

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2020

### 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 2020 (the “Reporting Year”) as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

|   | Note | 2020<br>HK\$'000   | 2019<br>HK\$'000 |
|---|------|--------------------|------------------|
| Revenue   | 4    | <b>1,127,656</b>   | 1,569,280        |
| Cost of sales and service   |      | <b>(1,077,518)</b> | (1,426,860)      |
| Gross profit  |      | <b>50,138</b>      | 142,420          |
| Other income  | 5    | <b>85,863</b>      | 3,424            |
| General and administrative expenses                                     |      | <b>(89,792)</b>    | (93,371)         |
| Interest expenses   |      | <b>(10,514)</b>    | (7,338)          |
| Net allowances for impairment losses on receivables and contract assets |      | <b>(8,140)</b>     | (729)            |
| Profit before taxation  | 6    | <b>27,555</b>      | 44,406           |
| Taxation  | 7    | <b>(13,342)</b>    | (6,824)          |
| Profit for the year   |      | <b>14,213</b>      | 37,582           |
| Profit for the year attributable to equity holders of the Company       |      | <b>14,213</b>      | 37,582           |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

|  | Note | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Profit for the year</b>   |      | <u>14,213</u>    | <u>37,582</u>    |
| <b>Other comprehensive income/(loss):</b>  |      |                  |                  |
| <u>Items that will not be reclassified to profit or loss:</u>                                |      |                  |                  |
| Actuarial (loss)/gain on long service payment liabilities                                    |      | (1,186)          | 274              |
| <u>Items that may be subsequently reclassified to profit or loss:</u>                        |      |                  |                  |
| Exchange differences on translating foreign operations                                       |      | <u>1,795</u>     | <u>(577)</u>     |
| <b>Other comprehensive income/(loss) for the year</b>  |      | <u>609</u>       | <u>(303)</u>     |
| <b>Total comprehensive income for the year attributable to equity holders of the Company</b> |      | <u>14,822</u>    | <u>37,279</u>    |
| <b>Earnings per share attributable to the equity holders of the Company</b>                  |      |                  |                  |
| - basic (HK cents)   | 8    | <u>3.3</u>       | <u>8.8</u>       |
| - diluted (HK cents)   | 8    | <u>2.8</u>       | <u>7.4</u>       |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

|  | Note | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Non-current assets</b>  |      |                  |                  |
| Property, plant and equipment  |      | 18,420           | 20,387           |
| Investment properties  |      | 6,800            | 7,200            |
| Deferred tax assets  |      | 1,167            | 6,294            |
| Prepayment   |      | -                | 415              |
| <b>Total non-current assets</b>  |      | <b>26,387</b>    | <b>34,296</b>    |
| <b>Current assets</b>  |      |                  |                  |
| Contract assets  |      | 90,337           | 312,863          |
| Receivables  | 10   | 270,259          | 336,633          |
| Deposits and prepayments   |      | 25,272           | 22,819           |
| Taxation recoverable   |      | 106              | 1,410            |
| Cash and cash equivalents  |      | 205,082          | 116,873          |
| Pledged bank deposits/time deposits with original maturities over three months |      | 10,755           | 11,471           |
| <b>Total current assets</b>  |      | <b>601,811</b>   | <b>802,069</b>   |
| <b>Current liabilities</b>   |      |                  |                  |
| Payables and accruals  | 11   | 345,630          | 506,619          |
| Contract liabilities   |      | 13,583           | 15,892           |
| Bank loans   | 12   | 64,000           | 131,000          |
| Convertible bonds  | 14   | 38,912           | -                |
| Lease liabilities  | 13   | 7,652            | 7,641            |
| Taxation payable   |      | 6,662            | 4,231            |
| <b>Total current liabilities</b>   |      | <b>476,439</b>   | <b>665,383</b>   |
| <b>Net current assets</b>  |      | <b>125,372</b>   | <b>136,686</b>   |
| <b>Total assets less current liabilities</b>                                   |      | <b>151,759</b>   | <b>170,982</b>   |
| <b>Non-current liabilities</b>   |      |                  |                  |
| Long service payment liabilities   |      | 1,516            | 1,576            |
| Convertible bonds  | 14   | -                | 35,882           |
| Lease liabilities  | 13   | 4,376            | 2,464            |
| Deferred tax liabilities   |      | 385              | 400              |
| <b>Total non-current liabilities</b>   |      | <b>6,277</b>     | <b>40,322</b>    |
| <b>Net assets</b>  |      | <b>145,482</b>   | <b>130,660</b>   |
| <b>Equity attributable to equity holders of the Company</b>                    |      |                  |                  |
| Share capital  | 15   | 50,486           | 50,486           |
| Reserves   |      | 94,996           | 80,174           |
| <b>Total equity</b>  |      | <b>145,482</b>   | <b>130,660</b>   |

## 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 23 March 2021.

### 2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

#### (a) Adoption of new/revised standards – effective 1 January 2020

The HKICPA has issued a number of new or amended standards, interpretations and amendments to standards that are first effective for the current accounting period of the Group:

|  |   |
|--|---|
| Amendments to HKFRS 3                      | Definition of a Business  |
| Amendments to HKAS 1 and HKAS 8            | Definition of Material  |
| Amendments to HKFRS 16                     | COVID-19-Related Rent Concessions<br>(effective for annual periods beginning on or after 1 June 2020) |
| Amendments to HKAS 39, HKFRS 7 and HKFRS 9 | Interest Rate Benchmark Reform  |

The Group has early adopted the amendment to HKFRS 16. The adoption of the amendment to HKFRS 16 does not have any significant impact on current or future periods.

The other new or amended standards that are effective from 1 January 2020 do not have any material impact on the Group's accounting policies.

**(b) New/revised standards that have been issued but are not yet effective**

The following new/revised standards, potentially relevant to the Group's financial statements, have been issued, but are not yet effective for the current financial year. The Group's current intention is to apply these changes on the date they become effective.

|   |  |
|---|--|
| Amendments to HKAS 1  | Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>3</sup> |
| Amendments to HKAS 16   | Proceeds before Intended Use <sup>2</sup>  |
| Amendments to HKAS 37   | Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>   |
| HKFRS 17  | Insurance Contracts <sup>3</sup>   |
| Amendments to HKFRS 3   | Reference to the Conceptual Framework <sup>2</sup>   |
| Amendments to HKFRS 10 and HKAS 28                            | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>   |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>   |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

### Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

### Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

### HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

### Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

### Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

## Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

## Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2020 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

### **3. Basis of preparation**

#### **(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

#### **(b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values, at the end of each reporting period, as explained in the accounting policies set out below.

