

Composition of the Board and various Board Committees



* Executive directors

Non-executive directors

△ Independent non-executive directors



Corporate governance extends beyond mere compliance with regulatory requirements at Sa Sa



Corporate governance practices

The Directors are committed to maintaining the highest standard of corporate governance which they believe will create long term value for shareholders. Throughout the year ended 31 March 2010, the Company has complied with all the Code Provisions set out in the CG Code except for one deviation explained below. This report outlines our system of governance and provides a summary of how we have applied the main principles of the CG Code and beyond.

A. Director

A.1. The Board

Principle

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

| Code | Code Provision |
|--------------|--|
| A.1.1 | Regular board meeting <i>The board should meet at least four times a year at approximately quarterly intervals.</i> |
| ✓✓✓ | Five Board meetings were held during the year ended 31 March 2010. 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 who is a controlling Shareholder. Members of the management team attend some of the Board meetings by invitation to make presentations and engage in discussions with the Directors. 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. |
| A.1.2 | Agenda item <i>All directors should be given the opportunity to include matters in the agenda for regular board meetings.</i> |
| ✓✓✓ | Agendas for Board and Board Committee meetings are sent to all Directors reasonably in advance and they are given the opportunity to include relevant matters in each agenda for consideration at Board and Board Committee meetings. |
| A.1.3 | Notice of Board meetings <i>Notice of at least 14 days should be given for regular board meetings and reasonable notice should be given for all other meetings.</i> |
| ✓✓✓ | 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 are always sent at least 14 days in advance to all Directors. |

Corporate Governance Report

A. Director (continued)

A.1. The Board (continued)

| Code | Code Provision |
|--------------|--|
| A.1.4 | Access to company secretary <i>All directors should have access to the company secretary to ensure that board procedures, and all applicable rules and procedures, are followed.</i> |
| ✓✓✓ | Our Directors have access to the advice and services of the company secretary at all times. |
| A.1.5 | Keeping of minutes <i>Minutes of board meetings and committee meetings should be kept and be available for inspection by the directors.</i> |
| ✓✓✓ | Minutes of our Board meetings and Committee meetings are kept by the company secretary and are available for inspection by the Directors. |
| A.1.6 | Minutes to record sufficient detail and be sent to all directors <i>Minutes should record sufficient detail, including concerns raised and dissenting views, and be sent to all directors for comment and records.</i> |
| ✓✓✓ | Minutes of our Board and Board Committee meetings record in sufficient detail the matters considered and the decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes of the meetings are then sent to all Directors for their comment and records, in both cases within a reasonable time after each meeting. |
| A.1.7 | Professional advice <i>An agreed upon procedure should be in place to enable directors to seek professional advice at the Company's expenses in appropriate circumstances.</i> |
| ✓✓✓ | The Company has in place a set of guidelines for Directors to obtain professional advice at the Company's expenses in appropriate circumstances. The Board has also resolved to provide separate independent professional advice to Directors to assist them to discharge their duties towards the Company. |
| A.1.8 | Conflict of interest <i>If substantial shareholder or director has a conflict of interest in a material matter, the matter should be dealt with by way of a board meeting attended to by the independent non-executive directors with no material interest.</i> |
| ✓✓✓ | Directors are required to declare their interest in the matters to be considered at each Board 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 vote at the meeting. |

A. Director (continued)

A.2. Chairman and CEO

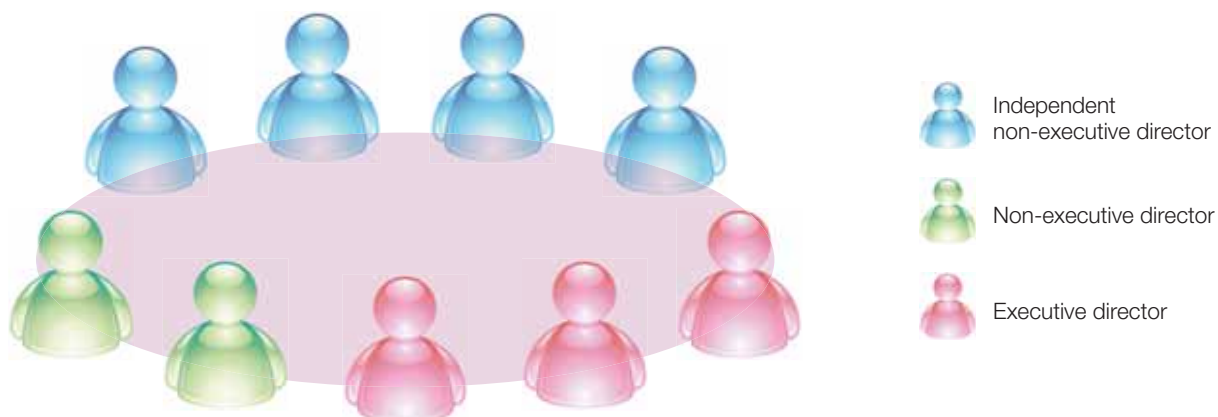
Principle

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

| Code | Code Provision |
|--------------|--|
| A.2.1 | <i>Chairman and CEO</i> <i>The roles of chairman and CEO should be separate and their divisions of responsibility clearly established and set out in writing.</i> |
| Deviation | <p>The Company has deviated from the code provision in this respect in that Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. The respective responsibilities of the chairman and the CEO, however, are clearly set out in writing and 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> |
| A.2.2 | <i>Directors should be properly briefed</i> <i>The Chairman should ensure that directors are properly briefed on issues arising at board meetings.</i> |
| ✓✓✓ | <p>The Company has in place written terms of reference for the Chairman pursuant to which he is required to take the lead in encouraging all Directors to make full and active contributions to the Board's affairs and to ensure that the Board acts in the best interests of the Company. The Chairman, in the discharge of his responsibilities, always ensures that the Directors are properly briefed on issues arising at Board meetings.</p> |
| A.2.3 | <i>Directors to receive adequate information</i> <i>The Chairman should ensure that Directors receive adequate information, which must be complete, reliable and timely.</i> |
| ✓✓✓ | <p>In practice, our Directors always receive very comprehensive information through the company secretary, which are adequate, complete, reliable and timely, to enable them to monitor our business operations and provide guidance to the executive management team.</p> |

Corporate Governance Report

Our board composition



Four of our nine board members are INEDs. The Executive and NEDs together have the range of skills and experience to enable them to effectively govern our business.

