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SYNERGIS HOLDINGS LIMITED

昇捷控股有限公司

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

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”) of Synergis Holdings Limited (the “Company” or “Synergis”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”).

FINANCIAL OVERVIEW

HK\$' million	Six months ended 30 June		Change	
	2021	2020	Amount	%
Revenue	618.8	553.8	65.0	↑11.7%
Gross profit	59.8	41.9	17.9	↑42.7%
Gross profit margin	9.7%	7.6%	-	↑2.1%
Operating expenses (including interest)	(40.3)	(51.4)	11.1	↓21.6%
Government subsidies	-	13.8	(13.8)	↓100.0%
Profit attributable to Shareholders	19.5	1.6	17.9	↑1,111.8%
EBITDA	32.7	19.1	13.6	↑71.2%
Basic earnings per share (HK cents)	4.6	0.4	4.2	↑1,050.0%

The Group reported consolidated revenue of approximately HK\$618.8 million and gross profit of approximately HK\$59.8 million for the Reporting Period, which were 11.7% and 42.7% higher of respectively against the same period of last year (the “Corresponding Period”). Amid uncertainties surrounding the pandemic, the Group maintained a stable operation and recorded a very significant increase in profit attributable to Shareholders to approximately HK\$19.5 million for the Reporting Period as compared with that of approximately HK\$1.6 million for the Corresponding Period. Earnings per share was 4.6 HK cents (2020: 0.4 HK cents).

Despite that the Group had not received further government subsidies under HKSAR Government’s Employment Support Scheme for the Reporting Period, the substantial increase in the profit attributable to Shareholders was mainly because of the following factors:

- (a) the satisfactory results and improvement in the operation efficiency of both the property and facility management business and ancillary business (collectively, the “PFM Business”), and the interiors and special projects business (the “ISP Business”) as well as successful cost control measures; and
- (b) the non-recurrence of substantial loss on the completed projects of ISP Business whereas such loss was recognised for the Corresponding Period.

References are made to the annual report of the Company for the year ended 31 December 2020 (the “2020 Annual Report”) and the announcement of the Company dated 18 January 2021. Fortune Pharmacal Co., Ltd (“Fortune”) as a plaintiff, against Falcon Insurance Company (Hong Kong) Limited, as the 1st defendant and ISP Construction (Engineering) Limited (“ISPCE”), as the 2nd defendant (collectively, 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 hearing for the application to stay of proceedings was held in mid of June 2021 and the judgement is expected to be made in around mid of September 2021.

Reference is made to the 2020 Annual Report. A winding up order has been made against Hsin Chong Group Holdings Limited (“Hsin Chong”) by the Supreme Court of Bermuda in January 2020 and the Company has filed the proof of debts with the joint and several provisional liquidators of Hsin Chong in Bermuda last year. Although the recoverability of debts seems to be remote, there is no impact on the Group’s financial position.

BUSINESS REVIEW AND PROSPECTS

Business Overview

	PFM Business				ISP Business			
	Six months ended 30 June				Six months ended 30 June			
	Change				Change			
HK\$' million	2021	2020	Amount	%	2021	2020	Amount	%
Revenue	384.9	365.4	19.5	↑5.3%	233.9	188.4	45.5	↑24.2%
Gross profit/(loss)	50.8	45.7	5.1	↑11.2%	9.0	(3.8)	12.8	↑336.8%
Operating expenses	(25.9)	(26.8)	0.9	↓3.4%	(6.7)	(14.0)	7.3	↓52.1%
Interest expenses	-	-	-	-	(2.6)	(5.4)	2.8	↓51.9%
Operating profit/(loss)	24.9	18.9	6.0	↑31.7%	(0.3)	(23.2)	22.9	↑98.7%
Others	0.3	1.3	(1.0)	↓76.9%	3.2	(0.6)	3.8	↑633.3%
Government subsidies	-	13.6	(13.6)	↓100%	-	0.2	(0.2)	↓100.0%
Taxation	(3.4)	(3.1)	(0.3)	↑9.7%	(0.1)	(0.2)	0.1	↓50.0%
Net profit/(loss)	21.8	30.7	(8.9)	↓29.0%	2.8	(23.8)	26.6	↑111.8%

Two business teams worked tirelessly to make continuous improvement on our quality of services. We saw steady business development and had achieved better operating profit contributions than the past years. Our PFM Business, which was more stable in business nature, contributed about 60% of the Group's revenue while the remaining was contributed by ISP Business during the Reporting Period. Although we did not receive one-off government subsidies similar with last year, the PFM Business still contributed approximately HK\$21.8 million net profit to the Group, while the ISP Business contributed approximately HK\$2.8 million.