#### **(c) Use of estimates and judgements**

The preparation of consolidated 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.

#### **(d) Functional and presentation currency**

The financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

#### 4. 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 and their results are as below:

- property and facility management services;
- ancillary business including integrated procurement, laundry, cleaning, security, maintenance and technical support services; and
- interiors and special projects.

#### Segment Results (in HK\$'000)

| <u>2020</u>   | PFM      | Ancillary Business | PFM Business | ISP Business | Corporate Overhead (Note) | Total     |
|---|----------|--------------------|--------------|--------------|---------------------------|-----------|
| <b>Revenue</b>  |          |                    |              |              |                           |           |
| - At a point in time                                  | -        | 13,017             | 13,017       | -            | -                         | 13,017    |
| - Over time   | 627,229  | 112,607            | 739,836      | 374,803      | -                         | 1,114,639 |
|   | 627,229  | 125,624            | 752,853      | 374,803      | -                         | 1,127,656 |
| <b>Gross Profit/(Loss)</b>                            | 66,753   | 27,698             | 94,451       | (44,313)     | -                         | 50,138    |
| <i>Gross Profit/(Loss) Margin</i>                     | 10.6%    | 22.0%              | 12.5%        | -11.8%       |                           | 4.4%      |
| <b>Operating expenses</b>                             | (33,225) | (15,460)           | (48,685)     | (29,455)     | (9,599)                   | (87,739)  |
| <b>Interest expenses</b>                              | -        | -                  | -            | (9,841)      | -                         | (9,841)   |
| <b>Operating Profit/(Loss)</b>                        | 33,528   | 12,238             | 45,766       | (83,609)     | (9,599)                   | (47,442)  |
| <i>Operating Profit/(Loss) Margin</i>                 | 5.3%     | 9.7%               | 6.1%         | -22.3%       | -                         | -4.2%     |
| <b>Exceptional item*</b>                              | -        | -                  | -            | (10,193)     | -                         | (10,193)  |
| <b>Operating Profit/(Loss) after exceptional item</b> | 33,528   | 12,238             | 45,766       | (93,802)     | (9,599)                   | (57,635)  |
| <b>Interest expenses for acquisition loan</b>         |          |                    | -            | -            | (190)                     | (190)     |
| <b>Interest expenses for lease</b>                    |          |                    | (379)        | (104)        | -                         | (483)     |
| <b>Other income</b>                                   |          |                    | 82,555       | 3,308        | -                         | 85,863    |
| <b>Profit/(Loss) before taxation</b>                  |          |                    | 127,942      | (90,598)     | (9,789)                   | 27,555    |
| <b>Taxation</b>                                       |          |                    | (6,860)      | (6,482)      | -                         | (13,342)  |
| <b>Profit/(Loss) for the year</b>                     |          |                    | 121,082      | (97,080)     | (9,789)                   | 14,213    |

\*Insurance compensation arising from commercial settlement with QBE Hongkong and Shanghai Insurance Limited.

| 2019                                   | PFM          | Ancillary Business | PFM Business | ISP Business | Corporate Overhead (Note) | Total       |
|--|--------------|--------------------|--------------|--------------|---------------------------|-------------|
| Revenue                                |              |                    |              |              |                           |             |
| - At a point in time                   | -            | 16,599             | 16,599       | -            | -                         | 16,599      |
| - Over time                            | 600,965      | 113,611            | 714,576      | 838,105      | -                         | 1,552,681   |
|  | 600,965      | 130,210            | 731,175      | 838,105      | -                         | 1,569,280   |
| Gross Profit                           | 68,316       | 23,602             | 91,918       | 50,502       | -                         | 142,420     |
| <i>Gross Profit Margin</i>             | <i>11.4%</i> | <i>18.1%</i>       | <i>12.6%</i> | <i>6.0%</i>  | -                         | <i>9.1%</i> |
| Operating expenses                     | (36,007)     | (14,565)           | (50,572)     | (35,074)     | (8,454)                   | (94,100)    |
| Interest expenses                      | -            | -                  | -            | (5,408)      | -                         | (5,408)     |
| Operating Profit                       | 32,309       | 9,037              | 41,346       | 10,020       | (8,454)                   | 42,912      |
| <i>Operating Profit Margin</i>         | <i>5.4%</i>  | <i>6.9%</i>        | <i>5.7%</i>  | <i>1.2%</i>  | -                         | <i>2.7%</i> |
| Interest expenses for acquisition loan |              |                    | -            | -            | (1,320)                   | (1,320)     |
| Interest expenses for lease            |              |                    | (402)        | (208)        | -                         | (610)       |
| Other income                           |              |                    | 2,847        | 577          | -                         | 3,424       |
| Profit before taxation                 |              |                    | 43,791       | 10,389       | (9,774)                   | 44,406      |
| Taxation                               |              |                    | (6,068)      | (756)        | -                         | (6,824)     |
| Profit for the year                    |              |                    | 37,723       | 9,633        | (9,774)                   | 37,582      |

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

## 5. Other Income

|   | 2020          | 2019         |
|---|---------------|--------------|
|   | HK\$'000      | HK\$'000     |
| Government subsidies (Note)                       | 85,989        | -            |
| Bank interest income                              | 751           | 672          |
| Rental income from investment properties          | 338           | 399          |
| Miscellaneous income                              | 1,037         | 2,191        |
| Exchange loss                                     | (288)         | (31)         |
| Loss on disposal of property, plant and equipment | (1,564)       | (7)          |
| Fair value (loss)/gain on investment properties   | (400)         | 200          |
|   | <b>85,863</b> | <b>3,424</b> |

Note:

The government subsidies were granted from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund of the Hong Kong Government, which aim to retain employment and combat pandemic of novel coronavirus. As a condition of receiving the subsidies from the ESS, the Group undertakes not to make redundancies by 30 November 2020 after deducting the reimbursement to be paid to the respective Incorporation Owners or clients in PFM Business.

