

# Corporate Governance Report

## Composition of the Board and Board Committees

### EXECUTIVE COMMITTEE

1. Dr KWOK Siu Ming Simon\* (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor\*
3. Mr LOOK Guy\*

### RISK MANAGEMENT COMMITTEE

1. Dr KWOK Siu Ming Simon\* (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor\*
3. Mr LOOK Guy\*

### BOARD

1. Dr KWOK Siu Ming Simon\* (Chairman & CEO)
2. Dr KWOK LAW Kwai Chun Eleanor\* (Vice-chairman)
3. Mr LOOK Guy\* (CFO)
4. Mrs LEE LOOK Ngan Kwan Christina#
5. Professor CHAN Yuk Shee<sup>Δ</sup>
6. Dr LEUNG Kwok Fai Thomas<sup>Δ</sup>
7. Ms TAM Wai Chu Maria<sup>Δ</sup>
8. Ms KI Man Fung Leonie<sup>Δ</sup>
9. Mr TAN Wee Seng<sup>Δ@</sup>

### COMPENSATION COMMITTEE

1. Dr LEUNG Kwok Fai Thomas<sup>Δ</sup> (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor\*
3. Ms TAM Wai Chu Maria<sup>Δ</sup>
4. Ms KI Man Fung Leonie<sup>Δ</sup>

### AUDIT COMMITTEE

1. Professor CHAN Yuk Shee<sup>Δ</sup> (Chairman)
2. Dr LEUNG Kwok Fai Thomas<sup>Δ</sup>
3. Ms TAM Wai Chu Maria<sup>Δ</sup>
4. Ms KI Man Fung Leonie<sup>Δ</sup>

### NOMINATION COMMITTEE

1. Ms TAM Wai Chu Maria<sup>Δ</sup> (Chairman)
2. Dr KWOK LAW Kwai Chun Eleanor\*
3. Dr LEUNG Kwok Fai Thomas<sup>Δ</sup>

\* Executive Director

# Non-executive Director

<sup>Δ</sup> Independent non-executive Director

<sup>@</sup> Re-designated from an NED to an INED on 26 June 2012

# Corporate Governance Report

**T**he Board regards the setting, maintenance and review of high standards of corporate governance as an essential part of its work.

As set out in the Environmental, Social and Corporate Governance Policy Statement adopted by the Board during the period under review, the Company, as a good and responsible corporate citizen, recognizes the importance of sustainability in creating long-term value to all our stakeholders. Thus we embrace good practices and take great lengths to achieve optimal balance in satisfying our stakeholders' interest in economic, environmental, social and corporate governance while conducting our business operation.

The Corporate Governance Code as set out in Appendix 14 to the Listing Rules had been effective since 2005 ("Former Code"). Revisions to the Former Code were announced in October 2011 ("Revised Code") and are applicable to financial periods commencing on or after 1 April 2012.

The Company has voluntarily early adopted the requirements as set out in the Revised Code before 1 April 2012 as the guiding principles for the Company to achieve the highest standard of corporate governance. An overhaul of the corporate governance framework was conducted well before the Revised Code came into effect in order to ensure that all our corporate governance practices and procedures are up to date and in line with the Revised Code and the revised Listing Rules.

Throughout the year ended 31 March 2012 and up to the latest practicable date ("Latest Practicable Date") prior to the printing of this Corporate Governance Report ("CG Report") that is, 28 June 2012, the Company has complied with all the Code Provisions (CPs) set out in the Former Code except for one deviation explained below. This CG Report outlines our system of corporate governance and provides a summary of how we have applied the principles, CP or in some instances the recommended best practices as set out in the Revised Code, so that Shareholders and other stakeholders can evaluate how they have been applied.

# Corporate Governance Report

## A. DIRECTORS

### A.1 The Board

#### Principle

An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

	Code	Key principles	How Sa Sa complies
✓	A.1.1	Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.	<p>The Board had exceeded this CP by holding six meetings during the year ended 31 March 2012, more than the minimum four times a year. Besides regular agenda items, some of the matters considered by the Board in the year under review (including events considered up to the Latest Practicable Date) are:</p> <ol style="list-style-type: none"> <li>1. a policy manual on purchase of certain category of products;</li> <li>2. grant of share options to employees;</li> <li>3. dividend policy of the Company and approval of payments of interim dividend and final dividend;</li> <li>4. a presentation by the Company Secretary on the ESG materials published by the Stock Exchange and the ESG initiatives proposed to be undertaken by the Group leading to the recruitment of a ESG Manager to coordinate work in this area;</li> <li>5. treasury strategy in response to exchange rate fluctuations of various currencies;</li> <li>6. assessment and adoption of certain new Hong Kong Financial Reporting Standards;</li> <li>7. meeting with an independent consultant and considering its presentation in relating to a proposed evaluation of the Board's performance;</li> <li>8. our development in Mainland China in the past years and strategies for the future;</li> <li>9. approval of various Terms of Reference and policies revised or drawn up pursuant to the Revised Code;</li> <li>10. review of the Group's performance against budget for the financial year 2011/12 and approval of the budget for the financial year 2012/13;</li> </ol>



	Code	Key principles	How Sa Sa complies
			<p>11. presentation by selected business units reviewing their performance in the financial year 2011/12 and the outlook for 2012/13;</p> <p>12. approval of a new share option scheme when the current one is expiring;</p> <p>13. approval of amendments to the Memorandum and Articles of Association; and</p> <p>14. receiving and discussion of reports from Board committees.</p> <p>Our Directors actively participate at each Board meeting to provide oversight and strategic direction to the Group on operational, governance, internal control and other matters. Issues are debated openly and each Director is free to question or challenge the opinions of the other Directors including the Chairman and Vice-Chairman who are the controlling Shareholders. The Board meetings are also one of the platforms for interaction between members of the management team and the Board. Selected members from the management team are invited to attend some of the Board meetings to provide information and take questions from the Board. In particular, the Group has developed an annual budgeting process where the short and long term business and financial plans prepared by the management team are constructively challenged and scrutinized by Board members before they are formally approved at Board meetings.</p>
✓	A.1.2	Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.	Agendas for Board and Board Committee meetings are usually sent to all Directors and other participants at least 14 days in advance of the meetings and all Directors are given an opportunity to include additional matters for consideration at such meetings.
✓	A.1.3	Notice of at least 14 days should be given for regular board meetings and reasonable notice should be given for all other meetings.	<p>Our timetable for regular Board meetings are usually scheduled one year in advance to enable the Directors to manage their time commitment towards the Company. Formal notices of meetings together with the agenda are always sent at least 14 days in advance to all Directors.</p> <p>No Board or committee meeting was called at short notice during the year under review.</p>
✓	A.1.4	Minutes of board meetings and committee meetings should be kept and be available for inspection by the directors.	Signed minutes of our Board meetings and Committee meetings are kept by the Company Secretary and are available for inspection by the Directors at any time upon reasonable notice.
✓	A.1.5	Minutes should record sufficient detail, including concerns raised and dissenting views, and be sent to all directors for comment and records.	The Company Secretary ensures that minutes of all our meetings record in sufficient detail the matters considered and the decisions reached, including any concerns raised by Directors or dissenting views expressed.

## Corporate Governance Report

	Code	Key principles	How Sa Sa complies
			<p>The Company Secretary liaises with the relevant departmental heads such that the latter will follow up on any action necessary to respond to decisions made in the Board meetings.</p> <p>Draft version of the minutes of meetings is sent to all Directors and the relevant participants for comment within one week after each meeting before it is finalised for signature.</p>
✓	A.1.6	An agreed upon procedure should be in place to enable directors to seek professional advice at the Company's expenses in appropriate circumstances.	Since January 2009, the Company has in place Guidelines for Directors to Obtain Professional Advice by which a Director can on an individual basis obtain professional advice at the Company's expenses in appropriate circumstances.
✓	A.1.7	If substantial shareholder or director has a conflict of interest in a material matter, the matter should be dealt with by way of a physical board meeting attended to by the independent non-executive directors with no material interest.	<p>All Directors are required to comply with Rule 3.08(d) of the Listing Rules to avoid actual and potential conflicts of interest and duty at all times. Executive Directors are subject to the Conflict of Interest Policy of the Company which requires them to avoid any conflict of interest with the Company and to declare to the Company any such conflicting interest so that the Company can, if appropriate, request them to put an end to the business relationship which creates the conflict.</p> <p>It is acknowledged that non-executive Directors may have business interests other than those of the Company and they are required to declare any conflicts that are apparent upon appointment. In the event that they become aware of any potential conflicts of interest, these should be disclosed to the Chairman and Company Secretary as soon as apparent.</p> <p>Furthermore, Directors are required to declare their interest in the matters to be considered at each Board meeting and Board committee meeting. If a Director or any of his/her associates has a material interest in the matter to be considered, the Director will not be counted in the quorum or be allowed to vote at the meeting. No instances involving a conflict of interest on the part of a substantial shareholder or a Director had to be considered by the Board during the year under review.</p>
✓	A.1.8	Issuer should arrange appropriate insurance cover for legal action against its directors.	Long before the introduction of this CP, the Company has since around 2001 taken out a directors and officers liability insurance policy with a respectable insurer for liabilities arising out of activities from being Directors and officers of the Group, the adequacy of the amount of cover is reviewed each year upon renewal of the policy. The policy is available for inspection by the Directors upon request. No claim has been made since the policy was effective.