A.3. Board composition

Principle

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

| Code | Code Provision |
|-------|---|
| A.3.1 | <p>INEDs to be identified</p> <p><i>The independent non-executive directors should be identified in all corporate communications that disclose the names of the directors.</i></p> |
| ✓✓✓ | <p>All our INEDs, Professor CHAN Yuk Shee, Dr LEUNG Kwok Fai Thomas, Ms TAM Wai Chu Maria and Ms KI Man Fung Leonie, are identified in all our corporate communications.</p> |

We appointed one additional non-executive director, namely Mr TAN Wee Seng, during the reporting period.

A.4. Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. 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 | Code Provision |
|--------------|---|
| A.4.1 | <i>NEDs to be appointed for specific terms</i> <i>Non-executive directors should be appointed for a specific term, subject to re-election.</i> |
| ✓✓✓ | All our non-executive Directors are appointed for a specific term, subject to re-election at shareholders' meeting. One additional non-executive Director, Mr TAN Wee Seng, was appointed during the reporting period. He was appointed for a specific term ending on the date of our next AGM, at which he will offer himself for re-election by the Shareholders. The terms of appointment of our non-executive Directors are set out in the Report of the Directors, at page 84. |
| A.4.2 | <i>Retirement every three years</i> <i>All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; every director should be subject to retirement by rotation at least once every 3 years.</i> |
| ✓✓✓ | Our Articles of Association are in line with the Code Provision 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 also require one-third of our Directors to retire from office by rotation at each AGM, pursuant to which Dr KWOK Siu Ming Simon, Dr KWOK Law Kwai Chun Eleanor, and Mr LOOK Guy will retire at our next AGM and, being eligible, all of them will offer themselves for re-election by the Shareholders. |

Our core values in governance –
Accountability
Fairness
Responsibility
Transparency

A.5. Responsibilities of Directors

Principle

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. 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 | Code Provision |
|--------------|---|
| A.5.1 | <i>Induction of directors</i> <i>Every newly appointed director should receive a comprehensive, formal induction and subsequent briefing and development as is necessary.</i> |
| ✓✓✓ | The Company has a policy for the induction of Directors pursuant to which every newly appointed Director receives a comprehensive induction handbook as well as meets with members of the management team in order to familiarize themselves with the business of the Group. Subsequent briefings are provided to the Directors as and when necessary. |
| A.5.2 | <i>Functions of NEDs</i> <i>NEDs should participate in board meetings to bring an independent viewpoint, take the lead where potential conflicts arise, serve on the audit, remuneration and nomination committees if invited and scrutinize the Company's performance.</i> |
| ✓✓✓ | 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 of INEDs while the majority of the members on the Compensation and Nomination Committees are INEDs. |
| A.5.3 | <i>Directors to give sufficient time and attention</i> <i>Directors should ensure that they give sufficient time to the affairs of the Company.</i> |
| ✓✓✓ | Individual attendance records of our Directors at Board and Board Committees Meetings, demonstrating satisfactory attendance, are set out below. Please also refer to the chart below for the duration of our Board meetings and the volume of papers reviewed at such meetings. |

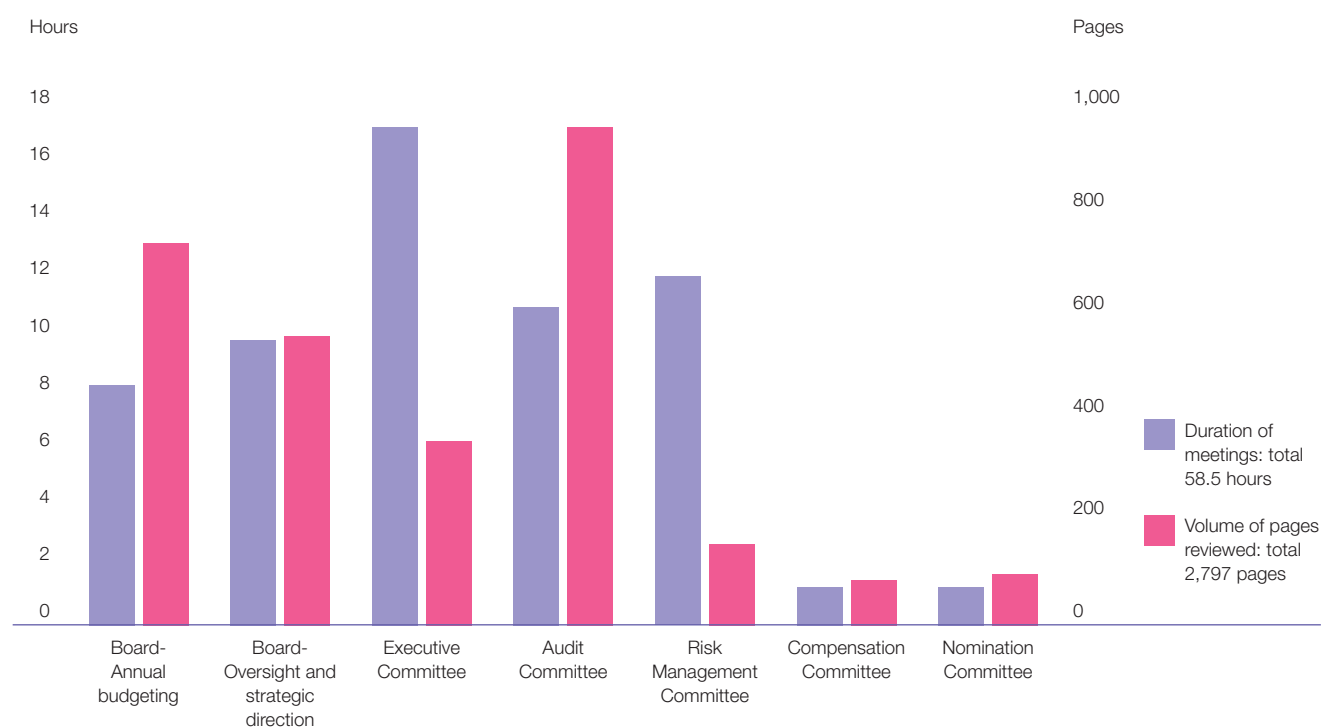
A.5. Responsibilities of Directors (continued)

