a spread over HIBOR. With regard to the current portfolio of businesses, management expects that financial requirements for the foreseeable future will be met from a combination of shareholders' equity and banking facilities. The Group would continue to proactively monitor the financial position and maintain sufficient working capital and liquidity in the way that can enable us to capture any good business opportunities and to meet the challenges ahead.

Because of taking in the full impairment of goodwill arising from acquisition of ISP business and further provision for contract assets and receivables related to Hsin Chong for the year ended 31 December 2018, the net assets have been dropped to approximately HK$89.5 million. As a result, the gearing ratio (net debt to net tangible assets) increased from 34.5% to 58.1% as compared with last year.

Financial position (HK$'000)	**2018**	**2017**
Total assets	**838,874**	1,120,897
Receivables and other assets	698,105	864,921
Deposit, cash and cash equivalents	113,950	116,198
Current assets	**812,055**	981,119
Intangible assets	-	116,794
Tangible assets	89,522	134,033
Net assets	**89,522**	250,827
Current liabilities	**747,200**	868,442
Bank loans	**166,000**	162,402
Gearing ratios and liquidity		
Net debt to net tangible assets	**58.1%**	34.5%
Total debt to net tangible assets	**185.4%**	121.2%
Current ratio	**1.1**	1.1
Per share data		
Shares in issue (all classes)	**504,850,000**	504,850,000
Basic and Diluted losses per share (HK cents)	**(37.7)**	(13.8)
Net assets per share (HK cents)	**17.7**	49.7

The Group adopts a conservative approach in the management of its financial risks and resources, under the supervision of the Executive Committee.

Interest rate risk arising from bank borrowings is low as interest rates are fixed for short-term periods to take advantage of the lower rates thus available. Interest rates will be subject to fluctuation at the time of renewal.

The Group's business is conducted primarily in Hong Kong, and the majority of its assets and liabilities is denominated in Hong Kong Dollars. Therefore, the Group has minimal foreign currency exposure. The growth of the Group's business in China has been funded via permanent capital injection, which is for the long-term and as such, foreign currency hedging is considered unnecessary.

It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest its financial resources in financial products, including hedge funds or similar instruments, with significant underlying leverage or derivative exposure.

Cash Management

The Group operates a centralised cash management system. Cash balances surplus to immediate requirements are mainly placed as short-term bank deposits with a number of licensed banks in Hong Kong.

Human Resources

As at 31 December 2018, the Group employed a total of 5,294 staff (31 December 2017: 5,695) in Hong Kong, China and Macau.

In order to sustain our quality services, it is always our long-term goal to retain capable staff. We have put a lot of effort into ensuring our staff members are having desirable staff remuneration and benefits through market research and regular review. Our Human Resources Team always strives their best to keep track of changes in the latest market conditions for attracting more talented candidates to serve the Group. In addition, aiming for the mutual growth of the staff and the Company, the Company is willing to share resources with our staff. In 2019, our new Human Resources Management focus "We Care We Share 盡展關懷 共享成果". We believe the staff will reward the Company and customers through providing quality services and thus gain more appreciation and recognition from the customers. Besides, the team manages to enhance the existing Human Resources system. In the era of information technology, Synergis believes that digitalization helps promote the effectiveness and efficiency of business operations.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, namely, Mr. Lau Man Tak (chairman of the Audit Committee), Mr. Eric Lee Hon Man and Dr. Wong Yun Kuen. The Audit Committee together with the participation of the management of the Company have reviewed the audited consolidated financial statements for the year ended 31 December 2018 of the Group.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement, from pages 1 to 18, have been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles in the code provisions and certain recommended best practices set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules.

Throughout the year ended 31 December 2018, the Company complied with all code provisions of the CG Code.

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

Hong Kong, 26 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.