

Corporate Governance Report

企業管治報告

The board of directors (the “Board” or “Directors”) of the Company considers that maintaining and upholding good standards of corporate governance shall maximise the interests of the shareholders in the long run.

The Board recognises the importance of corporate governance and has devoted efforts in observing the doctrine of common law governing directors’ duties of care and fiduciary duties as well as other corporate regulatory laws in jurisdictions where the Company and its subsidiaries operate. In strict compliance with the provisions as set out in the articles of association of the Company, the Board always strives to act in good faith and in the best interest of the Company and its shareholders.

On 25 November 2006, the Company adopted the Code on Corporate Governance Practices (the “CG Codes”) as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance practices. The Company has also adopted the Securities Dealing Code (the “Model Code”) as stipulated in Appendix 10 of the Listing Rules to regulate the securities dealings of the Company.

Since its listing on 18 December 2006 (“Listing Date”), the Company has complied with the code provisions under the CG Codes in so far they are applicable and a majority of the recommended practices under the CG Codes. The Group is from time to time fine-tuning its corporate governance systems and will modify the CG Codes as and when appropriate with a view to establishing a set of corporate governance practices which suit its size of operations and maximise the interests of its shareholders.

Set out below is a detailed discussion of the major corporate practices adopted and observed by the Company from the Listing Date to 31 December 2006 (the “Review Period”) or where applicable, up to the date of this annual report.

THE COMPOSITION OF THE BOARD

The Directors place great emphasis on the fiduciary nature of the Board’s responsibilities and strive to be answerable to the shareholders of the Company as a whole.

The Board currently comprises a combination of four executive Directors and three independent non-executive Directors. The number of independent non-executive Directors represents more than one third of the Board.

本公司董事會（「董事會」）認為，維持及堅守良好水平的企業管治將可為股東帶來最大的長遠利益。

董事會認同企業管治的重要性，致力遵守監管董事審慎行事責任及受信責任的普通法條文，以及本公司及其附屬公司經營所在司法權區的其他公司監管法例。董事會嚴格遵守本公司組織章程細則所載的條文，一直竭力真誠行事，合乎本公司及其股東的最佳利益。

於二零零六年十一月二十五日，本公司採納聯交所證券上市規則（「上市規則」）附錄14所載的企業管治常規守則（「企業管治守則」）作為其企業管治常規的守則。本公司亦已採納上市規則附錄10所規定的證券買賣守則（「標準守則」），以監管本公司的證券買賣。

自本公司於二零零六年十二月十八日（「上市日期」）上市以來，其一直遵守根據企業管治守則的適用守則條文，以及大部份企業管治守則建議的常規。本集團不時就其企業管治制度作出調整，並將於適當時修改企業管治守則，以制定一套適合其經營規模及可為股東帶來最大利益的企業管治常規。

以下為於上市日期至二零零六年十二月三十一日止期間（「回顧期間」）或（如適用）截至本年報日期，本公司所採納及遵守的主要企業常規的詳細討論：

董事會成員

董事會非常注重董事會的受信責任，並竭力對本公司整體股東負責。

董事會目前由四名執行董事及三名獨立非執行董事組成，獨立非執行董事的人數佔董事會人數的三份之一以上。

Corporate Governance Report (continued)
企業管治報告 (續)

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and for effective leadership as all executive Directors possess extensive experience in lingerie designing, production, marketing and management; whilst the independent non-executive Directors, one of whom possesses financial expertise and the other two possessing substantial knowledge and experience in legal and management aspects respectively. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide checks and balances to safeguard the interests of the shareholders and the Company.

The Board currently comprises of:

Four executive Directors, namely:

Mr. Cheng Man Tai (*Chairman*) (appointed on 29 August 2006)

Ms. Cheng Pik Ho Liza (*Chief Executive Officer*)
(appointed on 29 August 2006)

Madam Ngok Ming Chu (appointed on 29 August 2006)

Mr. Hung Hin Kit (appointed on 25 November 2006)

and three independent non-executive Directors, namely:

Mr. Lau Siu Ki (appointed on 25 November 2006)

Mr. Lee Kwan Hung (appointed on 25 November 2006)

Prof. Lee T.S. (appointed on 25 November 2006)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The biographical details of and relationships among the members of the Board are disclosed under the section headed "Directors, Senior Management and Staff" on page 30 to page 35 of the annual report.

董事會相信，由於全體執行董事於女性內衣設計、生產、推廣及管理方面具備豐富經驗，而獨立非執行董事中，其中一名具備財務專業知識，另外兩名則分別具備豐富法律及管理知識及經驗，因此董事會成員組合反映本集團業務及有效領導所需的必需技能與適當經驗兩者之間的平衡。董事會認為，董事會現時的架構可確保董事會的獨立性及客觀性，並可透過檢查及平衡以保障股東及本公司的利益。