| Name of Directors | Board meeting | Executive Committee meeting | Audit Committee meeting | Compensation Committee meeting | Nomination Committee meeting | Risk Management Committee meeting |
|----------------------------------|---------------|-----------------------------|-------------------------|--------------------------------|------------------------------|-----------------------------------|
| Executive Directors | | | | | | |
| Dr KWOK Siu Ming | 5 | 11 | 5 (note 2) | 1 (note 3) | 1 (note 4) | 1 |
| Dr KWOK LAW Kwai Chun Eleanor | 5 | 8 | 5 (note 2) | 1 | 1 | 1 |
| Mr LOOK Guy | 5 | 11 | 5 (note 2) | 1 (note 3) | n/a | 1 |
| NEDs | | | | | | |
| Mrs LEE LOOK Ngan Kwan Christina | 3 | n/a | n/a | n/a | n/a | n/a |
| Mr TAN Wee Seng | 1 (note 1) | n/a | n/a | n/a | n/a | n/a |
| INEDs | | | | | | |
| Professor CHAN Yuk Shee | 5 | n/a | 5 | n/a | n/a | n/a |
| Dr LEUNG Kwok Fai Thomas | 5 | n/a | 5 | 1 | 1 | n/a |
| Ms TAM Wai Chu Maria | 5 | n/a | 5 | 1 | 1 | n/a |
| Ms KI Man Fung Leonie | 5 | n/a | 5 | 1 | n/a | n/a |
| INEDs | | | | | | |
| Total Meetings Held | 5 | 11 | 5 | 1 | 1 | 1 (note 5) |

Notes:

- (1) Mr Tan was appointed as a NED on 11 March 2010 and only one board meeting was held subsequent to his appointment.
- (2) Dr KWOK Siu Ming Simon, Dr KWOK LAW Kwai Chun Eleanor and Mr LOOK Guy attended the Audit Committee meetings as invitees.
- (3) Dr KWOK Siu Ming Simon and Mr LOOK Guy attended the Compensation Committee meeting as invitees.
- (4) Dr KWOK Siu Ming Simon attended the Nomination Committee meeting as invitees.
- (5) Four workshops were held in addition to the meeting.

Duration of board meetings and volume of papers reviewed



A.5. Responsibilities of Directors (continued)

| Code | Code Provision |
|--------------|---|
| A.5.4 | <i>Compliance with Model Code</i> <i>Directors must comply with the Model Code.</i> |
| ✓✓✓ | The Company adopts a code of conduct regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for both Directors and 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. Having made specific enquiry of all Directors and the relevant employees, all of them have confirmed that they have complied with the required standard set out in the Company's code of conduct throughout the reporting period. |

A.6. Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

| Code | Code Provision |
|--------------|---|
| A.6.1 | <i>Agenda for Board meetings</i> <i>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.</i> |
| ✓✓✓ | Our agendas for Board Meetings are usually sent out together with our notice of meeting and are given to Directors well in advance of the meetings. Board papers are always sent to Directors at least three days in advance of the meetings. |
| A.6.2 | <i>Information from management</i> <i>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.</i> |
| ✓✓✓ | We have regular presentations by the management team at Board meetings with opportunities for discussion. Each Director also has separate and independent access to the management and is able to make enquires, request for information or seek clarification where necessary. |
| A.6.3 | <i>Board papers</i> <i>All directors are entitled to have access to board papers and related materials.</i> |
| ✓✓✓ | Board papers and minutes are made available for inspection by the Directors. Special requests are attended to by the company secretary promptly. With a view to becoming a more environmental friendly Company, we have started to distribute board papers in disc form from June 2010 onwards. |

The remuneration package of our executive directors comprises principally of basic salary and a discretionary bonus tied to the performance of the Company. In the case of the CEO, the remuneration package also includes share options, some of which are time based, some of which are performance based.

B. Remuneration of Directors and senior management

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

Principle

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

| Code | Code Provision |
|--------------|---|
| B.1.1 | Remuneration Committee <i>Issuers should establish a remuneration committee, majority of whom shall be dependent non-executive directors.</i> |
| B.1.2 | Consultation <i>The remuneration committee should consult the chairman and/or CEO about the remuneration of executive directors and have access to professional advice if considered necessary.</i> |
| B.1.3 | Terms of reference <i>Specific duties of the remuneration committee should include making recommendations on remuneration policy and structure, determining, reviewing and approving remuneration packages and other compensation arrangements.</i> |
| B.1.4 | Publication of terms of reference <i>Remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</i> |

B. Remuneration of Directors and senior management (continued)

B.1. The level and make-up of remuneration and disclosure (continued)

| Code | Code Provision |
|--------------|--|
| B.1.5 | <p>Sufficient resources</p> <p><i>Remuneration committee should be provided with sufficient resources to discharge its duties.</i></p> |
| ✓✓✓ | <p>Compensation Committee</p> <p>Our Compensation Committee was first formed in December 1999 and formally established in March 2000. The Committee has four members – Dr LEUNG Kwok Fai Thomas (who presides as the chairman), Dr KWOK LAW Kwai Chun Eleanor, Ms TAM Wai Chu Maria and Ms KI Man Fung Leonie – the majority of whom are INEDs.</p> <p>The duties of the Committee, including the ones set out in Code Provision B.1.3, are clearly set out in the Committee's terms of reference which are available at the Company's website and on request.</p> <p>The Committee held one meeting during the year at which a comprehensive review of the remuneration of the executive and non-executive Directors was conducted. With the assistance of the Company's human resources department, the Directors reviewed the remuneration structure and packages of the Directors of other comparable listed companies and concluded that the remuneration of our executive and non-executive Directors should remain unchanged for the year. The recommendation of the Compensation Committee was subsequently endorsed and approved by the Board.</p> <p>Our Emolument policy and long-term incentive plan</p> <p>Generally, the base compensation forms a significant part of the remuneration package. The Group pays a competitive base compensation with reference to the prevailing market conditions and the respective duties and responsibilities of the relevant employee.</p> <p>Incentives are given in the form of various kinds of bonus and through the Company's share option scheme adopted on 29 August 2002. Details of the share option scheme are set out on page 79 of this Annual Report.</p> <p>Fringe benefits like provident fund, medical insurance, personal accident insurance and business travel insurance are also offered to the Group's employees.</p> <p>With reference to the Directors' expertise and experience, duties and responsibilities, industry standards, prevailing market conditions and the Group's performance, Directors' emolument is recommended by the Compensation Committee and approved and determined by the Board. The emolument of our Executive Directors consists mainly of base compensation, discretionary bonus and share options, particulars of which are set out in note 9 to the financial statements on page 115 of this Annual Report.</p> |