The PFM Business recorded a revenue of approximately HK\$384.9 million, which was 5.3% higher than that of the Corresponding Period (2020: HK\$365.4 million). The gross profit recorded approximately HK\$50.8 million, representing an increase of 11.2% over that of the Corresponding Period (2020: HK\$45.7 million) and the operating profit of approximately HK\$24.9 million was approximately one-third over that of the Corresponding Period (2020: HK\$18.9 million).

ISP Business has started to regain its momentum in the first half of 2021 as the epidemic has gradually receded. During the Reporting Period, ISP Business recorded the revenue of approximately HK\$233.9 million, which was 24.2% higher than that of the Corresponding Period (2020: HK\$188.4 million). The gross profit of the segment saw a significant increase to approximately HK\$9 million as compared to the gross loss of approximately HK\$3.8 million for the Corresponding Period, mainly due to the non-recurrence of substantial loss on the completed projects whereas such loss was recognised for the Corresponding Period.

Property and Facility Management Business

Two operating segments under Property and Facility Management Business comprise:

- property and facility management (the “PFM”); and
- ancillary business including procurement, laundry, cleaning, security, maintenance and technical support services (the “Ancillary Business”).

	PFM				Ancillary Business			
	Six months ended 30 June				Six months ended 30 June			
HK\$' million	2021	2020	Amount	Change %	2021	2020	Amount	Change %
Revenue	311.5	304.7	6.8	↑2.2%	73.4	60.7	12.7	↑20.9%
Gross profit	37.1	34.1	3.0	↑8.8%	13.7	11.6	2.1	↑18.1%
Operating expenses	(18.4)	(18.5)	0.1	↓0.5%	(7.5)	(8.3)	0.8	↓9.6%
Operating profit	18.7	15.6	3.1	↑19.9%	6.2	3.3	2.9	↑87.9%

Our PFM team remained resilient with its solid foundation, strong leadership and dedicated team in the midst of uncertainties surrounding the pandemic and fierce market competition. We have been doing our utmost to maintain the smooth operations of PFM Business to meet customer expectations and monitor the profitability of individual projects to sustain the growth. In spite of the economic challenges brought by the pandemic of novel coronavirus in the first half of 2021, our PFM management team showed great perseverance and determination to overcome difficulties and challenges. We have been successfully awarded around 27 new key contracts with total contract sum of approximately HK\$150 million during the Reporting Period. The total outstanding services to be provided under secured contracts after the Reporting Period up to year 2026, would be over HK\$1 billion that have brought Synergis to a new milestone and hit the record high.

(a) Property and Facility Management

PFM maintained a stable performance and managed 364 projects with over 92,000 residential units, covering 8.2 million square metres of residential, commercial and industrial facilities in Hong Kong and China as at the end of the Reporting Period. The scope of services 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. With our stable and unique market position, we will continue to retain our current portfolio whilst exploring new opportunities in commercial and operational facilities in the territory.

PFM recorded similar revenue with about 9% improvement on gross profit to approximately HK\$37.1 million from the Corresponding Period. With effective cost control measures during the Reporting Period, the segment's operating profit substantially improved by approximately 20% to approximately HK\$18.7 million over the Corresponding Period.

With our rich management experience, exceptional talents and leading-edge innovative technology, we are capable of providing the most appropriate “one-stop-shop” solution to our clients and earn their trust. Major key contracts awarded during the Reporting Period include:

- a 3-year contract of provision of security guarding services for the Hong Kong Wetland Park from the Agriculture, Fisheries and Conservation Department. In addition to the newly acquired contract, the Group has been providing services to this Park’s ticketing office since 2009;
- a 1-year contract of provision of property management services for Cheung On Estate, over 7,000 units public residential estate in Tsing Yi. This was the largest public housing estate contract we were awarded in recently years in terms of number of residential units; and
- a 3-year contract of provision of property management services for Tivoli Garden, a private residential estate in Tsing Yi with over 1,000 units.