## 6. Profit before Taxation

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| Profit before taxation is arrived after charging: |                  |                  |
| Staff costs, including directors' emoluments      | 653,284          | 645,459          |
| Depreciation of property, plant and equipment     | 4,465            | 6,520            |
| Depreciation of right-of-use assets               | 11,653           | 13,286           |
| Auditor's remuneration                            |                  |                  |
| -Audit  | 1,220            | 1,220            |
| -Non-audit  | 148              | 158              |
| Short-term lease expenses                         | 660              | 468              |

## 7. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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 statement of profit or loss and other comprehensive income represents:

|                                 | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Current taxation                |                  |                  |
| Hong Kong profits tax           |                  |                  |
| - provision for the year        | 8,445            | 6,456            |
| - over provision in prior years | (215)            | (77)             |
| Deferred taxation               | 5,112            | 445              |
|                                 | <u>13,342</u>    | <u>6,824</u>     |

## 8. Earnings Per Share

- (a) Basic earnings per share is calculated by dividing the Group's profit 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.

|  | 2020           | 2019           |
|--|----------------|----------------|
| Profit attributable to equity holders (HK\$'000) | <u>14,213</u>  | <u>37,582</u>  |
| Weighted-average ordinary shares issued ('000)   | <u>424,850</u> | <u>424,850</u> |
| Basic earnings per share (HK cents)              | <u>3.3</u>     | <u>8.8</u>     |

- (b) Diluted earnings per share for the Reporting Year is calculated by dividing the Group's profit attributable to the equity holders by the weighted-average ordinary shares outstanding after adjusting for the potential ordinary shares to be issued on convertible preference shares and convertible bonds. The calculation of the diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

|  | 2020           | 2019           |
|--|----------------|----------------|
| <b>Earnings</b>  |                |                |
| Earnings for the purposes of basic earnings per share (HK\$'000)                   | 14,213         | 37,582         |
| Effect of dilutive potential ordinary shares:                                      |                |                |
| - Interest on convertible bonds (net of tax) (HK\$'000)                            | <u>-</u>       | <u>667</u>     |
| Earnings for the purposes of diluted earnings per share (HK\$'000)                 | <u>14,213</u>  | <u>38,249</u>  |
| <b>Number of share</b>   |                |                |
| Weighted-average ordinary shares issued ('000)                                     | 424,850        | 424,850        |
| Effect of dilutive potential ordinary shares:                                      |                |                |
| - Convertible preference shares ('000)   | 80,000         | 80,000         |
| - Convertible bonds ('000) (Note)  | <u>-</u>       | <u>10,126</u>  |
|  | <u>80,000</u>  | <u>90,126</u>  |
| Weighted-average ordinary shares for calculating diluted earnings per share ('000) | <u>504,850</u> | <u>514,976</u> |
| Diluted earnings per share (HK cents)  | <u>2.8</u>     | <u>7.4</u>     |

Note:

The effect of any potential exercise of convertible bonds is excluded from the calculation of diluted earnings per share in 2020 where the effect would be anti-dilutive.

## 9. Dividend

At a meeting held on 23 March 2021, the Board resolved not to declare final dividend for the Reporting Year (2019: Nil).

## 10. Receivables

The credit period of the Group's accounts receivable generally ranges from 30 to 60 days (2019: 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:

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| <b>Accounts receivable</b>  |                  |                  |
| 0 to 30 days  | <b>60,967</b>    | 118,025          |
| 31 to 60 days   | <b>41,734</b>    | 37,013           |
| 61 to 90 days   | <b>11,104</b>    | 17,489           |
| Over 90 days  | <b>40,043</b>    | 112,956          |
|   | <b>153,848</b>   | 285,483          |
| <b>Retention receivables and other receivables</b>                                    | <b>122,485</b>   | 145,452          |
|   | <b>276,333</b>   | 430,935          |
| <b>Impairment of accounts receivable, retention receivables and other receivables</b> | <b>(6,074)</b>   | (94,302)         |
|   | <b>270,259</b>   | 336,633          |

Retention receivables in respect of the contracting business are settled in accordance with the terms of the respective contracts. At 31 December 2020, retention receivables held by customers for contract works amounting to approximately HK\$9,398,000 (2019: HK\$9,907,000) are expected to be recovered or settled in more than 12 months from the end of the reporting year, all of the remaining balances are expected to be recovered or settled within one year. Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

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

## 11. Payables and Accruals

The credit period of the Group's accounts payable generally ranges from 30 to 60 days (2019: 30 to 60 days). The ageing analysis of accounts payable by invoice date is as follows:

|  | 2020<br>HK\$'000      | 2019<br>HK\$'000      |
|--|-----------------------|-----------------------|
| <b>Accounts payable</b>                                |                       |                       |
| 0 to 30 days   | 152,828               | 286,450               |
| 31 to 60 days  | 14,235                | 12,245                |
| 61 to 90 days  | 8,116                 | 7,663                 |
| Over 90 days   | 23,595                | 32,230                |
|  | <u>198,774</u>        | <u>338,588</u>        |
| <b>Retention payables, other payables and accruals</b> | <u>146,856</u>        | <u>168,031</u>        |
|  | <u><b>345,630</b></u> | <u><b>506,619</b></u> |

Retention payables in respect of the contracting business are settled in accordance with the terms of the respective contracts. At 31 December 2020, retention payables held by the Group amounting to approximately HK\$6,302,000 (2019: HK\$5,093,000) are expected to be settled in more than 12 months from the end of the reporting year.

## 12. Bank Loans

|  | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--|------------------|------------------|
| Bank loans contains a clause of repayment on demand: |                  |                  |
| - Portion due for repayment within one year          | 64,000           | 80,000           |
| - Portion due for repayment in the second year       | -                | 51,000           |
|  | <u>64,000</u>    | <u>131,000</u>   |

Notes:

- (a) The Group had bank loans of HK\$64,000,000 (2019: HK\$131,000,000) denominated in Hong Kong dollars.
- (b) The bank loans of the Group carried weighted average interest rates of 2.7% (2019: 5.4%) per annum.
- (c) The Group's term loan of HK\$29,000,000 (2019: HK\$96,000,000) is subject to a floating charge over the assets of the Company and its subsidiaries and personally guaranteed by an indirect controlling shareholder.
- (d) Bank deposits of HK\$10,000,000 (2019: HK\$10,160,000) is pledged as security for the Group's bank loan of HK\$35,000,000 (2019: HK\$35,000,000).
- (e) The carrying amounts of loans approximate their fair values.

