



## SYNERGIS HOLDINGS LIMITED

新昌管理集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 02340)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

#### ANNUAL RESULTS

The board of directors (the “Board” or the “Directors”) of Synergis Holdings Limited (the “Company” or “Synergis”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2007 with comparative figures for the last financial year as follows:

#### CONSOLIDATED INCOME STATEMENT For the year ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Revenue	2	367,753	391,212
Cost of sales		<u>(288,543)</u>	<u>(311,147)</u>
Gross profit		79,210	80,065
Other income	2	6,289	4,865
General and administrative expenses		<u>(60,052)</u>	<u>(48,454)</u>
Operating profit		25,447	36,476
Share of profits of jointly controlled entities		-	445
Share of profit of an associate		<u>291</u>	<u>116</u>
Profit before taxation		25,738	37,037
Taxation	5	<u>(4,062)</u>	<u>(5,852)</u>
Profit for the year		<u>21,676</u>	<u>31,185</u>
Attributable to:			
Equity holders of the Company		21,123	31,220
Minority interest		<u>553</u>	<u>(35)</u>
		<u>21,676</u>	<u>31,185</u>
Earnings per share	6	<u>6.4 HK cents</u>	<u>9.4 HK cents</u>
Dividends	7	<u>20,916</u>	<u>23,240</u>

(\*For identification purpose only)

## BALANCE SHEETS

### At 31 March 2007

	Note	Group		Company	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Non-current assets					
Property, plant and equipment		5,550	6,255	-	-
Investment properties		2,060	2,040	-	-
Subsidiaries		-	-	83,601	83,601
Jointly controlled entities		743	1,902	-	-
Associate		832	541	-	-
Deferred tax assets		516	414	313	215
		<u>9,701</u>	<u>11,152</u>	<u>83,914</u>	<u>83,816</u>
Current assets					
Contracting work-in-progress		60	342	-	-
Accounts and other receivables	8	67,125	72,885	-	-
Utility deposits and prepayments		7,087	5,508	236	241
Amounts due from subsidiaries		-	-	56,171	31,636
Amounts due from related companies		465	181	-	-
Taxation recoverable		347	398	-	-
Bank balances and cash		142,527	137,432	23,484	44,637
		<u>217,611</u>	<u>216,746</u>	<u>79,891</u>	<u>76,514</u>
Current liabilities					
Accounts payable and accruals	9	56,772	57,818	2,547	1,955
Amount due to immediate holding company		542	454	-	-
Amounts due to related companies		1,786	63	-	-
Taxation payable		743	1,501	-	-
		<u>59,843</u>	<u>59,836</u>	<u>2,547</u>	<u>1,955</u>
Net current assets		<u>157,768</u>	<u>156,910</u>	<u>77,344</u>	<u>74,559</u>
Total assets less current liabilities		<u>167,469</u>	<u>168,062</u>	<u>161,258</u>	<u>158,375</u>
Capital and reserves attributable to equity holders of the Company					
Share capital		33,200	33,200	33,200	33,200
Reserves		132,560	133,471	128,058	125,175
		<u>165,760</u>	<u>166,671</u>	<u>161,258</u>	<u>158,375</u>
Minority interest		800	171	-	-
Total equity		<u>166,560</u>	<u>166,842</u>	<u>161,258</u>	<u>158,375</u>
Non-current liabilities					
Long service payment liabilities		260	315	-	-
Deferred tax liabilities		649	905	-	-
		<u>167,469</u>	<u>168,062</u>	<u>161,258</u>	<u>158,375</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the year ended 31 March 2007

### Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee share option reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
At 1 April 2005	33,200	25,913	1,513	-	-	96,350	156,976	200	157,176
Profit for the year	-	-	-	-	-	31,220	31,220	(35)	31,185
2005 final dividend paid (note 7)	-	-	-	-	-	(13,280)	(13,280)	-	(13,280)
2006 interim dividend paid (note 7)	-	-	-	-	-	(8,300)	(8,300)	-	(8,300)
Currency translation differences	-	-	-	-	55	-	55	6	61
At 1 April 2006	33,200	25,913	1,513	-	55	105,990	166,671	171	166,842
Profit for the year	-	-	-	-	-	21,123	21,123	553	21,676
2006 final dividend paid (note 7)	-	-	-	-	-	(14,940)	(14,940)	-	(14,940)
2007 interim dividend paid (note 7)	-	-	-	-	-	(7,636)	(7,636)	-	(7,636)
Share option scheme	-	-	-	498	-	-	498	-	498
Reclassification of jointly controlled entities as subsidiaries	-	-	-	-	-	-	-	247	247
Liquidation of a subsidiary	-	-	-	-	-	-	-	(171)	(171)
Currency translation differences	-	-	-	-	44	-	44	-	44
<b>At 31 March 2007</b>	<b>33,200</b>	<b>25,913</b>	<b>1,513</b>	<b>498</b>	<b>99</b>	<b>104,537</b>	<b>165,760</b>	<b>800</b>	<b>166,560</b>

# CONSOLIDATED CASH FLOW STATEMENT

## For the year ended 31 March 2007

	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities		
Cash generated from operations	31,256	47,085
Hong Kong profits tax paid	(5,127)	(4,695)
Net cash generated from operating activities	<b>26,129</b>	42,390
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,424)	(1,966)
Proceeds from disposal of property, plant and equipment	20	32
Proceeds from disposal of financial assets at fair value through profit or loss	-	8,203
Capital injection into a jointly controlled entity	(743)	-
Proceeds from disposal of a jointly controlled entity	-	1,427
Net cash outflow in respect of the liquidation of a subsidiary	(185)	-
Interest received	4,874	3,316
Shareholders' advance to a jointly controlled entity	-	(500)
Net cash from investing activities	<b>1,542</b>	10,512
Cash flows from financing activities		
Dividends paid	(22,576)	(21,580)
Net cash used in financing activities	<b>(22,576)</b>	(21,580)
Net increase in cash and cash equivalents	<b>5,095</b>	31,322
Cash and cash equivalents at the beginning of the year	<b>137,432</b>	106,110
Cash and cash equivalents at the end of the year	<b>142,527</b>	137,432
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>142,527</b>	137,432

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties at fair value through profit or loss.

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 Company’s accounting policies.

### (a) The adoption of new/revised HKFRSs

The Group adopted the amendments and interpretations of HKFRSs below, which are relevant to its operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies.

### (b) Standards, interpretation and amendments that are not yet effective for the year ended 31 March 2007 and have not been early adopted by the Group

Hong Kong Institute of Certified Public Accountants has issued certain new standards, amendments and interpretations to existing standards (“New Standards”) which are effective for accounting periods beginning on or after 1 May 2006 or later periods. The Group has not early adopted these New Standards in the financial statements for the year ended 31 March 2007 and is in the process of assessing the impact of these New Standards on future accounting periods.

The New Standards include:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

## 2. Revenue and Other Income

The Group is principally engaged in the provision of property management and facility management services, security services, cleaning services, laundry services, repair and maintenance works, trading of related products and membership programmes. Revenue and other income recognised during the year are as follows:

	2007 HK\$'000	2006 HK\$'000
<b>Revenue</b>		
Property management and facility management services	318,352	343,161
Security services	9,444	10,854
Cleaning services	10,073	10,512
Laundry services	2,714	2,667
Repair and maintenance works	18,637	17,132
Trading of related products	7,363	6,229
Membership programmes	1,170	657
	<u>367,753</u>	<u>391,212</u>
<b>Other income</b>		
<i>Other gains, net</i>		
Net exchange gain	201	17
Revaluation gain on investment properties	20	100
Write back of provision for impairment of receivables	-	173
Gain on liquidation of a subsidiary	42	-
Gain on disposal of a jointly controlled entity	-	378
Gain on disposal of property, plant and equipment	10	-
	<u>273</u>	<u>668</u>
<i>Others</i>		
Copying services	522	380
Rental income	187	179
Interest income on bank deposits	4,874	3,453
Miscellaneous income	433	185
	<u>6,016</u>	<u>4,197</u>
Total other income	<u>6,289</u>	<u>4,865</u>
	<u>374,042</u>	<u>396,077</u>

### 3. Segment Information

#### (a) Primary reporting format – business segments

The Group is organised into two major business segments, being provision of property management and facility management services and provision of supporting services to property management and facility management.