In order to achieve higher customer satisfaction and further enhance our competitive edge in the market, Synergis has set up Elite Services, a deluxe property management brand. We have been expanding our luxury property market in recent years and have secured numerous management services contracts including but not limited to Braemar Hill Mansions, Green Crest, Emerald Place, 18A La Salle Road and Grosse Pointe Villa. Our dedicated team will continue to provide the most appropriate luxury property management solutions to our customers to exceed their expectations and enhance the value of luxurious properties.

On the other hand, our PFM team have achieved outstanding renewal rate of approximately 90%. Several significant contracts were successfully renewed with satisfactory growth rate, which enables us to generate steady revenue to the Group. Thanks for the great effort of the team on this achievement during difficult time, the following key contracts were successfully renewed:

- *Property Management Services Contracts:*
Tai Wo Estate, Chung Nga Court, Radiant Tower, Wan Tau Tong Estate, Tin Fu Court and Fu Shin Estate.
- *Facility Management Services Contracts:*
Taxi Services Management at Hong Kong International Airport, Facilities Management Service for Malvern College Hong Kong, Station Assistant Services for Various Projects with MTR Corporation Limited and Provision of Services for Customer Services Centre and backend Accountancy Services for MTR Tseung Kwan O Line Stations, Causeway Bay Group Stations, Kennedy Town Group Stations, West Rail Line Stations, Homantin Group Stations and South Island Line Stations.

Our “Synergis Parking” has increased our brand awareness in the car park industry since its launch two years ago. In spite of the unprecedented challenges caused by the dining out restrictions in the commercial and shopping districts affected by the social distancing measures during the Reporting Period, our dedicated team has put more effort on sustainability of our parking management business. Amid the decline in local infection rates and mass vaccination programs implemented in Hong Kong from second half of this year, we expect to see a further business performance improvement in this area.

(b) Ancillary Business

The Group's Ancillary Business comprising of procurement, laundry, cleaning, security, maintenance and technical support service has long been offering customer-oriented services to our customers and supporting our core PFM. Our Ancillary Business saw significant improvement, thanks to the outstanding performance of the cleaning team which obtained its largest cleaning services contract in history during the Reporting Period. In February 2021, the team secured a mega size contract amounting to a contract sum of over HK\$100 million. It is a 30-month contract of bus cleaning services at the Kowloon Motor Bus Co. (1933) Ltd. termini, covering over 130 locations. As a result, our cleaning business outperformed all other businesses and contributed over half of the revenue of this segment during the Reporting Period. Taking into account the new and significant contracts awarded these two years together with continuously effective cost control measures, our Ancillary Business recorded a steady growth with an increase of revenue and gross profit by 20.9% and 18.1% to approximately HK\$73.4 million and HK\$13.7 million respectively and the operating profit significantly improved by approximately 87.9% to around HK\$6.2 million during the Reporting Period.

Interiors and Special Projects Business

ISP Business is another major business arm of Synergis. Benefited from the gradual recovery of local economy and the non-recurrence of substantial loss on the completed projects whereas such loss was recognized for the Corresponding Period together with effective implementation of cost control mechanism and the keen efforts put by the team, the results of ISP Business turned around from loss and contributed the profit of approximately HK\$2.8 million in the Reporting Period.

The total outstanding workload for contracts on hand recorded by ISP Business as of 30 June 2021 was approximately HK\$280 million, over two-thirds of which would be expected to complete by end of 2021. During the Reporting Period, we awarded a handful of key contracts up to around HK\$160 million including:

- Several fitting out works, namely Regency Centre, Sikh Temple and Yin Chong Street;
- Enhancement works at ESF's Shatin College; and
- Cladding replacement works and works complying Mandatory Building Inspection Scheme requirements at The Langham in Tsim Sha Tsui.

Considering the economic uncertainties surrounding the pandemic, this segment which is more reliant on general economic environment, we will continue to reposition its market strategy by putting more focus on alteration and addition and fitting-out businesses and seek for continuous business development.

Furthermore, taking into account our projects currently on hand and the tenders that the team submitted recently as well as more sizeable tenders which we plan to submit in the second half of this year leveraging on our enhanced financial resources, we are confident that our business is able to expand and well positioned to capture new business opportunities and market growth in near future.