**A.2 Chairman and Chief Executive Officer**

**Principle**

There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

	Code	Key principles	How Sa Sa complies
	A.2.1	The roles of chairman and CEO should be separate and their division of responsibility clearly established and set out in writing.	<p>The Company has deviated from this CP in that Dr KWOK Siu Ming Simon is both the Chairman and CEO of the Company. The respective responsibilities of the Chairman and CEO, however, are clearly set out in the revised Terms of Reference for the Chairman and the Chief Executive Officer which has been approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.</p> <p>The Terms of Reference for the Chairman and the Chief Executive Officer have been revised and updated to take into account the changes effected by the Revised Code and were approved by the Board during the year under review. These Terms of Reference are available on the Company's website.</p>
✓	A.2.2	Chairman should ensure that directors are properly briefed on issues arising at board meetings.	When compiling board papers, the Chairman works closely with the Company Secretary to ensure that comprehensive, adequate, complete, reliable and timely information are presented to the Board to enable them to set strategy, monitor progress towards meeting the Group's objectives and to conduct regular reviews of financial performance, risk management and other business issues.
✓	A.2.3	Chairman should ensure that directors receive timely, adequate information, which must be accurate, clear, complete and reliable.	The Executive Directors and Management also work closely with the Company Secretary to ensure that information necessary to keep Directors updated of the latest situation of the Company and for them to make informed decisions are presented to the Board in a timely manner.
✓	A.2.4	Chairman should provide leadership for the board, and ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.	Our Chairman provides leadership for the Board and ensures that the Board works effectively and discharges its responsibilities. He also takes on other responsibilities such as being primarily responsible for Board agendas, ensuring that good corporate governance practices and procedures are established, and ensuring that there are effective communications between the Board and the Shareholders. All of the above responsibilities are incorporated into the Terms of Reference for the Chairman and the Chief Executive Officer.



## Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	A.2.5	Chairman should take primary responsibility for ensuring good corporate governance practices and procedures are established.	<p>The Chairman, with the assistance of the Chief Financial Officer and Company Secretary and other relevant departmental heads, reviews from time to time various procedural aspects of the Company in order to ensure that good corporate governance practices and procedures are well in place.</p> <p>The Board approved and adopted the Environmental, Social and Corporate Governance Policy Statement during the year under review, setting out the principles the Company should adhere to in order to achieve optimal balance in satisfying our stakeholders' interest in economic, environmental, social and corporate governance while conducting our business operation. This policy statement is available on the Company's website.</p>
✓	A.2.6	Chairman should encourage directors with different views to voice their concerns and allow sufficient time for discussion.	<p>The Chairman believes that it is in the Directors' own best interest to voice whatever concerns they may have as each Director has the same general legal responsibilities to the Company as any other Director, regardless of whether they are executive or non-executive. As such, in each Board meeting, the Chairman nurtures an open and uninhibited environment where other Directors with different views are free to express their own opinions.</p> <p>In the event that decision is not reached unanimously, the respective vote of each Director is recorded in the minutes. All resolutions carried in the year under review were with the unanimous votes of all Directors present at the meetings.</p>
✓	A.2.7	Chairman should at least annually hold meetings with NEDs (including INEDs) without the executive directors present.	It is expected that the Chairman will hold a private meeting with all the non-executive Directors in August 2012 to comply with this CP introduced in the Revised Code.
✓	A.2.8	Chairman should ensure that appropriate steps are taken to provide effective communication with shareholders.	The Company's Chief Executive Officer, Chief Financial Officer and Director of Corporate Communications and Investor Relations are responsible for investor relations as stated the Shareholders' Communication Policy which is available on the Company's website.
✓	A.2.9	Chairman should promote a culture of openness and debate by facilitating the effective contribution of NEDs.	Besides using Board meetings or committee meetings, the Chairman has been enhancing rapport between executive Directors and non-executive Directors through interactions in less formal channels, such as participation by non-executive Directors in annual dinner, Sa Sa Ladies' Purse Day and other corporate functions.

OUR BOARD COMPOSITION



Executive Directors



Non-executive Director



Independent non-executive Directors

**Executive Directors**

Dr KWOK Siu Ming Simon (Chairman and CEO)  
 Dr KWOK LAW Kwai Chun Eleanor (Vice-chairman)  
 Mr LOOK Guy (Chief financial officer)

**Non-Executive Director**

Mrs LEE LOOK Ngan Kwan Christina

**Independent Non-Executive Directors**

Professor CHAN Yuk Shee  
 Dr LEUNG Kwok Fai Thomas  
 Ms TAM Wai Chu Maria  
 Ms KI Man Fung Leonie  
 Mr TAN Wee Seng\*

**M**ore than half of our Directors are INED

**A.3 Board composition**

**Principle**

The board should have a balance of skills and experience appropriate for the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors (INEDs)) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

	Code	Key principles	How Sa Sa complies
✓	A.3.1	INEDs should be identified in all corporate communications that disclose the names of directors.	<p>The Company has received from all INEDs written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules for the year under review.</p> <p>All our INEDs, Professor CHAN Yuk Shee, Dr LEUNG Kwok Fai Thomas, Ms TAM Wai Chu Maria, Ms KI Man Fung Leonie and Mr TAN Wee Seng* are identified in all our Corporate Communications which include announcements, interim and annual reports, and circulars.</p>

\* Re-designated from an NED to an INED on 26 June 2012



## Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	A.3.2	Issuer should maintain an updated list of directors identifying their role and function on its website and HKExnews website.	<p>As at the Latest Practicable Date, the Company has exceeded the requirement of the Listing Rules in that INEDs appointed represent about 55% of the total number of our Directors, more than one-third as required by the Listing Rules. There is a strong independent element on the Board. There has been no non-compliance of Rules 3.10(1) and (2), and 3.10A of the Listing Rules regarding all the requirements of independence of directors.</p> <p>The Company also excels in gender equality in the Board as female Directors account for 44% of the total number of Directors on the Board.</p> <p>In addition to maintaining the updated list of our Directors pursuant to this requirement, we have also designed an easy-to-read diagram on page 82 of this CG Report (and also posted on the Company's website), showing the composition of the Board and various Board committees so that Shareholders may, at a glance, understand the role each Director performs in the Board or Board committees.</p> <p>Biographical Information of the Directors (including their relationship, if any, between Board members) are set out on pages 45 to 48 of this Annual Report and posted on the Company's website.</p>

### A.4 Appointments, re-election and removal

#### Principle

There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

	Code	Key principles	How Sa Sa complies
✓	A.4.1	NEDs should be appointed for a specific term, subject to re-election.	All our non-executive Directors have signed a letter of appointment with the Company, pursuant to which they are appointed for a specific term, subject to re-election at Shareholders' meeting. The date of appointment, date of last re-election in AGM as a Director, and term of directorship, if applicable, of our Directors are set out in the Report of the Directors on pages 128 to 129 of this Annual Report.
✓	A.4.2	All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director should be subject to retirement by rotation at least once every three years.	Our Articles of Association are in line with this CP in that they require all Directors appointed to fill a casual vacancy to hold office only until the first general meeting after their appointment and be subject to re-election at such meeting. Our Articles of Association also require one-third of the Directors to retire by rotation at each AGM and each Director to retire by rotation at least once every three years.

	Code	Key principles	How Sa Sa complies
✓	A.4.3	If an INED serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. The circular should include the reasons why the board believes he is still independent and should be re-elected.	<p>The Company has been complying with this CP since 2008 which was only a recommended best practice at that time. Two of our INEDs, namely Professor CHAN Yuk Shee and Dr LEUNG Kwok Fai Thomas, had been appointed for over nine years since 1999 and 2000 respectively and were therefore in such a position for more than nine years in 2008. Their re-appointments as INEDs in 2008 were therefore put to the Shareholders for approval by separate resolutions on 25 August 2008.</p> <p>On 16 June 2011, the Board offered independent non-executive directorships to these two Directors for a further term of three years commencing on 1 November 2011 and 1 January 2012 respectively, on the condition that they would again be subject to approval of the Shareholders at the then forthcoming AGM. It was mentioned in the circular despatched to Shareholders that even though they both had served as an INED for more than nine years, the Board was of the view that such a duration of service would not interfere with their exercise of independent judgment in carrying out the duties and responsibilities as an INED and that they would be able to maintain an independent view of the Group's affairs. The Board considered them to be independent and believed they would continue to contribute effectively to the Board because of their familiarity with the Group's businesses and affairs built up over the years. Their re-appointments were approved by the Shareholders in the AGM held on 25 August 2011.</p>

#### A.5 Nomination Committee

	Code	Key principles	How Sa Sa complies
✓	A.S.1	Issuers should establish a nomination committee which is chaired by chairman or an INED.	<p>Long before this requirement was made a CP, the Board had already established the Nomination Committee on 31 March 2005.</p> <p>The Chairman of this Committee was an INED and in total <math>\frac{3}{4}</math> of its Committee members are INEDs, more than the majority that this CP requires. The member who is not an INED is the Vice-Chairman and an executive Director of the Board who has a good understanding of what the Company needs when it comes to nomination of Directors and senior management.</p>

## Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	A.5.2	Nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties.	The Terms of Reference for the Nomination Committee which have been revised, updated (to take into account the changes effected by the Revised Code announced in October 2011) and approved by the Board during the year under review are available on the Company's website and HKExnews website.
✓	A.5.3	Terms of reference should be made available on the issuer's website and HKExnews website.	<p>In summary, the Nomination Committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors, making recommendations on the appointment or re-appointment of Directors and determining the policy for nomination of Directors.</p> <p>During the year ended 31 March 2012, the Nomination Committee held three meetings, a summary of the work undertaken (including events considered up to the Latest Practicable Date) is as follows:</p> <p><b>1. Review of the Board and Board Committees</b></p> <p>The Committee resolved that having reviewed the benchmarks of other listed companies in Hong Kong and considered the Company's own need, it was not necessary to change the structure, size and composition of the Board and its Committees.</p> <p><b>2. Approval of (a) Nomination Policy; and (b) Procedures for Shareholders to Propose a Person for Election as a Director</b></p> <p>The Committee resolved to adopt the policy and procedures which are both available on the Company's website. The policy sets out the nomination criteria, procedures and process for nomination of Directors. The purpose of establishing the procedures (pursuant to the requirement of new Rule 13.51D of the Listing Rules) is to make the procedures by which Shareholders can nominate Directors transparent.</p>



	Code	Key principles	How Sa Sa complies
			<p><b>3. Others</b> The Committee also:</p> <ul style="list-style-type: none"> <li>(a) reviewed the independence of Professor CHAN Yuk See and Dr LEUNG Kwok Fai Thomas since they had both served the Board for more than nine years and was satisfied that their independence had not been affected. Recommendations were then made to the Shareholders who approved their re-appointments in the AGM held on 25 August 2011;</li> <li>(b) reviewed and was satisfied that each of the INEDs was and remained independent during the financial years 2010/11 and 2011/12 upon an interpretation of the guidelines set out in Rule 3.13 of the Listing Rules;</li> <li>(c) approved the re-appointment of Mr Guy LOOK as Chief Financial Officer and an executive Director of the Company for a further term of three years;</li> <li>(d) reviewed the independence of two INEDs when specific events had arisen and in both occasions considered that their independence had not been affected;</li> <li>(e) reviewed and recommended that two Directors, namely Mr TAN Wee Seng and Ms KI Man Fung Leonie stand for re-election after their retirement at the AGM to be held on 23 August 2012, and for Mr TAN Wee Seng, further recommended his re-designation from an NED to an INED to the Board for approval; and</li> <li>(f) reviewed and recommended the re-appointment of Ms KI Man Fung Leonie as an INED to the Board for approval..</li> </ul>
✓	A.5.4	Issuer should provide the nomination committee sufficient resources to perform its duties, and where necessary, nomination committee should seek independent professional advice at issuer's expense.	The Human Resources Department of the Company assists the Nomination Committee in obtaining up-to-date data as to the structure and composition of board and board committees of companies listed in Hong Kong. The data of those listed companies which are comparable to the Company are used as a benchmark to review and assess the structure and composition of the Board and its Board committees.
✓	A.5.5	Board should set out in the circular why they believe an INED should be elected and the reason why they considered him to be independent.	There has been no appointment of INED during the year under review.

# Corporate Governance Report

## A.6 Responsibilities of directors

### Principle

Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

	Code	Key principles	How Sa Sa complies
✓	A.6.1	Every newly appointed director should receive a comprehensive, formal induction and subsequently, briefing and professional development as is necessary.	<p>It is well recognized in the Policy on the Induction of and Continuous Professional Development for Directors (a revised and up-to-date version of which was approved by the Board during the year under review and is available on the Company's website) that in order to carry out their duties, Directors upon their appointment have to be adequately familiar and acquainted with the Company and its operation and business. As such, a comprehensive Induction Handbook for New Directors, containing relevant information with which Directors can equip themselves are provided to Directors upon their first appointment. Arrangements are also made for them to meet in person various personnel from the Company in order for the latter to discuss with and brief new Directors on topics that fall within their purview.</p> <p>Subsequent briefings are provided to the Directors as and when necessary. In the year under review, briefings have been provided to all Directors both at Board meetings and by correspondence on topics such as the changes to CG Code announced in October 2011 and other regulatory changes.</p> <p>There is no new appointment of Director during the year under review.</p>
✓	A.6.2	The functions of non-executive directors should include those functions specified in the CG Code.	<p>The functions mentioned in this CP have been incorporated into the appointment letters of all non-executive Directors which they are contractually bound to follow.</p> <p>Our NEDs exercise their independent judgment and advise the Group on a wide range of strategic issues and scrutinize and monitor the Group's performance closely. They have the knowledge and understanding of the business to contribute effectively, and are kept well informed and abreast of significant new developments in the business. Our Audit Committee comprises solely INEDs while the majority of the members on the Remuneration and Nomination Committees are INEDs, such that a strong independent element can be maintained in these committees.</p>

	Code	Key principles	How Sa Sa complies
✓	A.6.3	Directors should ensure that they give sufficient time and attention to the issuer's affairs and should not accept the appointment if they cannot do so.	<p>Since January 2012, Directors who are not spending full time on the affairs of the Company are required to keep a record of their time spent in the affairs of the Company. They have also been reminded that they must take an active interest in the Company's affairs, obtain a general understanding of its business and follow up anything untoward that comes to their attention.</p> <p>The Board will review whether Directors are spending sufficient time performing their responsibilities at least once every year.</p> <p>Individual attendance records of our Directors at Board and Board Committees Meetings during the year ended 31 March 2012, demonstrating satisfactory attendance, are set out below. Please also refer to the charts below for the duration of our meetings and the volume of papers reviewed at such meetings as well as a summary of how the Board spent its time in 2011/12:</p>

#### Directors' Attendance at Board meetings, Board Committee meetings and AGM

Name of Directors <sup>(b)</sup>	Board meeting	Executive Committee meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Risk Management Committee meeting	Annual general meeting
<b>Executive Directors</b>							
Dr KWOK Siu Ming Simon	6/6	6/6	5/5 <sup>(c)</sup>	3/3 <sup>(c)</sup>	3/3 <sup>(c)</sup>	8/8	1/1
Dr KWOK LAW Kwai Chun Eleanor	6/6	4/6	4/5 <sup>(c)</sup>	3/3	3/3	8/8	1/1
Mr LOOK Guy	6/6	6/6	5/5 <sup>(c)</sup>	N/A	N/A	8/8	1/1
<b>NED</b>							
Mrs LEE LOOK Ngan Kwan Christina	3/6	N/A	N/A	N/A	N/A	N/A	1/1
<b>INEDs</b>							
Professor CHAN Yuk Shee	6/6	N/A	5/5	N/A	N/A	N/A	1/1
Dr LEUNG Kwok Fai Thomas	5/6	N/A	4/5	3/3	3/3	N/A	0/1 <sup>(d)</sup>
Ms TAM Wai Chu Maria	6/6	N/A	5/5	3/3	3/3	N/A	0/1
Ms KI Man Fung Leonie	6/6	N/A	5/5	3/3	N/A	N/A	1/1 <sup>(d)</sup>
Mr TAN Wee Seng <sup>(e)</sup>	6/6	N/A	N/A	N/A	N/A	N/A	1/1
<b>Total No. of Meetings Held</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>8</b>	<b>1</b>

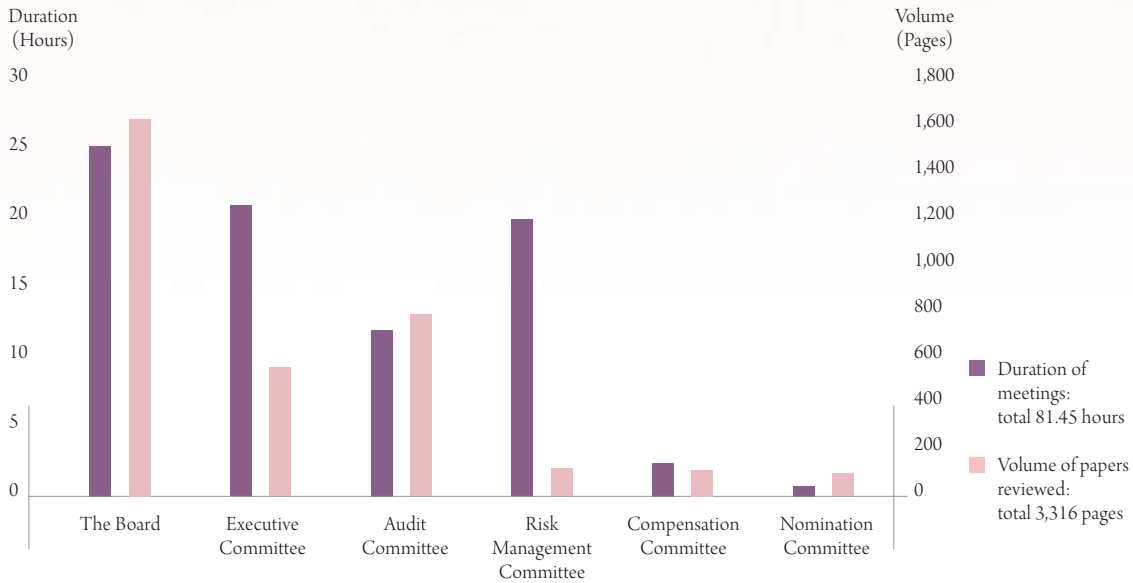
Notes:

- The figure after the slash is the number of meetings which the Director was required to attend during the period under review.
- The relationship among members of the Board is set out on pages 45 to 48 under Biographical Information of Directors and Senior Management.
- Attended as invitees.
- In their absence, both Dr LEUNG Kwok Fai Thomas and Ms TAM Wai Chu Maria appointed Ms KI Man Fung Leonie to act as their alternate in the AGM.
- Re-designated from an NED to an INED on 26 June 2012.