### 13. Leases Liabilities

|  | <b>Leasehold<br/>land and<br/>buildings<br/>HK\$'000</b> | <b>Furniture<br/>and<br/>equipment<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|--|---|---------------------------|
| At 1 January 2019                      | 12,439   | 992   | 13,431                    |
| Additions                              | 8,007  | 366   | 8,373                     |
| Termination                            | (34)   | (6)   | (40)                      |
| Interest expenses                      | 555  | 55  | 610                       |
| Lease payments                         | (11,851)   | (446)   | (12,297)                  |
| Exchange differences                   | 28   | -   | 28                        |
| At 31 December 2019 and 1 January 2020 | <u>9,144</u>   | <u>961</u>  | <u>10,105</u>             |
| Additions                              | 12,339   | -   | 12,339                    |
| Interest expenses                      | 447  | 36  | 483                       |
| Lease payments                         | (10,424)   | (442)   | (10,866)                  |
| Exchange differences                   | (33)   | -   | (33)                      |
| <b>At 31 December 2020</b>             | <b><u>11,473</u></b>                                     | <b><u>555</u></b>                                   | <b><u>12,028</u></b>      |

Future lease payments are due as follows:

|  | Minimum<br>lease<br>payments<br>HK\$'000 | Interest<br>HK\$'000 | Present<br>value<br>HK\$'000 |
|--|--|----------------------|------------------------------|
| Not later than one year                            | 8,002                                    | (350)                | 7,652                        |
| Later than one year and not later than two years   | 3,536                                    | (116)                | 3,420                        |
| Later than two years and not later than five years | 973                                      | (17)                 | 956                          |
| <b>At 31 December 2020</b>                         | <b><u>12,511</u></b>                     | <b><u>(483)</u></b>  | <b><u>12,028</u></b>         |

|  | Minimum<br>lease<br>payments<br>HK\$'000 | Interest<br>HK\$'000 | Present<br>value<br>HK\$'000 |
|--|--|----------------------|------------------------------|
| Not later than one year                            | 7,921                                    | (280)                | 7,641                        |
| Later than one year and not later than two years   | 2,300                                    | (44)                 | 2,256                        |
| Later than two years and not later than five years | 217                                      | (9)                  | 208                          |
| At 31 December 2019                                | <u>10,438</u>                            | <u>(333)</u>         | <u>10,105</u>                |

## 14. Convertible Bonds

The Company issued 84,000,000, 7% convertible bonds with a principal amount of HK\$42,000,000 on 18 November 2019. The convertible bonds are denominated in Hong Kong dollars. The bonds will mature by two years from the issue date with repayment of principal amount or can be converted into ordinary shares of the Company at the holder's option at the fixed rate of one share per HK\$0.5 of the outstanding principal.

The fair values of the liability component and the equity conversion component were valued by independent professional valuer, Pretium Advisory Services Limited, at the issuance of the convertible bonds and not subject to annual revaluation. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity net of deferred income taxes.

The convertible bonds recognized in the statement of financial position is calculated as follows:

|   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---|------------------|------------------|
| <b>Equity component at 31 December</b>                            | <b>5,180</b>     | 5,180            |
| Liability component at 1 January                                  | 35,882           | -                |
| Liability component on initial recognition at<br>18 November 2019 | -                | 35,569           |
| Interest expenses   | 5,970            | 667              |
| Interest paid   | (2,940)          | (354)            |
| <b>Liability component at 31 December</b>                         | <b>38,912</b>    | 35,882           |

Interest expenses on the convertible bonds are calculated using the effective interest method by applying the effective interest rate of 17.1% to the liability component. None of the convertible bonds were redeemed or converted during the year.

## 15. Share Capital

|  | Number of<br>shares<br>'000 | Amount<br>HK\$'000 |
|--|-----------------------------|--------------------|
| <b>Ordinary shares</b>   |                             |                    |
| At 31 December 2019, 1 January 2020 and<br>31 December 2020                | <b>424,850</b>              | <b>42,486</b>      |
| <b>Convertible preference shares</b>                                       |                             |                    |
| At 31 December 2019, 1 January 2020 and<br>31 December 2020                | <b>80,000</b>               | <b>8,000</b>       |
| Ordinary shares and convertible preference shares issued<br>and fully paid |                             |                    |
| <b>At 31 December 2020</b>   | <b>504,850</b>              | <b>50,486</b>      |
| At 31 December 2019  | 504,850                     | 50,486             |

## **DIVIDEND**

The Board resolved not to recommend the payment of a final dividend for the Reporting Year (2019: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 14 May 2021 to Friday, 21 May 2021, both days inclusive (Hong Kong time), for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2021 Annual General Meeting. In order to be eligible to attend and vote at the 2021 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 Thursday, 13 May 2021 (Hong Kong time).

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL OVERVIEW

| HK\$'million                            | Year ended<br>31 December |         | Change         |                |
|---|---------------------------|---------|----------------|----------------|
|   | 2020                      | 2019    | Amount         | %              |
| Revenue                                 | <b>1,127.7</b>            | 1,569.3 | <b>(441.6)</b> | <b>↓ 28.1%</b> |
| Gross profit                            | <b>50.1</b>               | 142.4   | <b>(92.3)</b>  | <b>↓ 64.8%</b> |
| Gross profit margin                     | <b>4.4%</b>               | 9.1%    | -              | <b>↓ 4.7%</b>  |
| Operating expenses (excluding interest) | <b>(87.7)</b>             | (94.1)  | <b>6.4</b>     | <b>↓ 6.8%</b>  |
| Government subsidies                    | <b>86.0</b>               | -       | <b>86.0</b>    | -              |
| Profit attributable to shareholders     | <b>14.2</b>               | 37.6    | <b>(23.4)</b>  | <b>↓ 62.2%</b> |
| EBITDA                                  | <b>54.2</b>               | 71.6    | <b>(17.4)</b>  | <b>↓ 24.3%</b> |
| Basic earnings per share (HK cents)     | <b>3.3</b>                | 8.8     | <b>(5.5)</b>   | <b>↓ 62.5%</b> |