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 | Code Provision |
|--------------|---|
| C.1.1 | <p>Management information</p> <p><i>Management should provide information to the board to enable the board to make informed assessment of the financial and other information put before the board for approval.</i></p> |
| C.1.2 | <p>Responsibility for accounts</p> <p><i>Directors should acknowledge their responsibility for preparing the accounts. Material uncertainties that may cast doubt on the Company'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 the matters at hand.</i></p> |
| C.1.3 | <p>Board's responsibility</p> <p><i>The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, price sensitive announcements and other financial disclosures and reports.</i></p> |
| ✓✓✓ | <p>Directors are provided with financial information and relevant reviews and updates on the Group's performance on a quarterly basis. Where necessary, explanation and additional information are provided in a timely manner to enable the Board to make informed assessment.</p> <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 and 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 accounts 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 2010, the Directors have:</p> <ul style="list-style-type: none"> (i) approved the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants; (ii) selected and applied consistently appropriate accounting policies; (iii) made judgments and estimates that were prudent and reasonable; and (iv) prepared the financial statements on the basis that the Company would continue as a going concern. <p>The Independent Auditor's Report on page 90 of this Annual Report has set out the reporting responsibilities of PwC, the auditors of the Company.</p> <p>The Company announces its annual results within three months after the end of the financial year and its interim results within two months after the end of the half-yearly period. To enhance transparency and with a view to updating the market of its performance on a more regular basis, the Company publishes unaudited quarterly operational updates following the end of the 1st and 3rd quarters.</p> |

C. Accountability and audit (continued)

C.2. Internal controls

Principle

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

| Code | Code Provision |
|--------------|---|
| C.2.1 | <p>Annual review</p> <p><i>Directors should at least annually review the effectiveness of the system of internal control and state so in the corporate governance report.</i></p> |
| C.2.2 | <p>Review should consider adequacy of resources</p> <p><i>Board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.</i></p> |
| ✓✓✓ | <p>Internal Controls</p> <p>The Board is responsible for developing and maintaining the system of internal controls of the Group to protect Shareholders' interest and to safeguard the Group's assets by setting appropriate policies and reviewing the effectiveness of major control procedures for financial, operational, compliance and risk management areas. The internal control system is implemented by the management upon the authorization of the Board, designed to manage rather than eliminate the risk of failure in operational systems and achievement of the Group's objectives and can only provide reasonable, and not absolute assurance of the following:</p> <ul style="list-style-type: none"> – effectiveness and efficiency of operations – reliability of financial reporting – compliance with applicable laws and regulations – effectiveness of risk management functions <p>The Board also acknowledges the importance of the Group's internal control, financial control and risk management functions and monitors its effectiveness from time to time.</p> <p>Risk Assessment and Management</p> <p>During the year ended 31 March 2010, the Group has developed a sustainable and integrated ERM program. This is part of the continuous effort of the Group to improve on the risk management process, to enhance the effectiveness of the control environment and to comply with Appendix 14 of the Listing Rules.</p> <p>The Risk Management Committee was formally established and approved by the Board in November 2009. Its purpose is to oversee and monitor the implementation of the ERM program which is underpinned by line management taking direct risk management responsibilities as risk owners.</p> <p>The ERM implementation effort is designed to be a pilot program for the Group in respect of the business and operations in Hong Kong. The ERM consists of three major components comprising risk governance, risk infrastructure and oversight and assignment of risk ownership.</p> |

C. Accountability and audit (continued)

C.2. Internal controls (continued)



The ERM Framework

C. Accountability and audit (continued)

C.2. Internal controls (continued)

| Code | Code Provision |
|------|--|
| | <p>(continued)</p> <p>The work in respect of the ERM pilot program done during the year included the following:</p> <p>An overall strategy and project plan for the ERM implementation has been established. Orientation and training sessions have been conducted to obtain full support and feedback from management.</p> <p>The Group adopted the approach of focusing on the risks associated with the Group's business objectives. The framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission was being adopted where risks were being categorized into Strategic, Operational, Financial and Compliance. Interviews, workshops and questionnaires have been conducted to collect input from management to compile the risk inventory. The Group developed a set of well-defined risk assessment criteria that is tailored to the Group's risk appetite and applied consistently throughout the risk ranking process. The ranked risks as well as the assignment of risk owners were discussed, agreed and confirmed amongst the Group's management team.</p> <p>Based on the risk assessment results, the Group developed an on-going risk mitigation plan for the top 10 selected priority risks. In order to achieve sustainability to the ERM process, our Group established an ongoing risk monitoring mechanism. This included the development of risk indicators for each of the selected priority risk to facilitate monitoring of any changes in risk levels and a "red flag" system to indicate situations where risk level has exceeded a certain pre-set level. In addition, the escalation channel for risk reporting was established by setting up reporting lines, frequency of reporting, items to be reported (such as progress and results of risk mitigation plans), and developing reporting template.</p> <p>Our Executive Directors and management have been and will continue to be heavily involved in the ERM implementation process. In addition, the results will be presented to the Board and the Audit Committee to enhance the accountability and quality of the risk management process of the Group.</p> <p>Control Activities and Processes</p> <p>The Group has maintained an internal audit function that is responsible for assisting the Board in maintaining effective internal controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit function of the Group reports directly to the Audit Committee quarterly and has direct access to the chairman of the Audit Committee. The Internal Audit and Management Services Department ("IAMS Department") has unrestricted access to any information relating to the Group's risk management, control and governance processes.</p> <p>Starting from 1 April 2009, the Group's IAMS Department has fully taken up the internal audit role and started assisting the Board in reviewing the effectiveness of the Group's internal control system based on the approved risk-based annual audit plan, and also in performing special reviews on areas identified by management or the Audit Committee from time to time.</p> <p>The annual audit plan continues using the risk-based approach to assess the materiality and the potential risks existing in the internal control systems of various businesses and processes of the Group, and determines the priorities of the internal audit activities. The Audit Committee reviews and approves the annual audit plan and all major changes to the plan.</p> |

