

Corporate Governance

Synergis recognises the interests of and its responsibility to one of its most important stakeholders – its shareholders. The Group is committed to upholding high standards of corporate governance as a means of protecting and enhancing shareholder value and ensuring the integrity of operations of individual companies. These standards are built on the principles of independence, accountability, transparency and fairness with an appropriate system of checks and balances which are regularly reviewed to address the growth of the Group. The responsibility for ensuring compliance within the corporate governance framework begins first and foremost with our independent, professional and diligent board of Directors (the “Board”).

The Code on Corporate Governance Practices (the “CG Code”) promulgated by the Stock Exchange became effective for the 2005 reporting year. Whilst the Company is only required to report on compliance with the new code from the 2005/2006 financial year onwards, the Board is committed to meeting all the provisions of the CG Code and those recommended best practices which the Board has determined to be in the best long term interests of its stakeholders within the earliest possible time.

The Board

The Board is accountable to shareholders for the strategic development of the Group with the objective of enhancing shareholder value. Currently the Board is composed of the independent non-executive Chairman, the executive Deputy Chairman (who has appointed an alternate executive director), the executive Managing Director and six non-executive directors (of whom four are independent). The biographical details of all directors are set out in the “Biography of Directors and Senior Management” section on pages 34 to 38. Coming from diverse business and professional backgrounds, the Chairman and the non-executive directors leverage on their invaluable expertise and experience to help protect shareholder interests and enhance shareholder value. The Board has received from each independent non-executive director a written annual confirmation of his independence under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and continues to consider each of them to be independent.

The CG Code requires the roles of Chairman and Chief Executive to be separate and not performed by the same individual – a model adopted by Synergis from the first day it became a listed company. The Chairman of the Company, an independent non-executive Chairman, is responsible for the leadership and proper functioning of the Board, whilst the executive Deputy Chairman and the executive Managing Director are responsible for the day to day management of Synergis’ business.

The Board conducts regular meetings throughout the year to discuss business strategy and review the financial performance of the Group. The Board has reserved for its decision on matters covering overall group strategy, business plans, annual budgets, major acquisitions and disposals, significant capital expenditures, appointment and reappointment of directors, interim and annual results announcements, dividend policy and other significant operational and financial issues. The agendas and accompanying board papers are circulated to board members in advance before the Board meetings. The Directors have full access to information relating to the Group and free to seek professional advice whenever deemed necessary.

Corporate Governance

The Board held four board meetings during FY2004/2005, including a strategic planning session. Details of directors' attendance at the Board meetings and the Audit Committee meetings are set out in the table below:

Directors	Board	Audit Committee
Independent Non-executive Chairman Professor Woo Chia Wei	4/4	2/2
Executive Directors Fung Yi Hao, Yvette (Deputy Chairman) Fan Cheuk Hung (Managing Director)	4/4 4/4	2/2
Independent Non-executive Directors Shih Wing Ching Tsang Cheung ⁽¹⁾ Pau Wah Kin ⁽²⁾ Tsui Yiu Wa, Alec ⁽³⁾	4/4 2/2 2/2 1/1	2/2 1/1 1/1
Non-executive Directors Lai Ming, Joseph Kwong Ki Chi ⁽⁴⁾	3/4 4/4	2/2
Alternate Director Barry John Buttifant ⁽⁵⁾	1/1	

Notes:

- (1) Appointed as an independent non-executive director on September 13, 2004.
- (2) Appointed as an independent non-executive director on September 30, 2004 for a term of six months and resigned on April 1, 2005.
- (3) Appointed as an independent non-executive director on January 1, 2005.
- (4) Appointed as an alternative director to Fung Yi Hao, Yvette on January 2, 2004 and re-designated as a non-executive director on September 13, 2004.
- (5) Appointed as an alternate director to Fung Yi Hao, Yvette on January 1, 2005.

Directors appointed by the Board are subject to election by shareholders at the first annual general meeting after their appointment. Under the Company's existing bye-laws, one-third of the directors (excluding the Chairman of the Board and Managing Director) are required to retire from office by rotation at each annual general meeting and the directors to retire shall be those who have been longest in office since their last re-election or appointment. A retiring director is eligible for re-election.