The Group reported consolidated revenue and gross profit of approximately HK\$1,127.7 million (2019: HK\$1,569.3 million) and approximately HK\$50.1 million (2019: HK\$142.4 million) respectively for the Reporting Year, representing a 28.1% and 64.8% decrease respectively as a result of local economic downturn caused by the pandemic of novel coronavirus together with the completion of a few key ISP contracts and several loss-making ISP projects. In spite of the unprecedented economic challenges, the Group's property and facility management ("PFM") business and ancillary business (the "Ancillary Business") (collectively, the "PFM Business"), which was more stable in business nature, managed to explore new business opportunities and acquired several significant projects during the Reporting Year. Those new wins coupled with a high contract renewal rate has raised the segment's gross profit and offset part of the loss from the interiors and special projects business (the "ISP Business"). Although the Group has received and accounted for the government subsidies of approximately HK\$86.0 million under HKSAR Government's Employment Support Scheme mainly from the PFM Business, the Group recorded a profit attributable to Shareholders of approximately HK\$14.2 million for the Reporting Year, which was around one-third of that last year at approximately HK\$37.6 million. Earnings per share was 3.3 HK cents (2019: earnings per share was 8.8 HK cents).

## **BUSINESS REVIEW AND PROSPECTS**

### **Business Overview**

The Group's PFM Business remained stable and contributed about two-third of the Group's revenue while the remaining one-third was contributed by ISP Business during the Reporting Year.

- Although there were some material adverse impacts on specific businesses because of the pandemic of novel coronavirus during the Reporting Year, mainly from carpark as well as repair and maintenance, our core PFM Business still well covered and showed up a steady growth of 10.7% in terms of profit contribution.
- The revenue of PFM Business attained approximately HK\$752.9 million which was slightly above that of last year (2019: HK\$731.2 million) and the gross profit also saw a moderate increase to approximately HK\$94.4 million comparing with that of last year (2019: HK\$91.9 million).
- Ancillary Business remained strong with an increase of gross profit by 17.4% to approximately HK\$27.7 million as compared to that of last year amid the intake of three batches of significant fitter maintenance services term contracts and the steady growth from several business lines.
- Total revenue of ISP Business was halved to approximately HK\$374.8 million (2019: HK\$838.1 million) during the Reporting Year and the segment also saw an operating loss of approximately HK\$83.6 million mainly due to the completion of a few key ISP contracts and substantial loss being incurred in some of the project works as well as certain costs incurred involving works done from construction projects still under negotiations with customers.
- The operating expenses reduced by 6.8% to approximately HK\$87.7 million (2019: HK\$94.1 million) as a result of the cost conscious approach in monitoring the expenditure and the continuously improvement in operating efficiency.

The operating results for the respective year ended 31 December of PFM and ISP Businesses in the following sections excluded the exceptional item, being the additional cost of approximately HK\$10.2 million arising from commercial settlement with QBE Hongkong and Shanghai Insurance Limited (“QBE”) in January 2021 which was made against the Company for a claim of approximately HK\$34.2 million under joint employee compensation policy with Hsin Chong Group Holdings Limited (the “Insurance Compensation”).

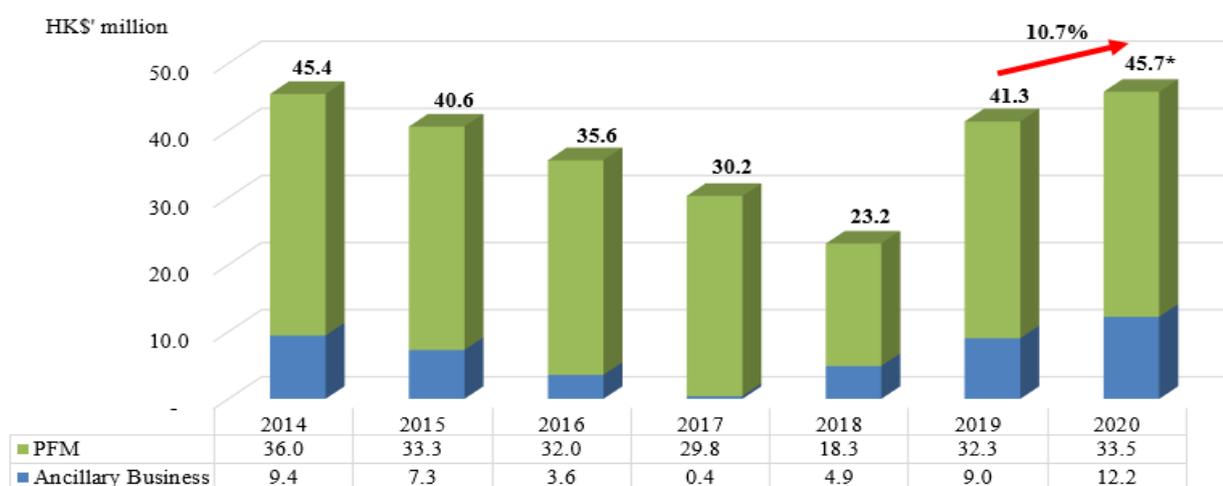
| HK\$' million                                  | PFM           |        |              |                | ISP           |        |                |                  |
|--|---------------|--------|--------------|----------------|---------------|--------|----------------|------------------|
|  | 2020          | 2019   | Change       |                | 2020          | 2019   | Change         |                  |
|  |               |        | Amount       | %              |               |        | Amount         | %                |
| Revenue  | <b>752.9</b>  | 731.2  | <b>21.7</b>  | <b>↑3.0%</b>   | <b>374.8</b>  | 838.1  | <b>(463.3)</b> | <b>↓55.3%</b>    |
| Gross profit/(Loss)                            | <b>94.4</b>   | 91.9   | <b>2.5</b>   | <b>↑2.7%</b>   | <b>(44.3)</b> | 50.5   | <b>(94.8)</b>  | <b>↓187.7%</b>   |
| Operating expenses                             | <b>(48.7)</b> | (50.6) | <b>1.9</b>   | <b>↓3.8%</b>   | <b>(29.5)</b> | (35.1) | <b>5.6</b>     | <b>↓16.0%</b>    |
| Interest expenses                              | -             | -      | -            | -              | <b>(9.8)</b>  | (5.4)  | <b>(4.4)</b>   | <b>↑81.5%</b>    |
| Operating profit/(loss)                        | <b>45.7</b>   | 41.3   | <b>4.4</b>   | <b>↑10.7%</b>  | <b>(83.6)</b> | 10.0   | <b>(93.6)</b>  | <b>↓936.0%</b>   |
| Exceptional item                               | -             | -      | -            | -              | <b>(10.2)</b> | -      | <b>(10.2)</b>  | -                |
| Operating profit/(loss) after exceptional item | <b>45.7</b>   | 41.3   | <b>4.4</b>   | <b>↑10.7%</b>  | <b>(93.8)</b> | 10.0   | <b>(103.8)</b> | <b>↓1,038.0%</b> |
| Government subsidies                           | <b>81.9</b>   | -      | <b>81.9</b>  | -              | <b>4.1</b>    | -      | <b>4.1</b>     | -                |
| Others   | <b>0.3</b>    | 2.4    | <b>(2.1)</b> | <b>↓87.5%</b>  | <b>(0.9)</b>  | 0.4    | <b>(1.3)</b>   | <b>↓325.0%</b>   |
| Taxation                                       | <b>(6.9)</b>  | (6.0)  | <b>(0.9)</b> | <b>↑15.0%</b>  | <b>(6.5)</b>  | (0.8)  | <b>(5.7)</b>   | <b>↑712.5%</b>   |
| Net profit/(loss)                              | <b>121.0</b>  | 37.7   | <b>83.3</b>  | <b>↑221.0%</b> | <b>(97.1)</b> | 9.6    | <b>(106.7)</b> | <b>↓1,111.5%</b> |