	<b>2007</b>		<b>Total HK\$'000</b>
	<b>Property management and facility management services HK\$'000</b>	<b>Supporting services to property management and facility management HK\$'000</b>	
Segment revenue	318,595	55,462	374,057
Inter-segment transactions	(243)	(6,061)	(6,304)
Segment revenue of the Group	<u>318,352</u>	<u>49,401</u>	<u>367,753</u>
Segment results of the Group	<u>15,653</u>	<u>8,489</u>	24,142
Unallocated corporate expenses, net of income			(3,569)
Interest income			<u>4,874</u>
Operating profit			25,447
Share of profit of an associate	291	-	<u>291</u>
Profit before taxation			25,738
Taxation			<u>(4,062)</u>
Profit for the year			21,676
Minority interest			<u>(553)</u>
Profit attributable to equity holders of the Company			<u>21,123</u>
Segment assets	176,473	24,216	200,689
Jointly controlled entity	743	-	743
Associate	832	-	832
Unallocated assets			24,185
Taxation recoverable			347
Deferred tax assets			<u>516</u>
Total assets			<u>227,312</u>
Segment liabilities	47,608	6,873	54,481
Unallocated liabilities			4,879
Taxation payable			743
Deferred tax liabilities			<u>649</u>
Total liabilities			<u>60,752</u>
Capital expenditure	2,370	54	2,424
Depreciation	2,855	238	3,093

### 3. Segment Information (Continued)

#### (a) Primary reporting format – business segments (Continued)

	2006		Total HK\$'000
	Property management and facility management services HK\$'000	Supporting services to property management and facility management HK\$'000	
Segment revenue	343,161	58,618	401,779
Inter-segment transactions	-	(10,567)	(10,567)
Segment revenue of the Group	<u>343,161</u>	<u>48,051</u>	<u>391,212</u>
Segment results of the Group	<u>29,990</u>	<u>6,051</u>	36,041
Unallocated corporate expenses, net of income			(3,018)
Interest income			<u>3,453</u>
Operating profit			36,476
Share of profits of jointly controlled entities	445	-	445
Share of profit of an associate	116	-	<u>116</u>
Profit before taxation			37,037
Taxation			<u>(5,852)</u>
Profit for the year			31,185
Minority interest			<u>35</u>
Profit attributable to equity holders of the Company			<u>31,220</u>
Segment assets	156,686	22,898	179,584
Jointly controlled entities	1,902	-	1,902
Associate	541	-	541
Unallocated assets			45,059
Taxation recoverable			398
Deferred tax assets			<u>414</u>
Total assets			<u>227,898</u>
Segment liabilities	49,784	6,390	56,174
Unallocated liabilities			2,476
Taxation payable			1,501
Deferred tax liabilities			<u>905</u>
Total liabilities			<u>61,056</u>
Capital expenditure	1,764	202	1,966
Depreciation	3,279	272	3,551

### 3. Segment Information (Continued)

#### (b) Secondary reporting format – geographical segments

Over 90% of the activities of the Group during the year were carried out in Hong Kong. Accordingly, a geographical analysis is not presented.

### 4. Expenses by Nature

Expenses included in cost of sales and general and administrative expenses are analysed as follows:

	2007 HK\$'000	2006 HK\$'000
Staff costs, including directors' emoluments	253,287	285,521
Depreciation	3,093	3,551
Auditors' remuneration	945	619
Loss on disposal of property, plant and equipment	-	32
Operating lease rental on land and buildings	3,493	3,038
Other expenses	87,777	66,840
	<hr/>	<hr/>
Total cost of sales and general and administrative expenses	<b>348,595</b>	<b>359,601</b>

### 5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. The income tax for the mainland of China has been calculated on the estimated assessable profits for the year at the rate of 33% (2006: Nil).