Outlook of the Group

Looking forward, we are optimistic that its business will gather further growth momentum at times of economic recovery once the epidemic has receded and are well-equipped to seize the opportunities to generate sustainable value for our Shareholders. Meanwhile, the Group will also grasp the opportunities of the increasing housing supply and commercial land supply initiated by the HKSAR government and strive to maintain a continuous business growth. Leveraging on our historical track records and experiences in the market, diversified professional team and our strengthened liquidity and financial position, we are able to undertake more sizeable projects in coming years.

On a group-wide overview, we consider that the overall financial performance of the Group remains sound. Management seeks to proactively enhance the quality of our services and create value for our stakeholders through comprehensive and innovative solutions and better communications with clients. The awards we have won over the years attest to the wide recognition we have received for our dedication. Aligning our values of customer focus, integrity, teamwork, innovation and pursuit of excellence, sustainability is our core business strategy. With the rapid change of business environment, we will continue to manage various operational and financial risks and take appropriate measures to minimise and combat these risks and have full confidence in overcoming all the difficulties ahead of us.

Possible Disposal of PFM Business

Reference is made to the 2020 Annual Report. 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 intended to dispose of, and the Potential Purchaser intended to acquire the entire issued share capital of certain subsidiaries of the Company which are principally engaged in the PFM Business (the “Possible Disposal”) on 6 April 2020. 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

Financial position (HK\$'000)	30 June 2021	31 December 2020
Total assets	484,604	628,198
Receivables and other assets	351,660	385,974
Cash and cash equivalents and pledged bank deposits/time deposits with original maturities over three months	107,933	215,837
Current assets	459,593	601,811
Payables and other liabilities	297,680	373,527
Bank loans	15,000	64,000
Convertible bonds	-	38,912
Current liabilities	312,680	476,439
Non-current liabilities	6,613	6,277
Net assets	165,311	145,482
Net assets per share (HK cents)	32.7	28.8
Current ratio	1.5	1.3

As at 30 June 2021, the total outstanding term loan of HK\$15 million was drawn down to support ISP operation, which was scheduled to be repaid within one year. Details of the term loan are disclosed in note 10 to the financial statements in this announcement. During the Reporting Period, the Group's sources of fund were generated primarily from operating and financing activities (including bank facilities). As at the date of this announcement, the Company has utilized the surplus of fund to repay all outstanding term loan. The liquidity of the Group has been improved as compared with that of last year.

Reference is made to the placing of the convertible bonds in the aggregate principle amount of HK\$42 million (the "Convertible Bonds"), details of which were set out in the announcements of the Company dated 24 October 2019 and 18 November 2019 respectively as well as the 2020 Annual Report and note 11 to the financial statements in this announcement.

On 29 April 2021, the Company redeemed all the outstanding Convertible Bonds in full at the redemption price equal to 100% of the outstanding principal amount of HK\$42 million together with all accrued and unpaid interest thereon. Following the redemption, there was no principal amount outstanding under the Convertible Bonds and no Convertible Bonds have been or will be converted into ordinary shares of the Company. The Convertible Bonds were cancelled in whole upon redemption and the Company was discharged from all of its obligations under and in respect of the Convertible Bonds. Details of the redemption of Convertible Bonds are set out in the announcement of the Company dated 29 April 2021.

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

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 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 30 June 2021 and up to the date of this announcement, other than a writ of summons received by ISPCE, an indirect wholly-owned subsidiary of the Company, from 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. Surplus cash balances to meet immediate business requirements are mainly placed as short-term bank deposits with licensed banks in Hong Kong.

Human Resources

As at 30 June 2021, the Group employed a total of 5,010 staff (31 December 2020: 4,879) in Hong Kong and China.

The economy, business and the job market in Hong Kong were affected by the pandemic of novel coronavirus in the first half of 2021. Human resources playing a major role in supporting the Group under new normal environment. 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. Our Learning and Development Team would offer tailor made and new training programs from time and time due to the business needs and change of rules and regulations. Synergis has reviewed the training system and designed a Synergis – Learning & Development Curriculum. The key objective of this project is to build a comprehensive training framework for the Group and to provide a clear development pathway for all staff at every level, and most importantly, to build a talent pool to support our continuous business growth and development via the project in long term.