Our Board and Board Committees together met for over 80 hours in 2011/12.

Duration of meetings and volume of papers reviewed



	Code	Key principles	How Sa Sa complies
✓	A.6.4	Relevant employees should comply with the Model Code.	The Company has adopted a policy regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for certain relevant employees who, because of their office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its shares. On commencement of his/her employment, relevant employees are required to acknowledge their understanding of this policy and the list of relevant employees is updated at regular intervals.
✓	A.6.5	All directors should participate in continuous professional development to develop and refresh their knowledge and skills.	<p>The Company has in place since January 2009 the Policy on the Induction for Directors Newly Appointed by the Company which was revised, updated and replaced by the Policy on the Induction of and Continuous Professional Development for Directors, and approved by the Board during the year under review. In addition to setting out the mechanism whereby newly appointed Directors should receive a comprehensive, formal and tailored induction on appointment (which has already been discussed in CP A.6.1 above), this revised policy requires all Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This policy is available on the Company's website.</p> <p>No induction was necessary during the financial year ended 31 March 2012 as there has been no new appointment of Director during the period.</p> <p>The Company has devised a training record in order to assist Directors to record the training they have undertaken, and they are to submit a signed training record to the Company on a quarterly basis.</p> <p>How each Director, by name, complied with this CP regarding participation in continuous professional development during the year under review and up to the Latest Practicable Date is set out in the table below:</p> <p>The Company has also arranged two in-house trainings which likely will be conducted in August and November 2012.</p>

# Corporate Governance Report

## Participation of Directors in Continuous Professional Development

	Type of Continuous Professional Development		
	Training on regulatory development, directors' duties or other relevant topics	Reading regulatory updates or information relevant to the Company or its business	Attending corporate events or shop visits
Dr KWOK Siu Ming Simon	✓	✓	✓
Dr KWOK LAW Kwai Chun Eleanor	✓	✓	✓
Mr LOOK Guy	✓	✓	✓
Mrs LEE LOOK Ngan Kwan Christina	✓	✓	✓
Professor CHAN Yuk Shee	✓	✓	✓
Dr LEUNG Kwok Fai Thomas	✓	✓	✓
Ms TAM Wai Chu Maria	✓	✓	✓
Ms KI Man Fung Leonie	✓	✓	✓
Mr TAN Wee Seng*	✓	✓	✓

	Code	Key principles	How Sa Sa complies
✓	A.6.6	Directors should disclose to the issuer at the time of appointment and in a timely manner for any change their other directorships or significant commitments.	<p>At each Director's first appointment and subsequent re-appointment, the Director is required to disclose to the Company the number and nature of offices held in public companies or organisations and other significant commitments as well as the time involved. The Director is also required to notify the Company, and in certain cases, seek the consent of the Board, whenever there are changes to the offices and commitments already disclosed.</p> <p>There has been change to the office held by Ms LEE LOOK Ngan Kwan during the year which was duly notified to the Company in a timely manner.</p>

\* Re-designated from an NED to an INED on 26 June 2012



	Code	Key principles	How Sa Sa complies
✓	A.6.7	NEDs, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications.	<p>NEDs, as equal Board members, have given the Board and Board committees on which they serve such as the Audit, Remuneration or Nomination Committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. The Audit Committee comprises only INEDs. NEDs have made constructive and positive contribution to the development of the Group's strategy and policies through independent, constructive and informed comments and feedbacks. Their voices and opinions have been adequately reflected in the meeting minutes.</p> <p>There was satisfactory attendance at Board and Board committee meetings, details of which are set out on page 95 of this Report. All Directors treasure the opportunity to canvass the views of the Shareholders in AGMs held annually.</p>
✓	A.6.8	NEDs should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	All our Independent Non-executive Directors and Non-executive Directors come from different professional background and are equipped with various qualifications and experience. Three of our Directors being one executive Director and two INEDs are qualified accountants, and each Director makes contribution to the Company in different aspects.

#### A.7 Supply of and access to information

##### Principle

Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

	Code	Key principles	How Sa Sa complies
✓	A.7.1	Agenda and accompanying board papers should be sent to directors at least three days before the date of each regular board meeting or board committee meeting.	Our agendas for Board meetings are usually sent at least 14 days in advance of the Board meetings, whereas Board papers are usually sent to Directors one week before but always at least three days in advance of the meetings.
✓	A.7.2	Management should supply the board and its committees with adequate information, in timely manner, to enable it to make informed decisions. Directors should make enquires where necessary, and each director should have separate and independent access to the Company's senior management.	Information supplied to the Board in the year under review amount to some 3,316 pages as set out in the chart on page 96 of this CG Report. All Directors have been supplied with contact details of our senior management by which Directors can contact them directly without hindrance when necessary.

# Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	A.7.3	All directors should have access to board papers and related materials.	<p>Our Directors are always given complete, timely and accurate information to enable them to make informed decisions.</p> <p>The individual member of the management team responsible for the matter placed before the Board is available to provide further information or answer questions either in Board meetings or through telephone or written enquires co-ordinated by the Company Secretary.</p> <p>With a view to becoming more environmental friendly, we have started to distribute board papers in electronic form from June 2010 onwards and Directors have been encouraged to read the electronic version.</p>

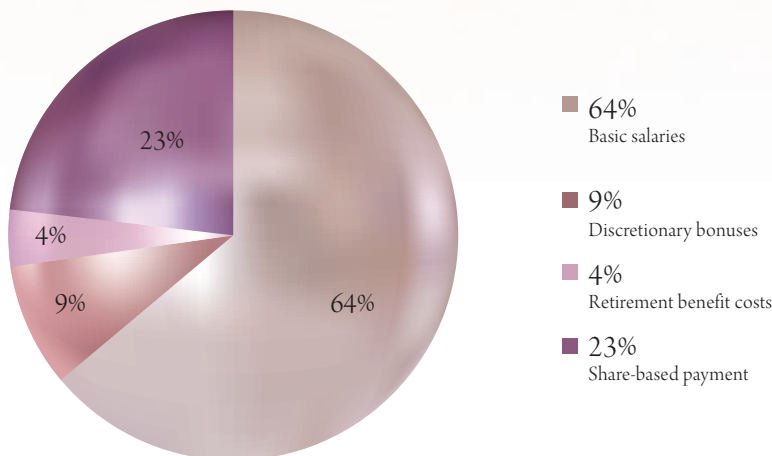
## B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

### B.1 The level and make-up of remuneration and disclosure

#### Principle

An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.

Pay Mix of our Executive Directors



	Code	Key principles	How Sa Sa complies
✓	B.1.1	Remuneration committee should consult chairman and/or CEO about their remuneration proposals for other executive directors and have access to independent professional advice if necessary.	<p>Long before this requirement was made a CP in 2005 and then a Listing Rule requirement on 1 April 2012, the Company had formed a Remuneration Committee<sup>1</sup> in December 1999 which was formally established in March 2000. The Chairman of this Committee is an INED and in total <sup>3</sup>/<sub>4</sub> of the Committee members are INEDs, more than the majority required by the Listing Rules. The Chairman and CEO are invited to all meetings of the Committee.</p> <p>The Committee held three meetings during the year under review, a summary of their work undertaken (including events considered up to the Latest Practicable Date) is as follows:</p> <p><b>1. Annual comprehensive review of the remuneration of the executive and non-executive Directors</b></p> <p>With the assistance of the Company's Human Resources Department, the Committee reviewed the remuneration structure and packages of our Directors with reference to other comparable listed companies and concluded that the remuneration of our executive and non-executive Directors should remain unchanged. The Committee noted that there had been no substantial change to the remuneration level of non-executive Directors from the date of the last review and the level of remuneration payable to our non-executive Directors was and remained competitive in the market. The recommendation of the Remuneration Committee was subsequently endorsed and approved by the Board.</p> <p><b>2. Formalization of the Remuneration Policy for Directors and Senior Management</b></p> <p>The Committee has formalized this policy, establishing a formal and transparent procedure for developing the Company's policy and structure for the remuneration of all Directors and senior management, such that the remuneration packages offered by the Company are competitive, adequate (but not excessive) and in line with current market practices to attract, retain, motivate and reward our Directors and senior management, thereby having sufficient, experienced and competent manpower on board to achieve the Company's corporate goals and objectives.</p>

<sup>1</sup> formerly known as the Compensation Committee. The Board approved the change of name from the Compensation Committee to the Remuneration Committee on 27 February 2012.