	2007 HK\$'000	2006 HK\$'000
Current taxation		
Hong Kong profits tax		
- provision for the year	3,986	6,175
- under/(over) provision in prior year	56	(4)
Overseas tax		
- provision for the year	378	-
Deferred taxation	(358)	(319)
	<hr/>	<hr/>
	<b>4,062</b>	<b>5,852</b>

### 6. Earnings per Share

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (HK\$'000)	21,123	31,220
Weighted average number of ordinary shares in issue (in thousands shares)	332,000	332,000
	<hr/>	<hr/>
Basic earnings per share (HK cents per share)	<b>6.4</b>	<b>9.4</b>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, being the share options. No diluted earnings per share has been presented as the exercise of the share options would be anti-dilutive.

## 7. Dividends

### (a) Dividends payable to equity holders of the Company attributable to the year:

	2007 HK\$'000	2006 HK\$'000
Interim dividend declared and paid of 2.3 HK cents (2006: 2.5 HK cents) per share	7,636	8,300
Final dividend proposed of 4.0 HK cents (2006: 4.5 HK cents) per share	<u>13,280</u>	<u>14,940</u>
	<u>20,916</u>	<u>23,240</u>

### (b) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	2007 HK\$'000	2006 HK\$'000
Final dividend of 4.5 HK cents (2006: 4.0 HK cents) per share	<u>14,940</u>	<u>13,280</u>

At the Board meeting held on 12 July 2007, the Board has recommended the payment of a final dividend of 4.0 HK cents per share for the year ended 31 March 2007. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 March 2008.

## 8. Accounts and Other Receivables

	Group	
	2007 HK\$'000	2006 HK\$'000
Accounts receivable	54,854	56,613
Retention receivables	1,327	985
Other receivables	<u>10,944</u>	<u>15,287</u>
	<u>67,125</u>	<u>72,885</u>

The credit period of the Group's accounts receivable generally ranges from one to two months. The ageing analysis of accounts receivable is as follows:

	2007 HK\$'000	2006 HK\$'000
0 to 30 days	27,731	25,162
31 to 60 days	12,296	15,674
61 to 90 days	7,400	9,572
Over 90 days	<u>7,427</u>	<u>6,205</u>
	<u>54,854</u>	<u>56,613</u>

## 9. Accounts Payable and Accruals

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Accounts payable	32,527	33,485	-	-
Retention payables	298	218	-	-
Other payables and accruals	23,947	24,115	2,547	1,955
	<b>56,772</b>	<b>57,818</b>	<b>2,547</b>	<b>1,955</b>

The credit period of the Group's accounts payable generally ranges from one to two months. The ageing analysis of accounts payable is as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
0 to 30 days	22,287	19,768
31 to 60 days	5,221	3,362
61 to 90 days	3,468	1,536
Over 90 days	1,551	8,819
	<b>32,527</b>	<b>33,485</b>

## FINAL DIVIDEND

Given the strong cash position of the Group, the Board recommended the payment of a final dividend of 4.0 HK cents per share (2006: 4.5 HK cents per share) for the year ended 31 March 2007. Subject to shareholders' approval at the forthcoming 2007 annual general meeting of the Company, the proposed final dividend will be paid on Friday, 14 September 2007 to shareholders whose names appear on the registers of members of the Company on Friday, 7 September 2007.

Together with the interim dividend of 2.3 HK cents per share (2006: 2.5 HK cents per share) already paid, total dividends for the year will amount to 6.3 HK cents per share (2006: 7.0 HK cents per share), which represents a payout ratio of 99.0% on the earnings for the year.

## CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Tuesday, 4 September 2007 to Friday, 7 September 2007 (both days inclusive), during which period no transfer of shares will be registered. In order to ascertain shareholders' entitlement to the attendance of the forthcoming 2007 annual general meeting of the Company and the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 3 September 2007. The principal share registrars of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Results and Business Review

### Financial Performance

For the year ended 31 March 2007, Synergis recorded a consolidated revenue of HK\$367.8 million, being a decrease of 6.0% compared to last year. Although the Group was unsuccessful in securing the renewal of the expired property management contract GPA/HK2 from Government Property Agency and the property service contract (“PSC”) Batch 7/2003 from the Hong Kong Housing Authority (“HKHA”) in the year, the Group was awarded contracts from The Link Management Limited (“The Link”) and another PSC contract from HKHA. As a result, the adverse impact on gross profit was minimised. Gross profit declined by HK\$0.9 million to HK\$79.2 million, which was a decrease of only 1.1% below last year. Gross margins were 21.5% which was a slight improvement on last year when margins were at 20.5%.

The general and administrative expenses increased in the year, given the Group’s continued investments in the mainland of China and its operational infrastructure, ahead of revenue and gross profit contributions, which management believes will be reflected in future years’ results. Profit attributable to equity holders of the Company for the year was, therefore, HK\$21.1 million, a decrease of 32.3% as compared to HK\$31.2 million in the previous year. Earnings per share decreased from 9.4 HK cents to 6.4 HK cents.

### Business and Operations Review

#### *Overview*

For the year ended 31 March 2007, Synergis managed a total portfolio of 229 sites in Hong Kong, an increase of 11.7% compared to last year. Despite the growth in the number of sites and types of sites managed, the size of the residential portfolio actually decreased 19.8% from 152,035 units to 121,862 units due to the expiry of PSC Batch 7/2003 contract. With the new contracts for management of shopping centres from The Link and a number of new projects in Hong Kong and the mainland of China, the Group managed over 1.9 million sq.m. of commercial and facility space at the financial year end.

#### *1. Property Management and Facility Management Services – Hong Kong*

Consistent with previous years, 86.6% of the Group’s revenue came from property management and facility management services. During the first half of the financial year, two large contracts GPA/HK2 and PSC Batch 7/2003 expired which, in aggregate, contributed HK\$140.8 million to the Group’s revenue in last year. Nevertheless, given our continuous expansion in Hong Kong and the mainland of China and the contracts awarded by The Link and HKHA, business revenue improved in the second half of the financial year. Revenue and segment profits increased by 19.9% and 24.0% respectively, as compared to the results for the first half of the year. Revenue and profit contributions from all the additional contracts, however, were insufficient to offset the loss of contributions in the year from the expired contracts. Consolidated revenue and profit contribution from the Group’s core business decreased by HK\$24.8 million and HK\$14.3 million over last year to HK\$318.4 million and HK\$15.7 million respectively.

Despite fierce market competition and difficult operating conditions in the year, the Group was able to achieve a contract renewal rate in excess of 95% and continuously expand its portfolio in property management by winning numerous management contracts from owners’ incorporations, private developer and HKHA. It is also particularly noteworthy that the Group was awarded a

number of facility management and consulting contracts from new corporate clients such as the Electrical and Mechanical Services Department, the Airport Authority Hong Kong and the FedEx Corporation.

Since Synergis was awarded two management contracts from The Link in June 2006, the team has proactively introduced various initiatives to reduce operating costs whilst delivering improved and high quality services to the customers. The Group's quality management service and "valued partner" status have been repeatedly recognised by The Link's senior management as well as the tenants. The Group will continue its focus on deploying innovative information technology and cost-effective management systems to support The Link in its efforts to maximise the long-term value of its commercial portfolio.

## ***2. Continued and Focused Growth in the mainland of China***

Synergis continued to build its brand presence in the mainland of China and has extended its geographical coverage from Beijing and Shanghai to now include Wuhan and Chongqing.

Synergis Shui On Management Services (Shanghai) Limited, the Group's joint venture with Shui On Holdings Limited, is now providing management services, through its subsidiary in Shanghai, to Wuhan Tiandi (武漢天地) and pre-management services in Chongqing. Wuhan Tiandi is another city core flagship development project built by Shui On Land Limited. With a total gross floor area of approximately 1.4 million sq.m. on completion, the mixed-use development comprises residential, office, hotels/serviced apartments, retail and clubhouse to be completed by phases.

