

# Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which came into effect on 1st January, 2005.

## (1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the deviations from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors of the Company is appointed for a specific term. However, all Directors of the Company are subject to the retirement provisions in the Articles of Association of the Company which provide that the Directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring Director shall be eligible for re-election.

## (2) DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a Code for Securities Transactions by Directors (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31st July, 2006.

## (3) BOARD OF DIRECTORS

(3.1) The Board supervises the management of the business and affairs of the Company. The Board’s primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely, the Executive Committee, Audit Committee, and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) The Board comprises seven executive Directors, namely, Mr. Lam Kin Ming (Chairman), Mr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Shiu Kai Wah, Mr. Lee Po On, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven and Mr. Lam Yau Yin, Lester (also alternate to Madam U Po Chu); three non-executive Directors, namely, Madam U Po Chu, Mr. Chiu Wai and Madam Lai Yuen Fong (Alternate Director: Ms. Lam Wai Kei, Vicky) and three independent non-executive Directors, namely, Mr. Wan Yee Hwa, Edward, Mr. Leung Shu Yin, William and Mr. Chow Bing Chiu.

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## (3) BOARD OF DIRECTORS (continued)

(3.3) The Board met four times during the financial year ended 31st July, 2006. The attendance record of individual directors at these board meetings is set out in the following table:

Directors	Board Meetings	
	Held	Attended
<b>Executive Directors</b>		
Lam Kin Ming ( <i>Chairman</i> )	4	4
Lam Kin Ngok, Peter ( <i>Deputy Chairman</i> )	4	0
Shiu Kai Wah	4	2
Lee Po On	4	3
Lam Kin Hong, Matthew	4	2
Tam Kin Man, Kraven	1	0
Lam Hau Yin, Lester	1	1
<b>Non-Executive Directors</b>		
U Po Chu	4	0
Chiu Wai	4	0
Lai Yuen Fong ( <i>Alternate: Lam Wai Kei, Vicky</i> )	4	3
<b>Independent Non-Executive Directors</b>		
Wan Yee Hwa, Edward	4	4
Leung Shu Yin, William	4	4
Chow Bing Chiu	4	4

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Mr. Lam Kin Ming is the son of Madam Lai Yuen Fong and the father of Ms. Lam Wai Kei, Vicky. Mr. Lam Kin Ngok, Peter is the son of Madam U Po Chu and the father of Mr. Lam Hau Yin, Lester. Mr. Lam Kin Hong, Matthew is the younger brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

Save as disclosed above and in the "Biographical Details of Directors and Senior Management" section of this report, none of the directors of the Company has any financial, business, family or other material/relevant relationships with one another.

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## (4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chairman and Chief Executive Officer be separated and not performed by the same individual.

During the year under review, Mr. Lam Kin Ming was the Chairman of the Company while other duties and responsibilities of the Board were undertaken by other executive directors of the Company.

## (5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive Directors of the Company is appointed for a specific term.

## (6) REMUNERATION COMMITTEE

(6.1) The Board established a Remuneration Committee on 18th November, 2005, which comprises three independent non-executive Directors, namely, Messrs. Leung Shu Yin, William (Chairman), Wan Yee Hwa, Edward and Chow Bing Chiu, and an executive director, Mr. Lee Po On.

(6.2) The Remuneration Committee has been charged with the responsibility to recommend to the Board, in consultation with the chairman of the Board and/or the executive director, on an appropriate policy and framework for all aspects of remuneration of all directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(6.3) The Remuneration Committee held one meeting on 10th November, 2006 to discuss remuneration-related matters. All members of the Committee, namely Messrs. Leung Shu Yin, William, Wan Yee Hwa, Edward, Chow Bing Chiu and Lee Po On, attended the aforesaid meeting.

## (7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

## (8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK\$1,871,000 for the year under review. During the year, the Group (including its then listed subsidiary, Crocodile Garments Limited) had entered into certain corporate transactions. In connection with the issuance of circulars for the above corporate transactions, both the Company and Crocodile Garments Limited engaged Ernst & Young for the issuance of certain letters of comfort and accountants' reports as required under the Listing Rules at an aggregate remuneration of HK\$3,460,000.

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## (9) AUDIT COMMITTEE

(9.1) The board established an Audit Committee on 23rd March, 2000, which currently comprises the three independent non-executive directors, namely, Messrs. Wan Yee Hwa, Edward (Chairman), Leung Shu Yin, William and Chow Bing Chiu.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company and the review of significant financial reporting judgments contained in them before submission to the Board for approval.

The Company has complied with Rule 3.21 of the Listing Rules in that two of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. All members of the Audit Committee, namely, Messrs. Wan Yee Hwa, Edward, Leung Shu Yin, William and Chow Bing Chiu, attended all the meetings.

(9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.

## (10) FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the report of the auditors contained in this annual report.

## (11) INTERNAL CONTROLS

During the year, the Board has engaged Horwath Risk Advisory Services Limited to perform internal audit functions and to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls and risk management functions of the Group.