C. Accountability and audit (continued)

C.2. Internal controls (continued)

| Code | Code Provision |
|------|---|
| | <p>(continued)</p> <p>The IAMS Department is responsible for carrying out internal control reviews based on the approved annual audit plan. Prior to the commencement of each audit assignment, audit planning meetings would be arranged with process owners to communicate the scope. Audit work programs would be developed based on understanding of the operations obtained from interviews with management and review of policy documents. Through execution of the audit work programs, the IAMS Department inspects, monitors and evaluates the design and operating effectiveness of the key controls associated with the processes under review.</p> <p>All findings and recommendations on internal control deficiencies for each audit assignment would be communicated with management. The IAMS Department worked with management to establish remedial plans to correct internal control deficiencies within a reasonable time period. Post-audit reviews would also be scheduled and performed to ensure those agreed action plans of previously identified internal control deficiencies have been executed as intended.</p> <p>The Board has through the Audit Committee, conducted reviews of the effectiveness of the Group's internal control system for the year ended 31 March 2010, and considered the Group's internal control system effective and adequate. The IAMS Department has performed internal control reviews and post-audit reviews on major aspects of the Group's operations in Hong Kong, Singapore and Malaysia including retail, e-business, category management and product development, human resources, warehouse and marketing. Key audit findings, recommendations and management responses of each review were reported to and reviewed by the Audit Committee every quarter. There were no significant areas of concern that might affect Shareholders.</p> <p>In respect of the year ended 31 March 2010, the Board, through the Audit Committee, reviewed the adequacy of resources, qualifications, experience and training programmes and budgets regarding staff of the Group's accounting and financial reporting function and considered that the staffing is adequate and competent in their roles and responsibilities in internal control.</p> <p>Future Development and Work Plan</p> <p>Considering the rapid expansion of China's operation, the Group has planned to commit permanent local internal audit resources in both Shanghai and Beijing offices. Based on the approved annual audit plan for the fiscal year 2010/11, the IAMS Department will be conducting internal control reviews and post-audit reviews on major aspects of the Group's operations in Hong Kong, China, Taiwan, Singapore and Malaysia including retail, category management and product development, warehouse, human resources, e-business and administration. Subsequent to the implementation of the Group's ERM program, the IAMS Department will perform ERM audit to assure the program is efficiently and effectively executed as intended with results reported to the Risk Management Committee.</p> |

C. Accountability and audit (continued)

C.3. Audit committee

Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

| Code | Code Provision |
|--------------|--|
| C.3.1 | Minutes <i>Minutes of audit committee meetings should be kept and sent to all members for comment and records within a reasonable time.</i> |
| ✓✓✓ | Minutes of Audit Committee meetings are kept and sent to all Committee members within a reasonable time by the company secretary. |
| C.3.2 | Former partner of auditors should not be member <i>A former partner of the Company's existing auditing firm should not act as a member of the audit committee.</i> |
| ✓✓✓ | None of our Audit Committee members is a former partner of our existing auditing firm, PwC. |
| C.3.3 | Terms of reference <i>Duties of the Audit Committee should include the review and monitor of the relationship with external auditors, review of financial information and oversight of the financial reporting system and internal control procedures.</i> |
| ✓✓✓ | The terms of reference of our Audit Committee encompass all the duties required by Code Provision C.3.3. |
| C.3.4 | Availability of Terms of Reference <i>Audit committee should make available its terms of reference.</i> |
| ✓✓✓ | Terms of reference of our Audit Committee are available at the Company's website and upon request. |
| C.3.5 | Disagreement with Board <i>If the board disagrees with the audit committee on matters concerning the external auditors, the Company should include a statement in the corporate governance report.</i> |
| ✓✓✓ | There was no disagreement between the Board and the Audit Committee throughout the year. |

C. Accountability and audit (continued)

C.3. Audit committee (continued)

| Code | Code Provision |
|-------|--|
| C.3.6 | <p>Sufficient resources</p> <p><i>Sufficient resources should be provided to the Audit Committee for it to discharge its duties.</i></p> |
| ✓✓✓ | <p>Audit Committee</p> <p>The Company established an Audit Committee with written terms of reference on 13 October 1999. The current Committee members are Professor CHAN Yuk Shee (who presides as chairman), Dr LEUNG Kwok Fai Thomas, Ms TAM Wai Chu Maria and Ms KI Man Fung Leonie, all of whom are INEDs. At least one of them, namely 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.</p> <p>The Audit Committee is primarily responsible for reviewing and monitoring the relationship between the Company and its auditors, reviewing the financial information of the Company and overseeing the Company's financial controls, internal control and risk management systems. The Audit Committee has met with the external auditors and discussed the general scope of the audit works and reviewed the audit reports and the interim and annual accounts of the Group. During the year, the Audit Committee has met privately with the external auditors, without the presence of the Executive Directors of the Company, to discuss matters or issues arising from the audit and any other matters the external auditors may wish to raise.</p> <p>Five Audit Committee meetings were held in the year. The Chairman and CEO, CFO, members of the management team and the external auditors 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 55. The following is a summary of the works undertaken by the Audit Committee during the year:</p> <ul style="list-style-type: none"> (i) review of the audit and communication plans, nature and scope of the audit and reporting obligations of the external auditors; (ii) review of the terms of engagement of the external auditors, their independence, the effectiveness of the audit process and the audit and non-audit services undertaken by the external auditors; (iii) 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, 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; |

