

# 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”).

## (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 provisions A.2.1 and A.4.1 summarised below:

### Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

In view of the present composition of the Board, the in-depth knowledge of the chairman and chief executive officer of the operations of the Company and of the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes it is in the best interest of the Company for Mr. Lam Kin Ming to assume the roles of Chairman and Chief Executive Officer.

### 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.

The non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company’s annual general meetings in accordance with the Articles of Association of the Company.

## (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.

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## (3) BOARD OF DIRECTORS (continued)

(3.2) The Board comprises four executive directors, namely, Mr. Lam Kin Ming (Chairman and Chief Executive Officer), Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer); two non-executive directors, namely, Mr. Shiu Kai Wah and Mr. Chiu Wai; and three independent non-executive directors, namely, Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu.

(3.3) The Board met four times during the 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 and Chief Executive Officer</i> )	4	4
Lam Kin Ngok, Peter	4	0
Lam Kin Hong, Matthew	4	2
Lam Wai Shan, Vanessa ( <i>Deputy Chief Executive Officer</i> )	2	2
<b>Non-Executive Directors</b>		
Shiu Kai Wah	4	2
Chiu Wai	4	0
<b>Independent Non-Executive Directors</b>		
Wan Yee Hwa, Edward	4	4
Yeung Sui Sang	4	3
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 father of Ms. Lam Wai Shan, Vanessa, and the elder brother of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew.

Save as disclosed above and in the “Biographical Details of Directors and Senior Management” section of this Annual 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, the position of Mr. Lam Kin Ming was re-designated as Chairman and Chief Executive Officer of the Company with effect from 17th February, 2006.

## (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. Wan Yee Hwa, Edward, Yeung Sui Sang and Chow Bing Chiu, and the Chief Financial Officer, Miss Chan Lai Ping, Connie.

(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 Chief Executive Officer, 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, share options, 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 two meetings on 17th February and 10th November, 2006 to discuss remuneration-related matters. All members of the Committee, namely, Messrs. Wan Yee Hwa, Edward, Yeung Sui Sang, Chow Bing Chiu and Miss Chan Lai Ping, Connie attended both meetings.

## (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\$1,000,000 for the year under review. The Company has also paid fees amounting to HK\$1,580,000 to the auditors for non-audit service assignments during the year.

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## (9) AUDIT COMMITTEE

(9.1) The Board established an Audit Committee on 31st March, 2000, which currently comprises three independent non-executive directors, namely, Messrs. Wan Yee Hwa, Edward (Chairman), Yeung Sui Sang 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 one 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. Messrs. Wan Yee Hwa, Edward and Chow Bing Chiu attended all the meetings and Mr. Yeung Sui Sang attended one of 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 CONTROL

The Board has reviewed 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.