## Property and Facility Management Business

### Property and Facility Management

2020 had been an exceptional year with unprecedented economic challenges. Amid over four decades of solid and extensive experience, Synergis has successfully sustained the growth of PFM Business and remained one of the market leaders under the devastating economic situation. The Group maintains a diverse portfolio for a wide spectrum of clients including government, corporate clients, public institutions and private clients. The scope of service includes but not limited to government departments, large-scale public facilities, transportation systems, airport cargo terminals, education institutions, hospitals, commercial and industrial properties, shopping malls, public housing estates, private housing and car parks, etc.

Operating profits for PFM Business



\*2020, we hit the record high from 2014

Leveraging on our rich management experience, exceptional talents and leading-edge innovative technology, we are capable of providing the most appropriate “one-stop-shop” solutions to our clients and earning their trust. During the Reporting Year, we were awarded about 50 new key contracts ranging from one-year to five-year project with a total contract sum of over HK\$380 million which was the highest from the past in terms of both number of contracts awarded and contract sums. Significant new contracts include:

- a 5-year contract of operation and management of vehicle park and provision of vehicle entry registration service in Western Wholesale Food Market under the Agriculture, Fisheries and Conservation Department;
- a 3-year contract of provision of property management services to the Independent Commission Against Corruption Building;
- a 3-year contract of provision of security services for Caritas Medical Centre and Yan Chai Hospital;
- a 21-month management contract for a multi-block industrial building - Kwun Tong Industrial Centre; and
- a 39-month contract of provision of security services for Lung Mun Oasis in Tuen Mun.

Subsequent to the end of the Reporting Year, the segment was awarded a 1-year contract of provision of property management services to Cheung On Estate, the second largest public housing estate in Tsing Yi with a total of 7,338 residential units.

Our “Synergis Parking” successfully increased our brand awareness in the car park industry and we were awarded four new contracts covering six car parks including Greenhill Villa Carpark, Mount Verdant Carpark, Western Garden Carpark, Terrace Concerto Carpark, Bo Shek Mansion Carpark and Kingston Terrace Carpark, with a total number of around one thousand parking spaces during the Reporting Year. Among those, four of them were from the Hong Kong Housing Society. Car park business faced great challenge due to the gatherings and dining out restrictions in the commercial and shopping districts affected by the social distancing measure during the Reporting Year.

In spite of the economic challenges brought by the pandemic of novel coronavirus, our resilient PFM service team managed to explore new business opportunities and achieved the satisfactory results on business development as shown above. Besides, we are able to maintain a high renewal rate of over 90% with some existing major contracts notwithstanding some delay for the contract renewal due to the pandemic of novel coronavirus. During the Reporting Year, the renewed key contracts included the provision of management services at Residential, Riding Schools and other associated properties at the Hong Kong Jockey Club, Asia Airfreight Terminal, Fu Shin Estate, Tin Ping Estate, Lung Mun Oasis, Tai Wo Estate, Tai Po Garden and Chung Nga Court, etc. All in all, our revenue and operating profit have increased by 4.4% and 3.7% to approximately HK\$627.2 million and approximately HK\$33.5 million respectively for the Reporting Year as compared with those of last year. With our stable and unique market position, we will continue to retain our current portfolio whilst exploring opportunities in commercial and operational facilities in the territory.

### **Ancillary Business**

Our Ancillary Business comprising integrated procurement, laundry, cleaning, security, maintenance and technical support services has persistently been playing a supportive role to our core PFM business and offers comprehensive value-added services to our clients. Over the years, these businesses have well developed and unleashed their market potential with proven dazzling results this year. Although the pandemic of novel coronavirus has inevitably casted some adverse impacts on some business lines this year, Ancillary Business still recorded a steady growth with an increase of gross profit by 17.4% to approximately HK\$27.7 million as compared to that of last year, by means of prudent cost control measures to gear up the margins. It contributed a satisfactory and encouraging result of around 26.7% of the operating profit of PFM Business during the Reporting Year.

Amid the new win of several fitter services maintenance contracts, our maintenance and technical support business became another key contributor of our Ancillary Business in 2020. Our cleaning business undeniable still be champion among all other business and contributed over half of revenue during the Reporting Year. As a whole, our Ancillary Business remained stable and has obtained around 20 new key contracts with a total contract sum of over HK\$90 million in 2020. Major contracts include:

- 3 groups of 3-year contracts of provision of Fitter Services Term Maintenance for The Link’s shopping centres, carparks, markets and cooked-food stalls in Yuen Long & Tuen Mun, Kowloon Central, Kowloon West & Wong Tai Sin and Tsuen Wan, Kwai Tsing, Tung Chung & Hong Kong Island;

- a 21-month cleaning services contract for Kwun Tong Industrial Centre, a multi-block industrial building;
- a 22-month contract of provision of cleansing and horticultural maintenance services to the Food Safety Laboratory of the Government Laboratory;
- a 3-year cleaning services contract for King Hin Court, a residential estate in Ngau Chi Wan;
- Finishing works of resurfacing of wall in Tai Po Garden; and
- a 1-year security service contract for 8A Hart Avenue in Tsim Sha Tsui.