Code	Key principles	How Sa Sa complies
		<p><b>Our emolument policy and long-term incentive plan</b></p> <p>The details of our emolument policy and long-term incentive plan have been set out in the Remuneration Policy for Directors and Senior Management which is available on the Company's website. In particular, the remuneration package of employees and executive Directors comprises fixed and variable components, ensuring an appropriate and balanced remuneration package that links Shareholders' interests with those of employees and executive Directors. The variable components in turn comprise performance-based bonus and share options. Other benefits include provident fund, medical insurance and education subsidies. As to non-executive Directors, their remuneration is determined with reference to that of companies of comparable business and scale.</p> <p><b>3. Adoption of model to consider remuneration packages</b></p> <p>Pursuant to the requirement set out in CP B.1.2(c) of the Revised Code, the Remuneration Committee resolved that it will, as in the past, determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.</p> <p><b>4. Others</b></p> <p>The Remuneration Committee also:</p> <ul style="list-style-type: none"> <li>(a) approved the proposed remuneration package payable to Mr Guy LOOK, Chief Financial Officer and an executive Director upon his re-appointment;</li> <li>(b) approved the proposed remuneration package of senior management for the financial year 2012/13; and</li> <li>(c) recommended to the Board for approval a new share option scheme so that the Company may continue to grant share options to Directors and staff as the current scheme is expiring in August 2012.</li> </ul> <p>Details of the share options granted in 2011/12 under the Share Option Scheme adopted by the Company are set out on pages 123 to 127 of this Annual Report.</p> <p>The remuneration of our Executive Directors consists mainly of basic salaries, share-based payment and discretionary bonuses, particulars of which are set out in note 9 to the consolidated financial statements on pages 160 to 163 of this Annual Report.</p>

	Code	Key principles	How Sa Sa complies
✓	B.1.2	Specific duties of the remuneration committee should include making recommendations on remuneration policy and structure, reviewing and approving management's remuneration packages.	The Terms of Reference for the Remuneration Committee which clearly establish its authority and duties as required by Rule 3.26 of the Listing Rules and have been revised, updated (to take into account the changes effected by the Revised Code announced in October 2011) and approved by the Board during the year under review are available on the Company's website and HKExnews website.
✓	B.1.3	Remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	In summary, the Remuneration Committee is primarily responsible for determining the policy for the remuneration of executive Directors, assessing their performance and approving the terms and conditions of their service contracts, to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and to make recommendations on the remuneration of NEDs.
✓	B.1.4	Remuneration committee should be provided with sufficient resources to discharge its duties.	The Human Resources Department of the Company assists the Remuneration Committee in obtaining up-to-date information of the prevailing pay pattern and situations in the market. The remuneration packages of companies which are comparable to the Company are used as a benchmark to ensure that the remuneration packages offered to Directors and senior management remain appropriate and competitive.  The Vice President of Human Resources Department is available at the meeting of each meeting of the Remuneration Committee to provide information and answer any question that Committee members may have.
✓	B.1.5	Issuer should disclose remuneration payable to senior management by band in annual reports.	The details are set out in note 9 to the consolidated financial statements on pages 162 to 163 of this Annual Report.

## C. ACCOUNTABILITY AND AUDIT

### C.1 Financial reporting

#### Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

	Code	Key principles	How Sa Sa complies
✓	C.1.1	Management should provide sufficient explanation to the board to enable it to make informed assessment of financial and other information put before it for approval.	Directors are provided with financial information and relevant reviews and updates on the Group's performance each time they are required to approve financial or other matters. Where necessary, explanation and additional information are provided in a timely manner to enable the Board to make informed assessment.

## Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	C.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, etc. in sufficient detail to enable the board as a whole and each director to discharge their duties.	Executive Directors are provided with a wide range of reports on daily, weekly and monthly intervals and are fully aware of the Company's latest performance, position and prospects. The Company has started to provide non-executive Directors with monthly updates since May 2012 (for the month of April 2012) to enable them to discharge their duties under the revised Listing Rules.
✓	C.1.3	Directors should acknowledge their responsibility for preparing the accounts. Material uncertainties that may cast doubt on the issuer's ability to continue as a going concern should be clearly set out and discussed in the corporate governance report which should contain sufficient information to enable investors to understand the severity and significance of matters.	<p>The Directors acknowledge their responsibility for the preparation of the financial statements which give a true and fair view of the Group's state of affairs, results and cashflow for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.</p> <p>With the assistance of our Finance and Accounting Department which is under the supervision of the CFO, the Directors ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 March 2012, the Directors:</p> <ol style="list-style-type: none"> <li>1. approved the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;</li> <li>2. selected and applied consistently appropriate accounting policies;</li> <li>3. made judgments and estimates that were prudent and reasonable; and</li> <li>4. prepared the financial statements on the basis that the Company would continue as a going concern.</li> </ol> <p>The Independent Auditor's Report on page 134 of this Annual Report sets out the reporting responsibilities of PwC, the external auditor of the Company.</p>
✓	C.1.4	Directors should include an explanation of the basis on which the issuer generates or preserves value over the longer term and the strategy for delivering objectives.	Please refer to page 2 under Corporate Profile and pages 26 to 37 under Management Discussion & Analysis of this Annual Report.
✓	C.1.5	Board should present a balanced, clear and understandable assessment in financial reports and other price-sensitive announcements and other disclosures.	The Board is assisted by a group of dedicated employees who are qualified in the fields of accounting, law and public companies disclosure requirements and ensures that the information presented are balanced, clear and understandable.



**C.2 Internal controls**

**Principle**

The board should ensure that the issuer maintains sound and effective internal controls to safeguard shareholders' investment and the issuer's assets.

	Code	Key principles	How Sa Sa complies
✓	C.2.1	Directors should at least annually review the effectiveness of the internal control systems and report to shareholders in the corporate governance report.	<p><b>Internal Controls and Risk Management</b></p> <p>The Board is responsible and accountable for developing and maintaining a robust system of internal controls that covers compliance, risk management, financial as well as operational controls to safeguard the Group's assets and stakeholders' interests. Internal control is defined as a process effected by the Board, the management and other personnel, designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance of the following:</p> <ul style="list-style-type: none"> <li>– compliance with applicable laws, regulations, policies and procedures</li> <li>– effectiveness of risk management process</li> <li>– reliability of financial reporting</li> <li>– effectiveness and efficiency of operations</li> </ul>
✓	C.2.2	Board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function.	<p><b>Governance, Risk and Control Framework</b></p> <p>The Group has enforced ethical business practice and demonstrated commitment to effective governance, setting the tone for internal controls. A whistleblowing system is in place which is communicated to all employees. The whistleblowing system, reviewed in 2012, facilitates and encourages reporting in good faith of any suspected improprieties without fear of reprisal. In addition, conflict of interest policy and gifts and entertainment policy have been installed in providing employees with proper guidelines and a reporting mechanism for declaration.</p>

# Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	C.2.1	Directors should at least annually review the effectiveness of the internal control systems and report to shareholders in the corporate governance report.	The Board has delegated to the Executive Committee the responsibility to identify and evaluate the risks and probable exposures faced by the Group and design, operate and monitor a suitable system of internal controls. The Executive Committee is accountable to the Board for providing assurance on managing and monitoring the system of internal controls.
✓	C.2.2	Board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function.	<p>The Group's risk management process is embedded in the system of internal controls as an integral part of corporate governance that helps sustaining business success, creates value for stakeholders and supports the Board in discharging its corporate governance responsibilities by proactively addressing and managing key risks covering all major business operations in Hong Kong and China, which is underpinned by line management taking direct risk management responsibilities as risk owners. This enhances the effectiveness of the control environment and enforces compliance with rules and regulations.</p> <p><b>Risk Management Committee</b></p> <p>Above and beyond the Listing Rules requirements, the Company formed a Risk Management Committee, comprising all Executive Directors on 13 July 2009 as part of the Group's commitment to further enhancing its control environment. The Risk Management Committee, made up of three executive Directors, has written terms of reference that set out the responsibilities of its members. It held eight meetings during the year under review. The Committee assists the Board in overseeing and monitoring the implementation and effectiveness of the risk management processes and framework, determining risk profile, reviewing risk responses, and formulating a risk management strategy for the Group.</p> <p>The Terms of Reference for the Risk Management Committee have been revised and updated pursuant to the Revised Code and approved by the Board during the year under review. These Terms of Reference are available on the Company's website.</p> <p><b>Enterprise Risk Assessment</b></p> <p>Risk assessment is the identification and analysis of relevant risks to achieve the Group's objectives, forming a basis for determining how risk is managed in terms of likelihood and impact.</p>