北京金融街新昌物業管理有限公司 (Beijing Financial Street Synergis Property Management Co., Ltd.), the joint-venture vehicle operating at Beijing Xihuan Plaza (北京西環廣場), contributed a profit of HK\$291,000 for the year.

With a solid business platform and the business network built by our team over the past few years, the Group's two wholly owned foreign enterprises in Shenzhen and Beijing now provide consulting and management services to renowned developers including the Novel group and the Orient Overseas (International) Limited.

### ***Supporting Services to Property Management and Facility Management***

Revenue of supporting services to the Group, after inter-segment elimination, increased by 2.8% to HK\$49.4 million (2006: HK\$48.1 million). Except for security services and cleaning services, all other supporting services, in particular repair and maintenance works, showed an increase in revenue. The overall segment margin increased to 17.2% for the year (2006: 12.6%).

### ***General and Administrative Expenses***

To cope with the pace of expanding the facility management business and management and operational infrastructure in the mainland of China, general and administrative expenses substantially increased by HK\$11.6 million to HK\$60.1 million in the year, representing 16.3% of revenue (2006: 12.4%). Management will closely monitor the Group's future overhead and balance spending, to business growth, over time.

## **Outlook**

Despite the keen competition in the Hong Kong property and facility management market in recent years, management steers a clear direction to maintain market share and achieve long-term sustainable growth. Currently, management is working diligently to identify management talent and look at suitable acquisition targets and strategic partners in new strategic business areas, which can complement the Group to continuously augment our service capabilities and offer the benefits of vertical integration. The Group will also focus on increasing market share in the mainland of China and establish a foothold in Macau as a major drive for business expansion. At the same time, the Group will maintain a prudent approach towards its entire operations, adopting stringent and rational measures to reduce costs, streamline processes and enhance efficiency.

We will maintain a dynamic approach to the operation and development of the Group's business to face future challenges. In the light of the positive economic outlook in the Greater China region, the management is optimistic about the business performance of the Group in the coming years.

## **Review of Financial Position**

### **Capital Resources and Liquidity**

Liquidity and financial resources remain strong as the Group continues to adopt a prudent approach in managing its financial resources. Total equity of the Group was HK\$166.6 million at the balance sheet date, which was similar to last year. Detailed movement of total equity in the year is shown in the Consolidated Statement of Changes in Equity. At 31 March 2007, HK\$217.6 million out of the total assets of HK\$227.3 million were liquid assets, with the current ratio stated at 3.6:1 (2006: 3.6:1). Total cash and bank balances, at the balance sheet date, amounted to HK\$142.5 million, a slight increase of 3.7% over the balance sheet date last year.

### **Cash Flows**

Net cash generated from operating activities during the year declined to HK\$26.1 million (2006: HK\$42.4 million). Major cash outflows including payment of dividends in aggregate of HK\$22.6 million (2006: HK\$21.6 million) and capital expenditure on system software and equipments amounted to HK\$2.4 million (2006: HK\$2.0 million).

### **Banking Facilities**

The Group finances its operations from internal financial resources. The Group has sufficient internal cash and banking facilities to finance its operations and take advantage of potential business opportunities. At 31 March 2007, the Group had HK\$69.0 million (2006: HK\$109.2 million) of unutilised banking facilities, provided by its relationship banks. The utilised banking facilities mainly represented bond guarantees issued to customers on normal business operations. The Group had no borrowings at 31 March 2007.

### **Material Acquisition and Disposal of Investments and Subsidiaries**

There were no significant investments made and no material acquisition or disposal of subsidiaries during the year.

## **Treasury Policy**

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign exchange risk. When appropriate, hedging instruments, including forward contracts, may be used to manage foreign exchange exposure. As the majority of the Group's assets and liabilities is denominated in Hong Kong Dollar, it therefore has limited exposure to foreign exchange risk.

