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## **SHEUNG YUE GROUP HOLDINGS LIMITED**

### **上諭集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1633)**

### **SUPPLEMENTAL ANNOUNCEMENT – IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**

Reference is made to the annual report (the “**Annual Report**”) of Sheung Yue Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2019 published on 19 July 2019. Capitalised terms used herein shall have the same meanings as those defined in the Annual Report unless the context requires otherwise.

Further to the information disclosed in the Annual Report, the board of directors of the Company (the “**Board**”) would like to provide to the shareholders of the Company and the potential investors with the following supplementary information:

#### **IMPAIRMENT LOSSES OF CONTRACT ASSETS**

Based on the Annual Report, the Company has recorded an impairment loss of contract assets of HK\$24.1 million during the year (the “**Impairment**”), representing over 53% of the Group’s net loss for the year ended 31 March 2019. The main reason leading to the Impairment is disputes on the final billing of the relevant construction works. It is a common practice in construction industry that the total billing of the construction project can vary from the initial contract sum agreed in the construction contract. Generally, the collection of the final payment will delay over one year if the Group chooses to verify the amount of final billing with its customers. In some occasions where the Group has already devoted much time for the negotiation of billings with certain customers, depending on the progress of negotiation, the management of the Group may accept a small percentage of variance on the overall billing to the total contract sum to avoid further time and cost incurred for the verification of the final billing and collection of the final payment.

Based on the above, except for the amount of HK\$19,807,000 included in the Impairment, the remaining amounts represented the variance on the overall billing to the total contract sum, which is less than 5% of the total contract sum for various individual construction contracts. For the amount of HK\$19,807,000 included in the Impairment, it is related to the latest negotiation on the final billing of the construction contract awarded from a well-known contractor (the “**Contractor A**”). During the year ended 31 March 2019, the management of the Group noted that the Contractor A involved in various construction scandals. Having assessed the financial performance of the Contractor A upon a series of negotiation on the final billing, the management of the Group cast doubt on the Contractor A’s ability to continue as a going concern. As such, even the variance on the final billing is greater than 10%, the management of the Group still accepted the final billing in order to reduce the Contractor A’s default risk. The whole amount stated in the final billing was settled in full subsequently.

With respect to the contract assets, the management assessed its impairment using the expected credit loss (“**ECL**”) model in accordance with Hong Kong Financial Reporting Standard 9 “Financial Instrument”. Under the ECL model, the management assessed the ECL on the contract assets based on customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate, including their reputation, financial ability (for customers who are listed companies) and the latest progress of the negotiation on the final billing with such customers. Except for the contract assets which were impaired and explained above, most of the contracts assets were settled on time after issuance of billings. Accordingly, no impairment was provided by the management for the Group’s contract assets, except for those contract assets explained above.

By order of the Board  
**Sheung Yue Group Holdings Limited**  
**Chan Lap Wai Gary**  
*Chairman*

Hong Kong, 23 September 2020

*As at the date of this announcement, the Board comprises Mr. Chan Lap Wai Gary (Chairman), Mr. Chan Lap Chuen Edmond and Ms. Chan Chin Ying Amanda as executive Directors, and Mr. Li Hon Hung, BBS, MH, JP, Mr. Cheng Chi Hung and Mr. Wong Yip Kong as independent non-executive Directors.*