C. Accountability and audit (continued)

C.3. Audit committee (continued)

| Code | Code Provision |
|------|---|
| | <p>(continued)</p> <p>(iv) review of the Group's foreign currency and treasury practices;</p> <p>(v) review of the progress and updates of the ERM process;</p> <p>(vi) 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;</p> <p>(vii) review of the Group's financial and accounting policies and practices; and</p> <p>(viii) meet with the external auditors without the presence of any of the Executive Directors.</p> <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 2010, there were no issues of significant importance requiring disclosure in the annual report under the Listing Rules.</p> <p>The fees paid to the Company's external auditors for the year ended 31 March 2010 amounted to approximately HK\$2,913,000, comprising audit fees of HK\$2,046,000 and non-audit fees of HK\$867,000. The non-audit services consist mainly of advisory services on tax and transfer pricing, and reporting on the gross sales of retail shops.</p> |

There is clear division of responsibilities between the Board and management. Members of our management team are frequently invited to attend Board meetings to make presentations and engage in discussions with the Board. Views of the management team are constructively challenged and scrutinized by our Board members.

D. Delegation by the Board

D.1. Management functions

Principle

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

| Code | Code Provision |
|-------|---|
| D.1.1 | <p>Clear directions</p> <p><i>Board must give clear directions as to powers of management when delegating, particularly on circumstances when management should report back and on matters requiring prior approval.</i></p> |
| D.1.2 | <p>Formalised functions</p> <p><i>Formalised functions reserved to the board and functions delegated to management and review periodically.</i></p> |
| ✓✓✓ | <p>The Company has established clear terms of reference for the Board and the management which are reviewed periodically to ensure that they remain appropriate. Additionally, the Company has established an Executive Committee to provide leadership to the management team in the day-to-day conduct of the Group's affairs.</p> <p>The Board</p> <p>The primary responsibility of the Board is to lead and control the Company and its business to ensure that the management's actions are in the best interest of the Company. Pursuant to its terms of reference, the duties and types of decisions taken by the Board include:–</p> <ul style="list-style-type: none"> (i) set the objectives of the Board; (ii) establish the strategic direction of the Company; (iii) set the objectives of the management; |

D. Delegation by the Board (continued)

D.1. Management functions (continued)

| Code | Code Provision |
|------|---|
| | (continued) |
| | (iv) approve annual budget and long term plans of the Group with power to delegate such responsibilities to one or more Board Committees; |
| | (v) monitor the performance of the management with reference to the Group's business plan, departmental working plan and related key performance indicators as determined and approved by the Board or a Board Committee from time to time; |
| | (vi) oversee the management of the Company's relationships with stakeholders, including customers, the community, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business; |
| | (vii) ensure that a framework of prudent and effective controls is in place and to assess and manage risks of the Group; |
| | (viii) set the Company's values and standards; |
| | (ix) determine matters involving a conflict of interest for a substantial Shareholder or a Director; |
| | (x) determine material acquisitions and disposals of assets, investments, capital projects, authority levels, major treasury policies, risk management policies and key human resources issues; |
| | (xi) through the Audit Committee of the Company, establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors; |
| | (xii) ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Company's assets; conduct a review of the effectiveness of the system of internal control of the Group annually covering all material controls, including financial, operational and compliance controls and risk management functions and report to Shareholders on the relevant findings in the corporate governance report of the Company; |
| | (xiii) consider and determine issues which are the responsibility of the Board pursuant to the Company's Memorandum and Articles of Association and relevant laws and regulations in force from time to time under which the Group is governed; and |
| | (xiv) delegate its power and authority to the relevant Committee(s) of the Board in respect of the management and operation of the Company as and when appropriate. |

D. Delegation by the Board (continued)

D.1. Management functions (continued)

| Code | Code Provision |
|------|--|
| | <p>(continued)</p> <p>The management, consisting of the CEO, the Executive Committee of the Board along with other senior executives, is responsible for the implementation of the strategy and direction 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 the Shareholders of the Company.</p> <p>The Board delegates management and administrative functions to the management in the conduct of the day-to-day operations of the Company, effectively, legally and ethically. This requires that the management team is aware of the material risks and issues faced by the Company and that they carefully supervise the Company's financial reporting systems and processes.</p> <p>Management</p> <p>Responsibilities of the management include:</p> <ul style="list-style-type: none"> (i) provide a comprehensive, formal and tailored induction upon the appointment of Directors, and subsequently such briefing and professional development as is necessary, to ensure that the Directors have a proper understanding of the operations and business of the Company; (ii) develop business and execution proposals in line with the objectives of, and risks acceptable to, the Company for approval by the Executive Committee on behalf of the Board; (iii) prepare annual budget, long-term plan and implementation plan for review by the Executive Committee and approval by the Audit Committee and/or the Board; (iv) provide in a timely manner with appropriate information in such form and of such quality as will enable the Directors to monitor the performance of the Company and make informed decisions; (v) develop and implement internal control procedures; (vi) develop the Group's staff policy; (vii) prepare materials and papers and draft resolutions on matters to be considered by the general meeting of Shareholders or Board and present materials to the Committees of the Board; (viii) manage risk in accordance with the direction of the Board from time to time; (ix) provide organizational and technical support for the activities of the Group; (x) determine the technical, financial, economic and pricing policies of the Group; |