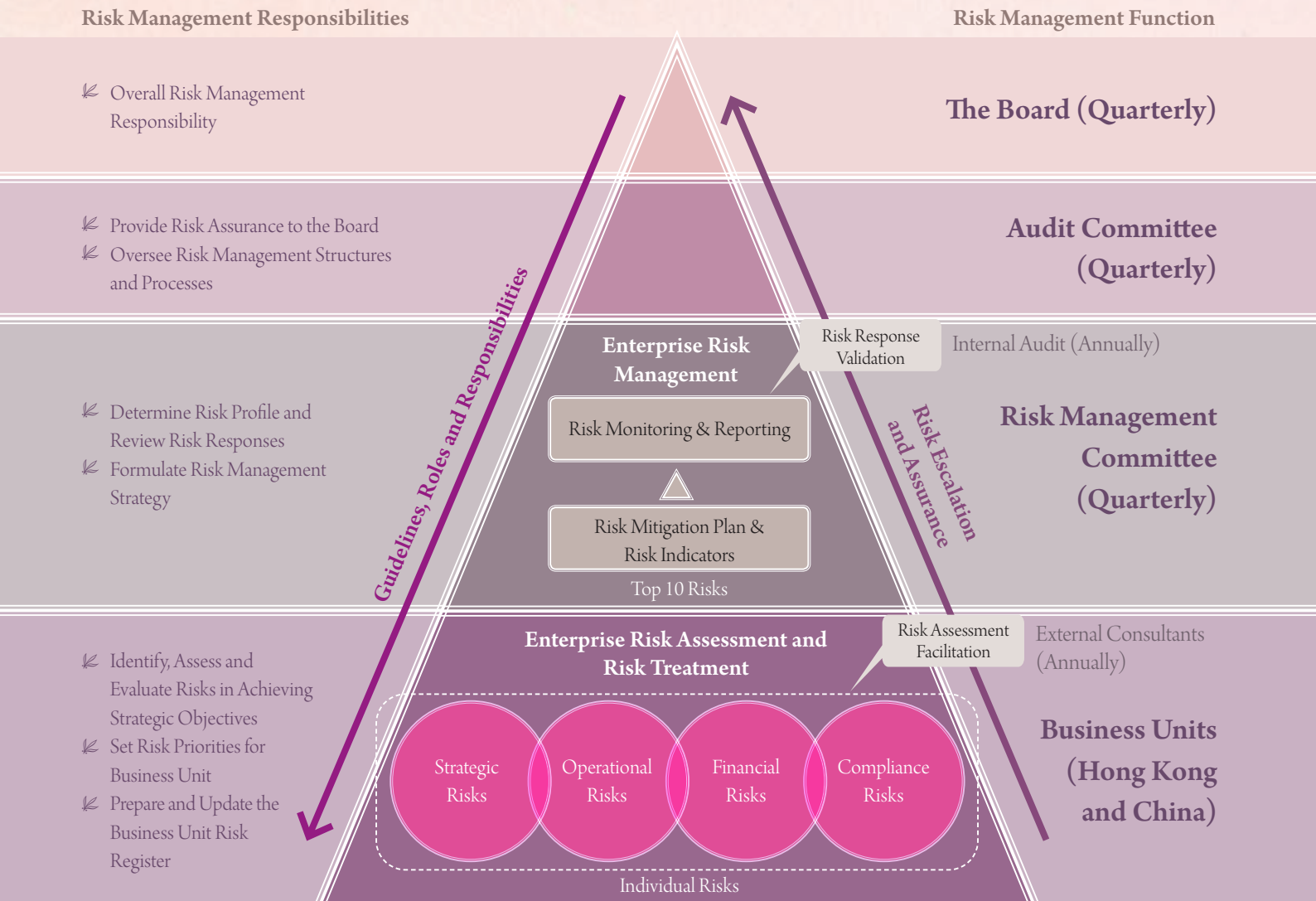
	Code	Key principles	How Sa Sa complies
✓	C.2.1	Directors should at least annually review the effectiveness of the internal control systems and report to shareholders in the corporate governance report.	The Group has engaged external consultants in facilitating risk control self-assessment workshops to effectively identify, assess, mitigate and monitor existing and emerging business risks. The engagement of external consultants enhances objectivity and reinforces the importance of the assessment. The framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission has been adopted and risks are categorized into Strategic, Operational, Financial and Compliance functions for more focused assessment and management.
✓	C.2.2	Board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function.	<p><b>Enterprise Risk Management</b></p> <p>The ERM System has been in place since 2010 which provides clear accountability and responsibility structures for risk management, and consists of three major components comprising risk governance, risk infrastructure and oversight and assignment of risk ownership.</p> <p>The ERM System uses risk indicators and red flags to monitor the top 10 selected priority risks. Additionally, a balance scorecard system has been implemented, incorporating key performance indicators to measure progress in achieving business goals. The balance scorecard system and the ERM System are harmonized, allowing the Group to monitor a comprehensive set of risks at the same time for better business performance.</p> <p>The Risk Management Committee meetings are held at least on a quarterly basis to review and discuss risk management progress of each of the top 10 priority risks. If there are any risk indicators highlighted by red flags, responsible risk owners are required to propose, agree on remedial action plans and promptly follow up to ensure risks are properly managed. Continuous validation on risk responses is carried out and summarized risk management progress is presented to the Audit Committee quarterly to enhance the accountability and quality of the risk management process.</p> <p>A Group risk register was compiled at the inception of the ERM System and has been regularly monitored and updated for continuous risk assessment purpose.</p>



# Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	C.2.1	Directors should at least annually review the effectiveness of the internal control systems and report to shareholders in the corporate governance report.	<p><b>Control and Monitoring Activities</b></p> <p>The Group maintains an internal audit function that is responsible for assisting the Board in maintaining effective internal controls, by evaluating their effectiveness and efficiency and by seeking continuous improvements. The Internal Audit and Management Services Department (“IAMS Department”) of the Group has unrestricted access to reviewing all aspects of the Group’s activities, risk management, control and corporate governance processes and reports directly to the Audit Committee on a quarterly basis and has direct access to the chairman of the Audit Committee.</p>
✓	C.2.2	Board’s annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer’s accounting and financial reporting function.	<p>The Internal Audit Charter which is available on the Company’s website was approved by the Audit Committee and adopted by the Board in 2010. Under the Internal Audit Charter, the IAMS Department assists the Board in promoting sound risk management and corporate governance. The IAMS Department assesses the Group’s fraud risk exposure when developing the annual audit plan to determine the priorities and frequencies of the internal audit activities. Fraud indicators are further assessed during individual engagement. The Audit Committee reviews and approves the annual audit plan and all major subsequent changes made. The IAMS Department carries out internal audit activities in accordance with the approved annual audit plan.</p> <p>All findings and recommendations on internal control deficiencies for each audit assignment are communicated to management. The IAMS Department works with the management to establish remedial plans to correct internal control deficiencies within a reasonable time period. Post-audit reviews are also scheduled and performed on a quarterly basis to monitor those agreed action plans and to ensure that corrective measures of previously identified internal control deficiencies have been implemented as intended and on a timely basis. In addition, the IAMS Department also follows up on the external auditor’s recommendations as part of its role in reviewing the Group’s system of internal controls.</p> <p>For the year ended 31 March 2012, the Group engaged consultants to perform independent IT risk audit to assess whether current IT strategy, governance, assigned roles and responsibilities and project management are suitably designed and aligned with the Group’s strategy. Online business website penetration test was carried out to assess and ascertain the effectiveness of IT network infrastructure and corresponding security controls. In addition, data privacy framework review was undertaken to assure that rules and regulations relating to data privacy were properly complied with.</p>

## Risk Governance and Infrastructure



## The ERM Framework

# Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	C.2.1	Directors should at least annually review the effectiveness of the internal control systems and report to shareholders in the corporate governance report.	<p><b>Review of Internal Control Effectiveness</b></p> <p>Through the Audit Committee, the Board has conducted reviews of the effectiveness of the Group's internal control system for the year ended 31 March 2012, covering all material financial, operational and compliance controls, and risk management process, and considered the Group's internal control system effective and adequate. There were no significant areas of concern identified during the year that might affect Shareholders.</p>
✓	C.2.2	Board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function.	<p>The Audit Committee has reviewed the adequacy of resources, qualifications, experience and training programs of the Group's accounting and financial reporting staffs and considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.</p> <p><b>Future Plan</b></p> <p>For the financial year 2012/13, to further enhance risk-awareness culture, training sessions and workshops on internal control and risk management processes will be arranged and provided to major overseas business units. They will be required to conduct a risk control self-assessment (i) to assess their respective risks; and (ii) to ensure that an adequate control system is in place which altogether not only complement the Group's existing ERM system but also provide a holistic view of the effectiveness of the Group's risk and control framework.</p> <p>To facilitate and support business growth, the Group will allocate resources to build knowledge base, continue refining and standardizing documented policies and procedures, including greater focus on utilizing IT automation on major business processes, enabling a higher level of scalability and heading towards international quality management standard.</p>



**C.3 Audit Committee**

**Principle**

The board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the issuer’s auditors. The audit committee established under the Listing Rules should have clear terms of reference.