Audit Committee

The Audit Committee (the "Committee") was established upon the listing of Synergis' shares on the Stock Exchange in October 2003. The majority of Committee members are independent non-executive directors. To further enhance the independence, two additional independent non-executive directors with appropriate accounting and related financial management expertise were invited to join the Committee during the year. The Committee is now composed of five non-executive directors of whom four are independent and is chaired by an independent non-executive director.

The terms of reference of the Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants. Under its terms of reference, the Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's financial statements, annual reports and interim results, to review the scope, extent and effectiveness of the Group's internal audit function, and to make relevant recommendations to the Board.

The Committee held two meetings during the year in FY2004/2005. During the meetings, the committee members reviewed and discussed with the senior management the interim results, preliminary result announcements and annual report with a view to ensuring that the Group's financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. The Committee also considered the reports from the external auditors on the scope and findings of their independent review of the interim results and annual audit of the consolidated financial statements. The internal audit reports on business operations and corporate functions submitted by the internal audit team with findings and improvement recommendations were reviewed by the Committee with the presence of senior management. The minutes of Committee meetings and internal audit reports are circulated to other Board members who are not appointed to the Committee and the external auditors.

Internal Audit

In accordance with the audit scope, objectives and audit cycle as set out in the Internal Audit Strategy Memorandum which was formally adopted by the Audit Committee, the internal audit team examines the processes, practices and procedures of internal control for business operations and corporate functions of the Group on a regular basis. The primary objective of internal audit is to provide objective assurance on the systems of internal control, set out the findings and give recommendations to improve internal control weaknesses as identified during examination, so as to ensure a reliable internal control system is in place. The Internal Audit team reports directly to the Audit Committee.

Executive Management Committee

The Executive Management Committee (the "EMC"), composed of executive directors and senior executives and chaired by the executive Managing Director, meets on a monthly basis to discuss business operations with significant issues, review the financial statements and monitor the performance of the Group against approved budgets by the Board. The EMC also reviews the implementation of those strategies and policies adopted by the Board.

Finance Committee

The Finance Committee, composed of one executive director, one non-executive director and the Group's chief financial officer, is responsible for setting strategies, policies and guidelines on financial management and treasury operations. The Finance Committee also assists the Board in reviewing the financial results and performance of the Group. The Finance Committee meets as and when required to review the financial operation of the Group, such reviews include financial performance, treasury management, performance against the annual budgets and risk assessment.

Model Code for Securities Transactions by Directors

The Company has adopted stringent procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in Appendix 10 to the Listing Rules. Proper procedures have been established to ensure that directors strictly comply with the applicable code provisions of the Model Code as well as applicable laws and regulations. A copy of the Model Code is sent to each director on his first appointment. Obligations of directors under the Model Code include the disclosure of their interests in securities, disclosure of any conflict of interest in a transaction involving Synergis, prohibition on dealing in shares under specified circumstances pursuant to the Listing Rules and restriction on the disclosure of price-sensitive information. No incident of non-compliance was noted by the Company during the year.

Directors' interest as at March 31, 2005 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on page 44.

Compliance with the Code of Best Practice

Save as disclosed below, the Company has complied throughout the year with the Code of Best Practice as set out in the Appendix 14 to the Listing Rules.

Non-executive directors of Synergis are not appointed for a specific term, except for Professor Woo Chia Wei, who is the Chairman and therefore not subject to re-election at the Company's annual general meeting, but subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's bye-laws 87.

Investor Relations and Communications

The Company continues to pursue a proactive policy of promoting investors relations and communications by setting up regular briefing meetings with institutional shareholders and analysts promptly after the interim and annual financial results have been announced. The Company is committed to providing performance information of the Group to shareholders in a clear, forthcoming and timely manner through the publication of interim and annual reports and newspaper announcements. The results announcements, press releases, interim and annual reports and other announcements are also posted on the Company's investor relations website – <http://www.synergis.com.hk> – and regularly updated with the latest available information. Comments and suggestions are welcome and can be addressed to the company secretary or corporate communications manager.

During FY2004/2005, except for the amendments to the Company's bye-laws required to facilitate alignment with the change in the Listing Rules relating to enhancing corporate governance and the Companies Ordinance, the Board confirmed that there was no significant change made in the Company's bye-laws affecting Synergis' reporting practices in this area.