D. Delegation by the Board (continued)

D.1. Management functions (continued)

| Code | Code Provision |
|------|--|
| | (continued) |
| | (xi) determine policy and supervise improvements to accounting and administrative methods and adopt international accounting standards for the Group and its branch offices; |
| | (xii) determine the methods for planning, budgeting and financial control for the Group and its overseas offices; |
| | (xiii) determine security policies for the Group and its branch offices; |
| | (xiv) determine the procedure for allocating assets to Group companies and withdrawal of allocated assets from Group companies; |
| | (xv) determine the number of members of the collective executive bodies of overseas offices, appoint them, terminate their authority early and approve the regulations on overseas offices' collective executive bodies; |
| | (xvi) preliminarily approve candidates for the position of heads, deputy heads and chief accountants of overseas and representative offices and relieve them of their duty; |
| | (xvii) approve overseas offices' budgets and amend such documents; |
| | (xviii) analyze the results of performance of the Group and compare against the budget and take appropriate actions to ensure performance in accordance with budget; |
| | (xix) report to the Executive Committee and the Audit Committee on the results of the performance of the Group; |
| | (xx) approve internal documents regulating matters within the authority of the management; and |
| | (xxi) handle such other matters that are delegated by the Board from time to time. |
| | <p>Executive Committee</p> <p>The Executive Committee 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. The members of the Executive Committee are Dr KWOK Siu Ming Simon (who presides as the chairman), Dr KWOK LAW Kwai Chun Eleanor and Mr LOOK Guy. Particulars of the Executive Committee members' individual attendance at meetings of the Executive Committee are set out on page 55.</p> <p>Management meetings</p> <p>Executive Committee and the management team meet regularly together to review, discuss and make decisions on financial and operational matters. During the year ended 31 March 2010, 10 management meetings were held which enhanced and strengthened departmental communications, coordination and co-operation within the Group.</p> |



D. Delegation by the Board (continued)

D.2. Board committees

Principle

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

| Code | Code Provision |
|--------------|--|
| D.2.1 | <p>Clear terms of reference</p> <p><i>Board committees should have clear terms of reference to enable such committees to discharge their functions properly.</i></p> |
| D.2.2 | <p>Committees to report back to board</p> <p><i>Terms of reference of board committees should require such committees to report their decisions and recommendations back to the board.</i></p> |
| ✓✓✓ | <p>All our Board Committees have clear terms of reference. The findings, decisions and recommendations made at each meeting are reported to the Board by the chairman of each Board Committee.</p> <p>Nomination Committee</p> <p>In addition to the Audit and Compensation Committees which are established under the Code Provisions, the Board established a Nomination Committee in accordance with the recommended best practice on 31 March 2005, whose members are Ms TAM Wai Chu Maria, being the chairman, Dr KWOK LAW Kwai Chun Eleanor and Dr LEUNG Kwok Fai Thomas, the majority of whom are INEDs.</p> <p>The terms of reference of the Nomination Committee, which is available on the Company's website, sets out details of the Committee's role and functions, nomination procedures and the process and criteria adopted for the selection and recommendation of candidates for directorship of the Company, summary of which is set out below.</p> |

D. Delegation by the Board (continued)

D.2. Board committees (continued)

| Code | Code Provision |
|------|---|
| | <p>(continued)</p> <p>The Nomination Committee is responsible for, inter alia:</p> <ul style="list-style-type: none"> (i) determining the policy for the nomination of Directors; (ii) reviewing the structure, size and composition (including the skills, knowledge and expertise) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; (iii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of INEDs; and (v) making recommendations to the Board on the relevant matters relating to the appointment or re-appointment of Directors. <p>When selecting and recommending candidates for directorship for the Board's consideration, the Nomination Committee reviews and considers various factors including:</p> <ul style="list-style-type: none"> (i) the skills, experience, expertise and personal qualities that will best complement the Board's effectiveness; (ii) the capability of the candidate to devote the necessary time and commitment to the role which involves a consideration of matters such as the candidate's other Board or executive appointments; and (iii) the potential conflicts of interest and independence. <p>During the year ended 31 March 2010, the Nomination Committee held one meeting to consider the re-appointment of Ms KI Man Fung Leonie as an INED. And it also reviewed and considered the appointment of Mr TAN Wee Seng as an additional non-executive Director and, being satisfied that he possessed the skills and experience to complement the existing Board composition, recommended that the Board approved his appointment. A meeting of the Nomination Committee was held after the reporting period on 21 June 2010 to (i) review the structure, size and composition of the Board; (ii) review the independence of the INEDs; and (iii) consider the re-appointment of one INED and one NED – Ms TAM Wai Chu Maria and Mrs LEE LOOK Ngan Kwan Christina. Their re-appointments were recommended to, and subsequently approved by, the Board and they will be subject to the provisions of the Articles of Association on rotation, retirement and election by shareholders.</p> <p>Risk Management Committee</p> <p>As part of the Group's commitment to further enhance its control environment, a Risk Management Committee, comprising all Executive Directors, was formed on 13 July 2009 and formally established on 27 November 2009 with written terms of reference approved by the Board. Four workshops and one meeting were held in the reporting period focusing on the development of an overall ERM framework, the identification and prioritization of risks and the development of a risk monitoring and reporting mechanism.</p> |

E. Communication with shareholders

E.1. Effective communication

Principle

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

| Code | Code Provision |
|-------|---|
| E.1.1 | <p>Separate resolution for separate issue</p> <p><i>A separate resolution at a general meeting on each substantially separate issue should be proposed by the chairman of that meeting.</i></p> |
| E.1.2 | <p>Chairman of board and board committees should attend AGM</p> <p><i>Chairman of the board should attend AGM and arrange for chairmen of audit, remuneration and nomination committees to attend and be available to answer questions.</i></p> |
| E.1.3 | <p>Notice of meeting to shareholders</p> <p><i>The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.</i></p> |
| ✓✓✓ | <p>The chairman of the Board attended the AGM held on 27 August 2009. The chairman of each Board Committee or his/her appointed delegate was also present and was available to answer questions at the AGM.</p> <p>The Company establishes different communication channels with Shareholders and investors, including (i) sending of corporate communications (including but not limited to annual report, interim report, notice of meeting, circular and proxy form) required under the Listing Rules, and Shareholders can select to receive such documents by electronic means or in printed form; (ii) updated and key information of the Group is available on the Company's website; (iii) the Company's website offers a communication channel between the Group and its Shareholders and investors; (iv) the AGM also provides a forum for Shareholders to raise comments and exchange views with the Board; (v) regular press and analysts' conference are set up from time to time to update interested parties on the performances and development plans of the Group; (vi) the Company's branch share registrar and transfer office deals with Shareholders for all share registration and related matters; and (vii) the corporate communications department of the Company handles enquiries from Shareholders and investors generally.</p> |