	Code	Key principles	How Sa Sa complies
✓	C.3.1	Minutes of audit committee meetings should be kept and sent to all members for comment and records within a reasonable time.	As with minutes of Board meetings, full minutes of Committee meetings are kept by the Company Secretary and drafts are sent to Committee members within a week after each meeting for comments before they are finalised for signature by the Committee Chairman. The final versions of the minutes are then sent to Committee members for record and are also available for inspection at any time.
✓	C.3.2	A former partner of the issuer’s existing auditing firm should not act as a member of its audit committee.	None of our Audit Committee members is a former partner of our existing auditing firm, PwC.
✓	C.3.3	Duties of audit committee should include review of the relationship with external auditors, review of financial information and oversight of the financial reporting system and internal control procedures.	The Terms of Reference for the Audit Committee which have been revised, updated (to take into account the changes effected by the Revised Code announced in October 2011) and approved by the Board during the year under review are available on the Company’s website and HKExnews website.
✓	C.3.4	Audit committee should make available its terms of reference.	<p>In summary, the Audit Committee is primarily responsible for reviewing and monitoring the relationship between the Company and its auditor, monitoring the integrity of the Group’s financial information and overseeing the effectiveness of the Group’s financial controls, internal control and risk management systems.</p> <p>The Audit Committee of the Company has long been in operation since 13 October 1999. Committee members are all INEDs. The Chairman of the Committee, Professor CHAN Yuk Shee possesses the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The complete independence of our Audit Committee is to ensure that our financial reporting system and internal controls are reliable.</p> <p>Five Audit Committee meetings were held in the year 2011/12, more than twice a year as required in CP C.3.3(e)(i) of the Revised Code. The Chairman and CEO, CFO, members of the management team and the external auditor were invited to some of the meetings to provide information, clarifications or explanations. The attendance record of individual Committee members at the meetings are set out on page 95 of this CG Report.</p>

# Corporate Governance Report

Code	Key principles	How Sa Sa complies
		<p>The following is a summary of the works undertaken by the Audit Committee during the year under review (including events considered up to the Latest Practicable Date):</p> <ol style="list-style-type: none"> <li>1. review of the audit and communication plans, nature and scope of the audit and reporting obligations of the external auditor;</li> <li>2. review of the terms of engagement of the external auditor, their independence, the effectiveness of the audit process and the audit and non-audit services undertaken by the external auditor;</li> <li>3. review of the financial information of the Group including the annual and interim financial statements, unaudited quarterly operational updates and related documents before submission to the Board for approval, with particular focus on any changes in accounting policies and practices, major judgmental areas, significant adjustments, the going concern assumption, and compliance with accounting standards and regulatory requirements;</li> <li>4. review of the Group's foreign currency and treasury policies;</li> <li>5. review of the progress and updates of the risk management process;</li> <li>6. review of the internal audit function, financial and internal controls, the risk management system including the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, their training programmes and budget, and the effectiveness of the internal audit function;</li> <li>7. review of the Group's financial and accounting policies and practices;</li> <li>8. meeting with the external auditor twice during the year without the presence of any of the Executive Directors;</li> <li>9. recommendation to the Board for approval of payments of an interim dividend for the six months ended 30 September 2011 and of a final dividend for the year ended 31 March 2012; and</li> <li>10. recommendation to the Board for approval of the revised Whistleblowing Policy.</li> </ol> <p>All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported to the Board regularly.</p> <p>During the year ended 31 March 2012, there were no issues of significant importance requiring disclosure in this Annual Report under the Listing Rules.</p>

	Code	Key principles	How Sa Sa complies
✓	C.3.5	If the board disagrees with audit committee on matters concerning the external auditor, the company should include a statement in the corporate governance report explaining the reason.	<p>There was no disagreement between the Board and the Audit Committee regarding the external auditor throughout the year.</p> <p>In the coming AGM to be held on 23 August 2012, in order to be in line with the revised Rule 13.88 of the Listing Rules to increase Shareholders' oversight of the Board's activities, the Memorandum and Articles of Association of the Company will be amended such that the Company must obtain Shareholders' approval at a general meeting before external auditor can be removed before the end of its term of office.</p>
✓	C.3.6	Sufficient resources should be provided to Audit Committee for it to perform its duties.	<p>The Audit Committee is well supported by the Director of Internal Audit and Management Services and its Department.</p> <p>During the year under review, representatives including the Engagement Partner of our external auditor, PwC, attended our audit committee meetings four times to answer any question that members of the Committee may have regarding their audit work. Representatives from an external consultant also attended the meeting once to report to the Audit Committee their findings on Enterprise Risk Assessment.</p>
✓	C.3.7	Terms of reference should require the Audit Committee to review arrangement employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, and to act as key representative body for overseeing the issuers' relations with external auditor.	<p>During the year under review, the Audit Committee has overseen the Company's relation with the external auditor through reviewing their annual audit service plan, engagement letters, constantly reviewing their audit fees and non-audit fees, reviewing their performance before recommending their re-appointment, meeting with the external auditor without the presence of the Executive Directors to discuss matters that the external auditor may wish to raise.</p>



**E**ight management meetings were held between the management and the three executive Directors during the year under review to enhance the communication between the Management and the Board.

**D. DELEGATION BY THE BOARD**

**D.1 Management functions**

*Principle*

An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.

	Code	Key principles	How Sa Sa complies
✓	D.1.1	Board should give clear directions as to management's powers when delegating, particularly where management should report back and obtain prior board approval.	The Company has in place the Terms of Reference for the Board of Directors and the Management which set out clearly its power, reporting obligations and instances where board approval is required before committing the Company.
✓	D.1.2	Issuer should formalise functions reserved to the board and functions delegated to management and review them periodically.	<p>The Terms of Reference for the Board of Directors and the Management which have been revised, updated (to take into account the changes effected by the Revised Code announced in October 2011) and approved by the Board during the year under review are available on the Company's website.</p> <p>In summary, the Board is collectively responsible for the management and operations of the Company and its subsidiaries. The business and affairs of the Group are under the direction of and should vest with the Board. The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting and contributing to its success by directing and supervising its affairs in a responsible and effective manner. The Board accepts that it is ultimately responsible for the performance and affairs of the Group.</p> <p>The Board is elected by and is ultimately accountable to the Shareholders and is the ultimate decision making body of the Group except for those matters reserved for Shareholders by the Articles of Association of the Company and the Listing Rules.</p>

	Code	Key principles	How Sa Sa complies
			<p>While the Board retains oversight responsibility, certain of the management and administration functions are delegated by the Board to the Management. The Board diligently monitors the Management's performance in that regard but responsibility for conducting the Company's day-to-day management of business rests with the Management. The Management is ultimately accountable to the Board.</p> <p>The Management, consisting of Chief Executive Officer, the executive committee of the Board ("Executive Committee") along with other senior management members, is responsible for contributing to the success of the implementation of the corporate strategy and directions as determined by the Board from time to time. In doing so, they apply business principles and ethics which are consistent with those expected by the Board and Shareholders of the Company.</p> <p><b>Executive Committee</b></p> <p>The Executive Committee, comprising all three Executive Directors, provides leadership in the day-to-day running of the Group's business. Being part of the management team, the Executive Committee held meetings on a regular basis. In the year ended 31 March 2012, six meetings were held. Particulars of the Executive Committee members' individual attendance at meetings of the Executive Committee are set out on page 95 of this Annual Report.</p> <p><b>Management meetings</b></p> <p>In addition, the Executive Committee and the management team (comprising all departmental heads) meet regularly together to review, discuss and make decisions on financial and operational matters. In the year ended 31 March 2012, six management meetings were held which enhanced and strengthened cross-departmental communications, coordination and co-operation within the Group. Members of the management team also gathers on an informal basis, such as participating in off-site strategic meeting and team building activities to further enhance mutual understanding and empathy amongst themselves.</p>
✓	D.1.3	Respective responsibilities, accountabilities and contributions of the Board and management should be disclosed.	The respective responsibilities, accountabilities and contributions of the Board and management are clearly set out in the Terms of Reference for the Board of Directors and the Management which is available on the Company's website.
✓	D.1.4	Directors should clearly understand delegation arrangement in place and issuer should have formal letters of appointment for directors.	Each non-executive Director was appointed by formal letter of appointment with the Company upon appointment or re-appointment. Such letter of appointment sets out key terms and conditions, length of appointment, the time commitment expected, the roles and functions and amount of remuneration.

# Corporate Governance Report

## D.2 Board Committees

### Principle

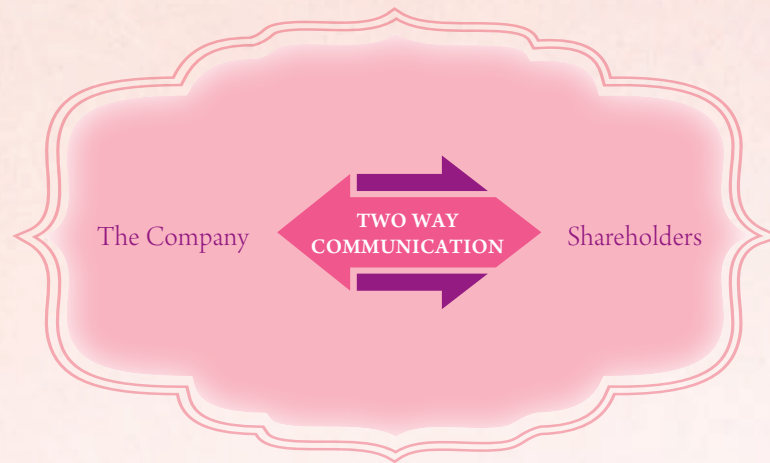
Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

	Code	Key principles	How Sa Sa complies
✓	D.2.1	Board committees should have clear terms of reference to enable them to perform their functions properly.	All our Board Committees have clear terms of reference. The findings, decisions and recommendations made at each meeting during the financial year have been reported back to the Board by the chairman of each Board Committee, except for the Risk Management Committee where such findings, decisions and recommendations have been reported by the Director of IAMS to the Audit Committee whose chairman have in turn reported to the Board.
✓	D.2.2	Terms of reference of board committees should require them to report their decisions and recommendations back to the board.	All the Terms of Reference are reviewed by the Board from time to time so that they are kept up to date with the latest requirements of corporate governance practices and the Listing Rules. Any amendment is submitted to the Board for review and approval before adoption.