INTERIM DIVIDEND

The Board resolved not to declare interim dividend for the Reporting Period (2020: nil).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	HK\$'000	HK\$'000
Revenue	3	618,755	553,783
Cost of sales and service		(558,955)	(511,916)
Gross profit		59,800	41,867
Other income		3,737	14,769
General and administrative expenses		(38,120)	(43,707)
Interest expenses		(2,873)	(5,774)
Net reversal/(allowances for impairment losses) on receivables and contract assets		432	(2,263)
Profit before taxation	4	22,976	4,892
Taxation	5	(3,499)	(3,295)
Profit for the period		19,477	1,597
Profit attributable to the equity holders of the Company		19,477	1,597
Other comprehensive income/(loss):			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		352	(455)
Total comprehensive income for the period attributable to equity holders of the Company		19,829	1,142
Earnings per share for profit attributable to the equity holders of the Company			
- basic (HK cents)	6	4.6	0.4
- diluted (HK cents)	6	3.9	0.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

		Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		17,102	18,420
Investment properties		6,800	6,800
Deferred tax assets		1,109	1,167
Total non-current assets		25,011	26,387
Current assets			
Contract assets		92,924	90,337
Receivables	8	233,250	270,259
Deposits and prepayments		25,469	25,272
Taxation recoverable		17	106
Cash and cash equivalents		97,153	205,082
Pledged bank deposits/time deposits with original maturities over three months		10,780	10,755
Total current assets		459,593	601,811
Current liabilities			
Payables and accruals	9	258,435	345,630
Contract liabilities		21,975	13,583
Bank loans	10	15,000	64,000
Convertible bonds	11	-	38,912
Lease liabilities		7,148	7,652
Taxation payable		10,122	6,662
Total current liabilities		312,680	476,439
Net current assets		146,913	125,372
Total assets less current liabilities		171,924	151,759
Non-current liabilities			
Long service payment liabilities		1,516	1,516
Lease liabilities		4,820	4,376
Deferred tax liabilities		277	385
Total non-current liabilities		6,613	6,277
Net assets		165,311	145,482
Equity attributable to equity holders of the Company			
Share capital	12	50,486	50,486
Reserves		114,825	94,996
Total equity		165,311	145,482

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

Except as described below, the accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those set out in the annual report for the year ended 31 December 2020.

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised standards, interpretations and amendments to standards which are effective for accounting period beginning 1 January 2021:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
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The adoption of the new HKFRSs and amendments to HKFRSs has no material impact on the Group’s condensed consolidated interim financial statements.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2020.

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash, and having available funding through an adequate amount of committed credit facilities. Cash flow forecast is performed in the operating segments of the Group and aggregated by corporate finance team taking into account the Group’s history of refinancing, its available banking facilities and its assets backing. Corporate finance team monitors forecasts of the Group’s liquidity requirements to ensure the Group has sufficient cash to operate and meet its liabilities as and when they fall due.

2 Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

As at 30 June 2021, the Group had certain claims over its contract assets and receivables in respect of disputes or prolonged negotiation between the Group and the employers in certain building construction contracts. The Group is closely monitoring the development of these contracts and has been negotiating with the employers or seeking relevant resolutions. The directors are of the view that the carrying value of the balances as at 30 June 2021 would be fully recoverable. The determination of the recoverability involved significant management estimation.

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 and their results are as below:

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

Segment Results (in HK\$'000)

<u>Six months ended 30 June 2021</u>	PFM	Ancillary Business	PFM Business	ISP Business	Corporate Overhead (Note (i))	Total
Revenue						
- At a point in time	-	6,723	6,723	-	-	6,723
- Over time	311,450	66,697	378,147	233,885	-	612,032
	311,450	73,420	384,870	233,885	-	618,755
Gross Profit	37,069	13,731	50,800	9,000	-	59,800
<i>Gross Profit Margin</i>	11.9%	18.7%	13.2%	3.8%	-	9.7%
Operating expenses	(18,344)	(7,537)	(25,881)	(4,690)	(5,112)	(35,683)
Loss on early redemption of Convertible Bonds	-	-	-	(2,005)	-	(2,005)
Interest expenses	-	-	-	(2,625)	-	(2,625)
Operating Profit/(Loss)	18,725	6,194	24,919	(320)	(5,112)	19,487
<i>Operating Profit/(Loss) Margin</i>	6.0%	8.4%	6.5%	-0.1%	-	3.1%
Interest expenses for lease			(202)	(46)	-	(248)
Other income			520	3,217	-	3,737
Profit/(Loss) before taxation			25,237	2,851	(5,112)	22,976
Taxation			(3,406)	(93)	-	(3,499)
Profit/(Loss) for the period			21,831	2,758	(5,112)	19,477