E. Communication with shareholders (continued)

E.1. Effective communication (continued)

Investor Relations

The Group is committed to fostering productive and long-term relationships with Shareholders and investors through open and timely communication. Various channels have been established to facilitate transparency. Key information on the Group, which is continuously updated (including a separate section on Corporate Governance), financial information, results reports and web casts of results presentations are available on our corporate web site (www.sasa.com). In addition to the AGM at which Shareholders are given an opportunity to put questions to Directors about the Group's performance, press and analysts' conferences are held at least twice a year subsequent to the interim and final results announcements. At these conferences, our management team explains the Group's business performance and future direction. The Group initiated a voluntary announcement of unaudited quarterly operational updates since the third quarter of financial year 2008/09. The Group also seeks opportunities to communicate strategies to investors and the public through active participation at investors' conferences, regular meetings with fund managers and potential investors, as well as through press interviews and timely press releases. Other than individual meetings with analysts, institutional investors and fund managers, the Group also participated in various road shows and conferences during the year. These are summarised as follows:

| Date | Event | Organiser | Location |
|-----------------------------|-----------------------------------|----------------|-------------------------|
| March 2010 | Asian Investment Conference | Credit Suisse | Hong Kong |
| March 2010 | Road show | Macquarie | Taipei |
| January 2010 | Greater China Conference | UBS | Shanghai |
| January 2010 | Road show | BNP Paribas | London, Paris and Milan |
| December 2009 | HK & China Mini Conference | Citigroup | Hong Kong |
| November & December 2009 | Road show | UOB Kay Hian | Hong Kong & Singapore |
| October 2009 | Greater China Investor Conference | Citigroup | Beijing |
| August 2009 | Road show | Mitsubishi UFJ | Tokyo |
| August 2009 | HK/ China Access Day | CLSA | Hong Kong |
| June 2009 | Road show | BNP Paribas | Hong Kong & Singapore |
| May 2009 | Corporate Access Forum | CLSA | Singapore |

The last shareholders' meeting was the AGM held on 27 August 2009 which was held at One Pacific Place, Hong Kong for approval of, among others, the general mandates to issue and purchase shares, the re-election of retiring Directors and amendments to the Memorandum and Articles of Association. Particulars of the major items considered at the AGM are set out in the circular dated 26 June 2009. All proposed ordinary and special resolutions were passed by poll at the AGM.

E. Communication with shareholders (continued)

E.2. Voting by poll

Principle

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

| Code | Code Provision |
|-------|--|
| E.2.1 | Voting by poll <i>Chairman to ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders.</i> |
| ✓✓✓ | All voting at our general meetings are conducted by poll pursuant to the new Listing Rules provisions which came into effect on 1 January 2009. The detailed procedures are explained at the commencement of the meetings by our Chairman with time for questioning immediately after the explanation. Our Articles of Association have also been amended so that they are consistent with the Listing Rules requirements. |

Beyond the Code Provisions

With a view to continuously improving on corporate governance, transparency and accountability to Shareholders, the Group goes beyond the Code Provisions in the following aspects:

- The Company has arranged appropriate liability insurance cover, which is reviewed on an annual basis, for liabilities arising out of activities from being Directors and officers of the Group as set out in A.1.9 of the CG Code.
- Our Chairman of the Board has performed duties and responsibilities set out in A.2.4 to A.2.6, A.2.8 and A.2.9 of the CG Code. He 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.
- The INEDs appointed represent more than one-third of the Board as set out in A.3.2 of the CG Code. The Company also maintains, pursuant to A.3.3 of the CG Code, on its website an updated list of its Directors together with their biographical information, identifies whether they are INEDs and posts on its website the terms of reference of the Board Committees so as to allow the Shareholders to understand the roles of the respective INEDs who serve in the relevant Board Committees.
- Two of our INEDs, namely Professor CHAN Yuk Shee and Dr LEUNG Kwok Fai Thomas, had been appointed since 1999 and 2000 respectively. Pursuant to A.4.3 of the CG Code, their re-appointments as INEDs despite their having served more than nine years were approved by the Shareholders in separate resolutions on 25 August 2008. The Company believed they continue to be independent and should be re-elected and explained the underlying reasons to the Shareholders by way of a circular on 11 July 2008.
- Pursuant to A.4.4 to A.4.6 of the CG Code, the Company established a Nomination Committee on 31 March 2005 in which two-third of its Committee members are INEDs. The terms of reference of the Nomination Committee adopted by the Board on 31 March 2005 deal clearly with the Board Committee's authority and duties and incorporated all the duties set out in A.4.5 (a) to (d) of the CG Code. The terms of reference of the Nomination Committee with its role and authority delegated by the Board is available on the Company's website and on request.

Beyond the Code Provisions (continued)

- (f) Pursuant to A.5.6 and A.5.7 of the CG Code, NEDs, as equal Board members, have given the Board and Board Committees on which they serve such as the Audit, Compensation or Nomination Committees the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. NEDs had made constructive and positive contribution to the development of the Group's strategy and policies through independent, constructive and informed comments and feedbacks. There was satisfactory attendance at Board and Board Committee meetings which is set out on page 55 of this report. All Directors or his/her appointed delegate attended our last AGM and developed a balanced understanding of the views of the Shareholders.
- (g) Pursuant to C.3.7 of the CG Code, the terms of reference of the Audit Committee sets out that the Audit Committee shall act as the key representative body for overseeing the Company's relation with the external auditor and the Committee has discharged this responsibility throughout the year including meeting with the external auditor without the presence of the Executive Directors to discuss matters that the external auditor may wish to raise. For the purpose of achieving and maintaining high standards with regard to behaviour at work and in all its working practices, the Company has established a whistle-blowing policy approved by the Board pursuant to which employees may, in confidence, report serious concerns about malpractices or illegal acts that he/she becomes aware 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 action.
- (h) Pursuant to D.1.3 of the CG Code, disclosure on division of responsibility between the Board and management was clearly set out in the related terms of reference. Details in relation to the work done by the Board and the management are set out on page 67 of this report.