The Group's banking facilities are principally on a floating rate basis and interest rate swaps will be used to manage the interest rate risk for any short to medium term borrowings, when deemed appropriate. In the light of the net cash position, with no bank debt, the Group's exposure to interest rate fluctuation is minimal. It is the policy of the Group not to use financial derivatives for speculative purposes.

## **Human Resources**

At 31 March 2007, the Group employed a total of approximately 4,700 (2006: approximately 4,100) staff in Hong Kong and the mainland of China.

The Group sets its remuneration policy by reference to the prevailing market conditions and to formulate a performance-based reward system with a view to sustaining market competitiveness for attracting and retaining high calibre staff. The remuneration packages of Hong Kong staff include basic salary, discretionary bonus, share options granted by reference to individual performance and other benefits such as medical scheme and contributions to retirement funds. Staff in the mainland of China are remunerated in line with the domestic market terms and welfare policy.

Incentive bonus scheme is set up for senior management staff in order to provide them with initiatives to align their performance with the overall profitability and development of the Group. Such management bonus is calculated on a pre-approved formula tied in with the Group's profitability.

The management sees it as an important task to maintain a close relationship with its staff. Emphasis is put on enhancing internal communication through meetings, workshops and publicising regular internal newsletters. Staff development programmes and training sessions are provided to enhance staff skills and knowledge as a whole. Staff demonstrating superior performance are offered opportunities for career development and skills acquisition through job re-assignments and advancement at the Group's diverse management portfolio.

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

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

## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Company comprises three members, namely, Mr. Tsang Cheung (chairman of the audit committee), Professor Woo Chia Wei and Mr. Tsui Yiu Wa, Alec. The audit committee, together with the management and the Company's auditors, PricewaterhouseCoopers, has reviewed the consolidated financial statements for the year ended 31 March 2007 of the Group.

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

The figures in this annual results announcement have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2007. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all the directors of the Company, all the directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles in and complied with the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules throughout the year ended 31 March 2007, except for deviation from code provision A.4.1 of the CG Code.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing non-executive directors of the Company are appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement and re-election at annual general meetings of the Company at least once every three years in accordance with the provisions of the Company's bye-laws. The Company is currently of the view that the requirement to have all the non-executive directors to retire and stand for re-election at annual general meetings of the Company has already provided the shareholders with the right to vote for approving the continuation of the offices of the non-executive directors.

The Company has, at its annual general meeting held on 8 September 2006, passed a special resolution to amend certain provisions of its bye-laws such that, inter alia, a director who is appointed to fill a casual vacancy shall be subject to election by shareholders of the Company at the first general meeting after his/her appointment. The aforesaid amendment was made for the purpose of complying strictly with the requirement under code provision A.4.2 of the CG Code.

Save as disclosed above and certain internal control measures implemented by the Group in the year, details of which will be set out in the corporate governance report contained in the Company's annual report 2006/2007 to be despatched to shareholders on or before end of July 2007, the corporate governance practices adopted by the Company for the year ended 31 March 2007 were in line with those set out in the corporate governance report contained in the Company's annual report 2005/2006.

## **PUBLICATION OF THIS ANNUAL RESULTS ANNOUNCEMENT**

This annual results announcement is published on the Company's website at <http://www.synergis.com.hk> under "Investor Relations" and the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Company Information".

By order of the Board  
**Synergis Holdings Limited**  
**Fan Cheuk Hung**  
*Managing Director*

Hong Kong, 12 July 2007

*At the date of this announcement, the Board comprises Professor Woo Chia Wei as independent non-executive chairman; Mrs. Fung Yeh Yi Hao, Yvette (deputy chairman) and Mr. Fan Cheuk Hung (managing director) as executive directors; Mr. Kwong Ki Chi as non-executive director; and Mr. Tsang Cheung, Mr. Tsui Yiu Wa, Alec and Mr. Nicholas David Swain as independent non-executive directors. Mr. Barry John Buttifant is the alternate director to Mrs. Fung Yeh Yi Hao, Yvette.*

*Website : <http://www.synergis.com.hk>*