<u>Six months ended 30 June 2020</u>	PFM	Ancillary Business	PFM Business	ISP Business	Corporate Overhead (Note (i))	Total
Revenue						
- At a point in time	-	7,369	7,369	-	-	7,369
- Over time	304,732	53,326	358,058	188,356	-	546,414
	304,732	60,695	365,427	188,356	-	553,783
Gross Profit/(Loss)	34,115	11,565	45,680	(3,813)	-	41,867
<i>Gross Profit/(Loss) Margin</i>	11.2%	19.1%	12.5%	-2.0%	-	7.6%
Operating expenses	(18,498)	(8,294)	(26,792)	(14,030)	(5,148)	(45,970)
Interest expenses	-	-	-	(5,361)	-	(5,361)
Operating Profit/(Loss)	15,617	3,271	18,888	(23,204)	(5,148)	(9,464)
<i>Operating Profit/(Loss) Margin</i>	5.1%	5.4%	5.2%	-12.3%	-	-1.7%
Interest expenses for acquisition loan			-	-	(190)	(190)
Interest expenses for lease			(181)	(42)	-	(223)
Other income (Note (ii))			15,161	(392)	-	14,769
Profit/(Loss) before taxation			33,868	(23,638)	(5,338)	4,892
Taxation			(3,138)	(157)	-	(3,295)
Profit/(Loss) for the period			30,730	(23,795)	(5,338)	1,597

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

Note (ii): Other income mainly includes government subsidies that were granted from the Employment Support Scheme under the Anti-epidemic Fund of HKSAR Government

4 Profit Before Taxation

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit before taxation is arrived after charging/ (crediting):		
Staff costs, including directors' emoluments	313,778	328,001
Depreciation of property, plant and equipment	1,666	2,581
Depreciation of right-of-use assets	5,205	5,875
Government subsidies (note)	-	(13,840)
Miscellaneous income	(3,737)	(929)
Short-term lease expenses	22	546

Note: After deducting the reimbursement paid to the respective Incorporated Owners in PFM Business.

5 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period after application of available tax losses brought forward for both periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax		
- provision for the period	3,549	3,585
- over provision in prior years	-	(37)
Deferred taxation	(50)	(253)
	3,499	3,295

6 Earnings Per Share

- (i) Basic earnings per share is calculated by dividing the Group's unaudited 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 period.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to equity holders (HK\$'000)	<u>19,477</u>	<u>1,597</u>
Weighted-average ordinary shares issued ('000)	<u>424,850</u>	<u>424,850</u>
Basic earnings per share (HK cents)	<u>4.6</u>	<u>0.4</u>

- (ii) Diluted earnings per share for the Period is calculated by dividing the Group's unaudited 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:

	Unaudited	
	Six months ended 30 June	
	2021	2020
Earnings		
Earnings for the purposes of basic earnings per share (HK\$'000)	<u>19,477</u>	<u>1,597</u>
Number of share		
Weighted-average ordinary shares issued ('000)	424,850	424,850
Effect of dilutive potential ordinary shares:		
- Convertible preference shares ('000)	<u>80,000</u>	<u>80,000</u>
Weighted-average ordinary shares for calculating diluted earnings per share ('000)	<u>504,850</u>	<u>504,850</u>
Diluted earnings per share (HK cents)	<u>3.9</u>	<u>0.3</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.

7 Dividend

At a meeting held on 25 August 2021, the Board resolved not to declare interim dividend for the period ended 30 June 2021 (2020: nil).