Subsequent to the Reporting Year, our cleaning business received its largest contract in record, a 30-month contract of bus cleaning services at Kowloon Motor Bus terminal, covering over 130 locations, amounting to a contract sum of approximately HK\$100 million.

Ancillary Business demonstrated its development potential and proved itself to be a key business component of Synergis over the years. Looking forward, we will continue to grow the business progressively by expanding its client base and further enhancing its service quality.

### **Interiors and Special Projects Business**

As another major business arm of Synergis, ISP Business provides one-stop services including planning, design, consultancy, project management, etc. to its customers.

2020 had been a tough year for ISP Business. The total revenue of ISP Business recorded a plunged by 55.3% to approximately HK\$374.8 million during the Reporting Year (2019: HK\$838.1 million). The segment also saw an operating loss before insurance compensation of HK\$83.6 million, a big twist from an operating profit of HK\$10.0 million in 2019. Barely recovered from the weakened economy caused by local order events in 2019, the segment was further hit by the novel coronavirus pandemic since January 2020 when Hong Kong reported its first local case. The launch of social distancing measures and travel restrictions hit severely the construction, retail as well as hotel industries and ultimately the segment's performance. All in all, the decrease in gross profit of ISP Business was attributable to the following key factors:

- the completion of a few key contracts and substantial loss being incurred in some of the project works;
- certain costs incurred involving works done from construction projects still under negotiations with customers;
- lack of new significant ISP orders replenishment during the Reporting Year because of the increasingly competitive business environment; and
- the novel coronavirus pandemic having disrupted the progress of some on-going projects and reduced the number of available tenders in the industry.

Despite the uncertainty of external economic environment, the total outstanding workload for contracts on hand recorded by ISP Business as of 31 December 2020 was approximately HK\$350 million, which was attributed to the hard work of our management team. We were awarded several new major contracts with a total contract sum of approximately HK\$120 million during the Reporting Year. Major contracts include:

- Air-conditioner replacement and addition and alteration works at ESF Quarry Bay School in Quarry Bay;
- Renovation works of Victoria Centre located in Tin Hau; and
- Addition and alteration works at basement to 4/F, 5-19 Jardine's Bazaar in Causeway Bay.

Subsequent to the end of the Reporting Year, the segment was awarded a few new contracts in which the most significant one was cladding replacement works and works complying Mandatory Building Inspection Scheme requirements at The Langham, Tsim Sha Tsui, Kowloon.

Amid the public health crisis, Hong Kong has seen a record plunge in economic performance in 2020. Construction projects and property sales have slowed down as developers and investors took a more prudent business approach. At the same time, the launch of social distancing measures and travel restrictions further reduced economic activities and gave a severe hit to the local operating environment, in particular retail and hotel operations. All these have inevitably affected our ISP Business. During this difficult time, we will put more focus on the opportunities of education sector, banks and offices which are relatively more stable under economic downturn. With the team's commitment to excellence, we are looking forward to an improvement of our overall business performance in the near future when the pandemic eases with vaccination.

## **Outlook of the Group**

Looking forward, the Hong Kong economy is expected to see positive growth for 2021 as a whole following the mass vaccination program, though the degree and speed of recovery are subject to a host of uncertainties such as the duration of novel coronavirus pandemic and the development of China-US relations. In the midst of economic uncertainties, we would capture the opportunity of the steady local residential property sector as well as education sector, banks and offices and strive to maintain a continuous business growth.

On a Group-wide overview, we consider that the overall financial performance of the Group remains stable. Alongside improving financial performance, we must carry on in delivering a transparent, responsible and inclusive approach to business so that we can continue our journey to sustainable development. Aligning our values of customer focus, integrity, teamwork, innovation and pursuit of excellence, sustainability is our core business strategy. Synerigs is ready to play with the determination, resilience and our can do spirit to overcome any challenges and enhance our customer satisfaction with the improvement to our services quality. Besides, with the rapid change of business environment, we will continue to advance our risk management procedures to mitigate faced risks and turn some of the risks into new business opportunities. Leveraging on its solid foundation and committed management team, the Group has full confidence in overcoming all the challenges ahead of us.

## **Disposal of PFM Business**

Reference was made to the interim report of the Company for the six months ended 30 June 2020. On 6 April 2020, the Company and the potential purchaser (the “Potential Purchaser”) entered into a non-legally binding memorandum of understanding in relation to possible disposal of the PFM Business, pursuant to which the Company has intended to dispose of, and the Potential Purchaser has intended to acquire the entire issued share capital of the certain subsidiaries of the Company which are principally engaged in the PFM Business (the “Possible Disposal”). In addition to the Potential Purchaser, the Company has been in negotiation with several potential purchasers for the Possible Disposal.

As at the date of this announcement, no formal agreement has been entered into between the Company and the potential purchasers and the Board will continue to negotiate the terms of the formal agreement with the potential purchasers. The Company will make further announcement(s) should there be any updates in relation to the Possible Disposal as and when appropriate. Details of the Possible Disposal are set out in the announcements of the Company dated 6 April 2020, 18 May 2020, 4 June 2020 and 8 October 2020 respectively.

## **Financial Position and Financial Risk Management**

As at 31 December 2020, the total outstanding bank loan was HK\$64.0 million, and scheduled to be repaid within one year. This included a term loan of HK\$35.0 million drawn down to support ISP operation. The remaining sum represented the working capital loans for supporting ISP operation and business development, details of which are disclosed in note 12 to the financial statements in this announcement. During the Reporting Year, the Group’s sources of fund were generated primarily from operating and financing activities (including bank facilities).

Interest costs on bank borrowings were 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.

The Company placed the 7% convertible bonds in an aggregate principal amount of HK\$42 million (the “Convertible Bonds”) on 18 November 2019 pursuant to the placing agreement dated 24 October 2019 (the “Placing”) by the placing agents to six places, being individual and corporate investors who are the independent third parties and are not connected with the Company as well as its connected persons, whereby the Convertible Bonds may be convertible into a maximum of 84 million conversion shares based on the initial conversion price of HK\$0.50 per conversion share upon exercise in full of the conversion rights attaching to the Convertible Bonds. As at 31 December 2020 and up to the date of this announcement, no conversion share has been issued under the Convertible Bonds which will be due in November 2021.