## D.3 Corporate Governance Functions

	Code	Key principles	How Sa Sa complies
✓	D.3.1	Term of reference of board (or a committee or committees performing this function) should include at least the duties specified in the CG Code.	The Board as a whole is responsible for performing the corporate governance function. The Terms of Reference for the Board of Directors and the Management which have been revised, updated (to take into account all the corporate governance functions that the Board is required to take on pursuant to the Revised CG Code) and approved by the Board during the year under review are available on the Company's website and HKExnews website.
✓	D.3.2	Board should be responsible for performing the corporate governance duties or it may delegate the responsibility to a committee or committees.	The Board approved and adopted the Environmental, Social and Corporate Governance Policy Statement during the year under review, setting out the practices the Company has adhered to in order to achieve optimal balance in satisfying our stakeholders' interest in economic, environmental, social and corporate governance while conducting our business operation. The policy statement is available on the Company's website. Pursuant to this policy statement, a Corporate Governance Task Force including representatives from different departments has been set up to implement goals and objectives set by the Board. The Task Force meets periodically to review and monitor progress and reports to the Board at regular intervals.





**E. COMMUNICATION WITH SHAREHOLDERS**

**E.1 Effective communication**

*Principle*

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

	Code	Key principles	How Sa Sa complies
✓	E.1.1	A separate resolution at a general meeting on each substantially separate issue should be proposed by chairman of that meeting. "Bundling" resolutions should be avoided unless they are interdependent and linked forming one significant proposal.	In the AGM held on 25 August 2011, separate resolution was proposed for each substantial issue, including the re-appointment of each of the three independent non-executive Directors.  When all the businesses on the agenda have been dealt with in the AGM, there was a questions and answers session where Shareholders' questions and proposals were put to the Board, which were then carefully considered and where appropriate, acted upon.
✓	E.1.2	Chairman of the board should attend AGM and invite chairmen of audit, remuneration, nomination and any other committees as well as external auditor to attend and be available to answer questions.	The chairman of the Board attended the AGM held on 25 August 2011. As shown in the Directors' Attendance at Board meetings, Board Committee meetings and AGM on page 95 of this CG Report, the chairman of each Board Committee or their appointed delegate was also present and available to answer questions at the AGM.
✓	E.1.3	Issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	The Company Secretary, Group Financial Controller, Director of Corporate Communications and Investor Relations and other selected members from the Company also attended the AGM together with our external auditor, PwC.  Above and beyond the requirement of CP E.1.3, the Company arranged for the 2011 AGM notice including the accompanying circular to be sent to Shareholders about 38 clear business days before the meeting, i.e. 18 days more than what was required, so that Shareholders can plan well ahead to attend our AGM.

## Corporate Governance Report

	Code	Key principles	How Sa Sa complies
✓	E.1.4	Board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	<p>On 19 March 2012, the Board approved and adopted the Shareholders' Communication Policy, setting out the aims and practices of the Company to have a two-way communication with Shareholders, individual and institutional investors, and the investment community at large. The policy is available on the Company's website. Please see the Investor Relations Report on page 74 of this Annual Report for details of the communication platforms that the Company uses to maintain an ongoing dialogue with Shareholders and investors.</p> <p>Pursuant to rule 13.51D of the Listing Rules, the Company has published the procedures for Shareholders to propose a person for election as a Director on its website.</p> <p>Pursuant to rule 13.90 of the Listing Rules, the Company has published its Memorandum and Articles of Association on its website and HKExnews website.</p>

### E.2 Voting by Poll

#### Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

	Code	Key principles	How Sa Sa complies
✓	E.2.1	Chairman should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders.	All voting at our general meetings are conducted by poll. The detailed voting procedures are explained at the commencement of the meetings by representative of our Hong Kong branch share registrar and Shareholders are invited to raise questions relating thereto immediately after the explanation or at any time throughout the proceedings of the meeting.

### F. COMPANY SECRETARY

#### Principle

The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive officer on governance matters and should also facilitate induction and professional development of directors.

	Code	Key principles	How Sa Sa complies
✓	F.1.1	Company Secretary should be an employee of the company and have day-to-day knowledge of the issuer's affairs.	The Company Secretary has always been a full time employee who has knowledge of the Company's affairs since the Company was listed in 1997.
✓	F.1.2	Board should approve the selection, appointment or dismissal of Company Secretary.	The appointment of the current Company Secretary was approved by the Board in September 2009.

	Code	Key principles	How Sa Sa complies
✓	F.1.3	Company Secretary should report to Chairman or CEO.	While the Company Secretary used to report to the CFO, she has since February 2012 been reporting to the Chairman of the Board.
✓	F.1.4	Directors should have access to advice and services of Company Secretary.	Our Directors have access to the advice and services of the Company Secretary at all times. All the Directors have the direct telephone number, direct fax number and email address of Company Secretary and can have private and unfettered access to Company Secretary to discuss, seek advice and obtain information on any matter that they wish to have.

### PUBLICATION OF UNAUDITED QUARTERLY OPERATIONAL UPDATES

To enhance transparency, and in response to the request from the investment community to update them of the performance of the Company on a more regular basis, the Company has been publishing unaudited quarterly operational updates following the end of the first and third quarters each year since the third quarter of financial year 2008/09, and has continued to do so since without interruption.

### INTERNAL CONTROL

#### 1. Whistleblowing Policy

For the purpose of achieving and maintaining high standards with regard to behaviour at work and in all its working practices, the Company has in place since April 2007 a Whistleblowing Policy pursuant to which employees may, in confidence, report serious concerns about malpractices or illegal acts that they become aware of directly to the Chairman of the Audit Committee. Proper arrangements are in place for the fair and independent investigation of all matters brought to the attention of the Committee and for appropriate follow-up actions. This policy which was revised, updated and approved by the Board during the year under review is available on the Company's website.

#### 2. Conflict of Interest Policy

The Company goes beyond the requirements of the Revised Code in two further aspects in that firstly, all employees are obliged to comply with the Conflict of Interest Policy adopted in March 2010 which requires all employees to avoid any conflict of interest with the Company and to declare to the Company any such conflicting interest so that the Company can, if appropriate, request such an employee to put an end to the business relationship which creates the conflict.

#### 3. Gifts and Entertainment Policy

Secondly, all employees have to comply with the Gifts and Entertainment Policy adopted in December 2011 which stipulates the circumstances under which employees are allowed to accept gifts or entertainment from suppliers or business associates. Upon receipt of a gift or entertainment invitation, the employee concerned is required to declare this to the Company and, depending on the nature of the gift or entertainment invitation, suggest an appropriate method to deal with such gift or entertainment invitation.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a policy regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules). Having made specific enquiry of all Directors, all of them have confirmed that they have complied with this policy throughout the reporting period.

### AUDITOR'S REMUNERATION

The fees paid to the Company's external auditor for the year ended 31 March 2012 amounted to approximately HK\$3,716,000, comprising audit fees of HK\$2,560,000 and non-audit fees of HK\$1,156,000. The non-audit services consist mainly of IT risk audit and tax advisory services.





## Corporate Governance Report

The Company has in place a Policy on Provision of Audit and Non-audit Services by the External Auditor to the Company setting out the types of audit and non-audit services that the Company may engage the external auditor to provide. Specific approval must be obtained from the Audit Committee for service not specified in the policy. The Audit Committee reviews the audit and non-audit services, and the fees charged by the external auditor in order to monitor its independence and objectivity twice a year. The external auditor provides an annual written confirmation to the Company as to its independence.

### SHAREHOLDERS' RIGHTS TO INITIATE DISCUSSIONS WITH THE COMPANY

The rights exercisable by Shareholders to initiate discussions with the Company are set out in a document entitled "Shareholders' Rights" which is available on the Company's website.

### SIGNIFICANT CHANGES IN THE COMPANY'S ARTICLES OF ASSOCIATION

There has been no change made to the Company's Articles of Association during the year under review. In the coming AGM to be held on 23 August 2012, however, proposals will be put forward to the Shareholders to consider amending the Memorandum and Articles of Association in response to the various amendments made to the Listing Rules announced in October 2011. The amendments will be set out in a circular to be sent to Shareholders for consideration.

### DETAILS OF LAST AGM

The last Shareholders' meeting was the AGM held on 25 August 2011 held at Meeting room S228 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wan Chai, Hong Kong. Particulars of the major items considered at the AGM were set out in the circular of 30 June 2011. Shareholders who were not available to attend could appoint a proxy to attend and vote on his/her behalf. Shareholders representing 2,094,888,166 shares voted in the AGM, being 74.6% of the total number of the issued shares of the Company at the time (2,808,546,066 shares).

Each of the proposed ordinary resolutions was passed by more than 90% of the votes cast by way of poll at the AGM. The major items discussed and the percentage of votes cast in favour of the resolutions were as follows:

1. receiving the audited accounts and reports of Directors and independent auditor for the year ended 31 March 2011 (100%);
2. payment of a final dividend of 2.5 HK cents and a special dividend of 7.0 HK cents for the year ended 31 March 2011 (100%);
3. re-election of retiring Directors (99.43% to 99.97%);
4. re-appointment of auditor (99.61%); and
5. grant of general mandates to Directors to issue additional shares and to purchase the Company's shares (91.14% and 99.66%).

Pursuant to Rule 13.39(4) of the Listing Rules, the results of the poll were released by way of an announcement published on the Company's website and HKExnews website immediately after the AGM on the same date.

### PUBLIC FLOAT CAPITALISATION

As at 31 March 2012, the public float capitalisation of the Company is HK\$4,365,305,685, representing approximately 34.46% of the total issued shares. The Company has complied with the minimum public float requirement under the Listing Rules.