8 Receivables

The credit period of the Group's accounts receivable generally ranges from 30 to 60 days. (31 December 2020: 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:

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Accounts receivable		
0 to 30 days	65,233	60,967
31 to 60 days	29,256	41,734
61 to 90 days	6,318	11,104
Over 90 days	33,386	40,043
	134,193	153,848
Retention receivables and other receivables	104,845	122,485
Receivables	239,038	276,333
Impairment of accounts receivable, retention receivables and other receivables	(5,788)	(6,074)
	233,250	270,259

Retention receivables in respect of the contracting business are settled in accordance with the terms of the respective contracts. At 30 June 2021, retention receivables held by customers for contract works amounting to approximately HK\$10,107,000 (31 December 2020: HK\$9,398,000) are expected to be recovered or settled in more than 12 months from the end of the reporting period, 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.

9 Payables and Accruals

The credit period of the Group's accounts payable generally ranges from 30 to 60 days. (31 December 2020: 30 to 60 days). The aging analysis of accounts payable by invoice date is as follows:

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Accounts payable		
0 to 30 days	119,192	152,828
31 to 60 days	9,146	14,235
61 to 90 days	1,704	8,116
Over 90 days	18,911	23,595
	<u>148,953</u>	<u>198,774</u>
Retention payables, other payables and accruals	<u>109,482</u>	<u>146,856</u>
	<u>258,435</u>	<u>345,630</u>

10 Bank Loans

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Bank loans contains a clause of repayment on demand for repayment within one year	<u>15,000</u>	<u>64,000</u>

Notes:

- (i) The Group had bank loans of HK\$15,000,000 (31 December 2020: HK\$64,000,000) denominated in Hong Kong dollars.
- (ii) The bank loans of the Group carried weighted average interest rates of 2.3% (31 December 2020: 2.7%) per annum.
- (iii) Bank deposit of HK\$10,000,000 (31 December 2020: HK\$10,000,000) is pledged as security for the Group's bank loan of HK\$15,000,000 (31 December 2020: HK\$35,000,000)
- (iv) The carrying amounts of loans approximate their fair values.

11 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”). 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, included in non-current financial liabilities, 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 were redeemed in full during the Corresponding Period. Following the redemption, there was no principal amount outstanding under the Convertible Bonds and no Convertible Bonds have been or will be converted into ordinary shares of the Company.

The Convertible Bonds recognized in the statement of financial position are calculated as follows:

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Equity component at reporting date	-	5,180
Liability component at 1 January	38,912	35,882
Interest expenses	2,042	5,970
Interest paid	(959)	(2,940)
Repayment of convertible bonds	(42,000)	-
Loss on early redemption of convertible bonds	2,005	-
Liability component at reporting date	-	38,912

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.

12 Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares:		
At 31 December 2020, 1 January 2021 and 30 June 2021	<u>424,850</u>	<u>42,486</u>
Convertible preference shares:		
At 31 December 2020, 1 January 2021 and 30 June 2021	<u>80,000</u>	<u>8,000</u>
Ordinary shares and convertible preference shares issued and fully paid:		
At 30 June 2021	<u>504,850</u>	<u>50,486</u>
At 31 December 2020	<u>504,850</u>	<u>50,486</u>

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 Period.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

There is no event after the Reporting Period which would have a material impact on the Company's financial position.

REVIEW OF INTERIM RESULTS

The results of the Group for the Reporting Period have been reviewed by the audit committee of the Board and the Company's external auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE 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 the Directors. Having been made specific enquiry by the Company, all the Directors confirmed they have complied with the required standard set out in the Model Code throughout the Reporting Period.

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.

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

COMPLIANCE WITH RULES 3.10(1), 3.21 AND 3.25 OF THE LISTING RULES

Following the resignation of Dr. Wong Yun Kuen as an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee with effect from 23 December 2020, the Company did not comply with (a) at least three independent non-executive directors on the board of directors under Rule 3.10(1) of the Listing Rules; (b) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules and paragraph 3.1 of the terms of reference of the Audit Committee; and (c) the remuneration committee be chaired by an independent non-executive director under Rule 3.25 of the Listing Rules.

On 1 March 2021, the Company appointed Mr. To Chun Wai as an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Following Mr. To's appointment, the Company was in compliance with the relevant requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and paragraph 3.1 of the terms of reference of the Audit Committee.

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

Hong Kong, 25 August 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.