The gross and net proceeds from the Placing amounted to HK\$42 million and approximately HK\$41 million respectively. The net issue price for the Placing is approximately HK\$0.49 per conversion share. The net proceeds from the Placing were fully used as the general working capital of the Group according to the purpose of the Placing. Details of the Placing are set out in the announcements of the Company dated 24 October 2019 and 18 November 2019 respectively as well as note 14 to the financial statements in this announcement.

| Financial position (HK\$'000)  | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| <b>Total assets</b>  | <b>628,198</b>   | <b>836,365</b>   |
| Receivables and other assets   | 385,974          | 673,725          |
| Cash and cash equivalents and pledged bank deposits/time deposits with original maturities over three months | 215,837          | 128,344          |
| <b>Current assets</b>  | <b>601,811</b>   | <b>802,069</b>   |
| Payables and other liabilities   | 373,527          | 534,383          |
| Bank loans   | 64,000           | 131,000          |
| Convertible bonds  | 38,912           | -                |
| <b>Current liabilities</b>   | <b>476,439</b>   | <b>665,383</b>   |
| Other non-current liabilities  | 6,277            | 4,440            |
| Convertible bonds  | -                | 35,882           |
| <b>Non-current liabilities</b>   | <b>6,277</b>     | <b>40,322</b>    |
| <b>Net assets</b>  | <b>145,482</b>   | <b>130,660</b>   |
| <b>Net assets per share (HK cents)</b>   | <b>28.8</b>      | <b>25.9</b>      |
| <b>Current ratio</b>   | <b>1.3</b>       | <b>1.2</b>       |

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 its majority assets and liabilities are 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.

There were no material investments, capital commitments or contingent liabilities as at 31 December 2020 and up to the date of this announcement, other than a writ of summons received by ISP Construction (Engineering) Limited ("ISPCE"), an indirect wholly-owned subsidiary of the Company, from Fortune Pharmacal Co., Ltd ("Fortune"), details of which are set out in the announcement of the Company dated 18 January 2021.

## **Cash Management**

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

## **Human Resources**

As at 31 December 2020, the Group employed a total of 4,879 staff (31 December 2019: 4,944) in Hong Kong and China.

Year 2020 was a year of unprecedented challenges for Hong Kong, with pandemic of novel coronavirus impacting the economy, business and the job market. Throughout the past year, human resources playing a major role in supporting the Group under new normal. From enhancing employee wellness programs, to redesigning working measures, we have been instrumental in maintaining businesses continuity and preparing the Group for sustainable growth. Since the future will bring more flexible, remote-friendly, digital working norms, the changes in processes, workspaces, collaboration systems, and employee wellness are of increasing urgent importance that we will take good care of. In order to sustain our quality services, it is always our long-term goal to retain top talent for the Group. We put a lot of efforts in ensuring our staff members are enjoying competitive remuneration and benefits through market research for regular benchmarking review. Our Human Resources Team always strives their best to keep track of changes in the latest market conditions for attracting more high caliber candidates to join our winning team. In addition, aiming for the mutual growth of the staff and the Group, we do our utmost to invest and share resources with our staff. We have formulated a holistic policy on human capital management with the theme of “We Care We Share 盡展關懷 共享成果”. We do believe our staff will reward the Company and customers through providing quality services and thus gain more appreciation and recognition from the customers. Besides, the Human Resources team manages through enhancing the existing Human Resources system aiming to uplift 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 Reporting Year.

## **SUBSEQUENT EVENTS AFTER 2020**

### **Writ of Summons**

Reference was made to the announcement of the Company dated 18 January 2021. Falcon Insurance Company (Hong Kong) Limited, as the 1st defendant and ISPCE, as the 2nd defendant (collectively, the "Defendants"), received a writ of summons (the "Writ of Summons") on 14 January 2021 issued in the Court of First Instance of the High Court of Hong Kong by Fortune as a plaintiff, against the Defendants for the sum of approximately HK\$54.4 million regarding the Defendants' breaches of the surety bond executed by the Defendants to guarantee due performance and observance by ISPCE for construction of main contract works for Fortune Pharmacal New Factory Development at Yuen Long given the ISPCE breaches of the contract and/or its negligence in carrying out the works. ISPCE is seeking legal advice in respect of the proceeding and defended its position as well as filed the summons with the High Court on 1 March 2021 for a stay of proceedings in favour of arbitration. The call-over hearing for the application to stay of proceedings will be held on 7 April 2021.

### **Insurance Compensation**

References were made to the announcements of the Company dated 30 January 2020 and 27 January 2021 respectively. The Company entered into the settlement agreement on 25 January 2021 with QBE after the conduction of the mediation regarding the writ of summons received on 23 January 2020 by QBE was made against the Company for a claim of approximately HK\$34.2 million under joint employee compensation insurance policy with Hsin Chong Group Holdings Limited. Under the settlement agreement, it was agreed, among other things, the Company shall pay a sum of HK\$19.5 million to QBE (inclusive of all interests, costs, disbursements, costs of mediation of QBE) in full and final settlement of QBE's claims and all the matters and disputes. The Company has recognized further loss of approximately HK\$10.2 million for the Reporting Year. The settlement will have no material impact on the Group's liquidity position and financial performance and was for the best interest for the Company.

## **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 Mr. To Chun Wai. The Audit Committee together with the participation of the management of the Company have reviewed the consolidated financial statements of the Group for the Reporting Year.

## **REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT**

The figures in this annual results announcement, from pages 1 to 16, have been agreed by the Company's external auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the Reporting Year. The work performed by BDO Limited 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 BDO Limited 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 Reporting Year.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

Throughout the Reporting Year, the Company complied with all code provisions of the CG Code and, where appropriate, the applicable recommended best practices of the CG Code.

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

Hong Kong, 23 March 2021

*As at the date of this announcement, the Board comprises Mr. Kingston Chu Chun Ho (Chairman) and Ms. Hui Suk Man (Deputy Chairman and Managing Director for the property and facility management) as Executive Directors; and Mr. Lau Man Tak, Mr. Eric Lee Hon Man and Mr. To Chun Wai as Independent Non-executive Directors.*