董事會目前由以下人士組成：

四名執行董事，分別為：

鄭敏泰先生（主席）（於二零零六年八月二十九日獲委任）

鄭碧浩女士（行政總裁）（於二零零六年八月二十九日獲委任）

岳明珠女士（於二零零六年八月二十九日獲委任）

孔憲傑先生（於二零零六年十一月二十五日獲委任）

以及三名獨立非執行董事，分別為：

劉紹基先生（於二零零六年十一月二十五日獲委任）

李均雄先生（於二零零六年十一月二十五日獲委任）

李天生教授（於二零零六年十一月二十五日獲委任）

董事名單（按類別）亦已於本公司根據上市規則不時發出的所有公司通訊中。

董事會成員的簡歷詳情以及彼等之間的關係已於年報第30至35頁「董事、高級管理層及員工」資料一節內。

DIRECTORS

Appointment, re-election and removal of Directors

Article 108 (A) of the articles of association of the Company provides that all directors, including the Chairman and Chief Executive Officer are subject to retirement from office at least once every three years at each annual general meeting and shall be eligible for re-election. Under Article 105, the office of a director of the Company is liable to be vacated in certain circumstances and the Company may remove any director of the Company by an ordinary resolution at a general meeting as prescribed in Article 114.

Executive Directors

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years with effect from 1 December 2006. Each of the executive Directors is entitled to a basic salary plus a gratuity payment equal to the amount of the then monthly salary payable in January each year. In addition, each of the executive Directors is entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 8% of the audited combined or consolidated audited net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him/her.

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for a fixed term of two years commencing from 25 November 2006 with formal letters of appointment setting out the key terms and conditions of their appointments. Prior to their respective appointment, each of the independent non-executive Directors has submitted a written confirmation to the Company and the Stock Exchange confirming their independence and has undertaken to inform the Company and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

Save for the directors' fees and the share options granted under the Pre-IPO Scheme to each of them, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director. The Company shall review annually and obtain confirmation of their independence from each of the independent non-executive Directors during their terms of appointment.

董事

委任、重選及罷免董事

本公司組織章程細則第108(A)條規定，全體董事（包括主席及行政總裁）均須最少每三年一次於股東週年大會上退任，並合資格膺選連任。根據細則第105條，本公司的董事職位可於若干情況下出現空缺，而本公司亦可按細則第114條的規定透過於股東大會上的普通決議案罷免本公司任何董事。

執行董事

執行董事已分別與本公司訂立服務合約，固定年期為期三年，由二零零六年十二月一日生效。執行董事分別可收取基本薪金及獎金，獎金金額相等於當時每年一月應付的月薪。此外，執行董事分別可收取酌情管理層花紅，惟於本公司任何財政年度支付全體執行董事的花紅總額不得超過本集團於該本公司財政年度的經審核合併或綜合經審核純利（扣除稅項及少數股東權益以及該等花紅後，但並未扣除非經常項目）的8%。執行董事不得就任何有關向其支付的管理層花紅金額的董事會決議案投票。

獨立非執行董事

獨立非執行董事已分別按固定年期由二零零六年十一月二十五日起計兩年獲委任，正式委任函件載列彼等的主要委任條款及條件。於彼等各自獲委前，獨立非執行董事已分別向本公司及聯交所提交書面確認書，以確認彼等的獨立身份，以及向本公司及聯交所承諾，倘情況於其後出現任何變動，致使其獨立身份受到影響，彼等將在實際情況下儘快通知本公司及聯交所。

除董事袍金及分別根據首次公開發售前購股權計劃向彼等授出的購股權外，並不預期獨立非執行董事將就擔任獨立非執行董事而收取任何其他酬金。本公司將於各獨立非執行董事獲委任期間，每年檢討彼等的獨立身份，並要求彼等確認其獨立身份。

In April 2007, the Company has received from each of the independent non-executive Director a written confirmation of his independence by reference to Rule 3.13 of the Listing Rules. Based on such confirmations, the Board considers that all independent non-executive Directors are being considered to be independent.

Directors' training

The Directors consider that all Directors must keep abreast of their collective responsibility as Directors. The company secretary with the assistance of the legal advisers of the Company's shall be responsible for refreshing the directors' knowledge and updating all Directors on the latest developments regarding the applicable regulatory requirements to ensure compliance and awareness of good corporate governance practices.

On 26 September 2006, the legal adviser of the Company had conducted an orientation seminar and was attended by all executive Directors and two independent non-executive Directors (Mr. Lau Siu Ki apologised for being absent from the seminar due to a prior engagement), the company secretary and the group accounting manager. The areas covered by the seminar included the rights and duties of a director of a listed issuer, legal and ethical responsibilities of a director under statutes and common law, the Listing Rules, the applicable legal and regulatory requirements, business and governance policies of the Company and non-statutory guidelines of directors' duties issued by the Companies Registry of Hong Kong in January 2004.

Directors and officers' indemnity

The Company subscribed an insurance policy on 29 December 2006 with an aim to indemnifying its directors and senior executives from any losses, claims, damages, liabilities and expenses arising from, including without limitation, any proceedings brought against the executive, the performance of his/her duties pursuant to his/her appointment under his/her respective service agreements entered into with the Company.

Directors' securities transactions

Pursuant to a resolution passed on 25 November 2006, the Company adopted the Model Code governing securities transactions by directors and senior management of the Group. The Company requires all of its employees, especially those who are likely to be in possession of unpublished price-sensitive information of the Group, to comply with the Model Code. The Model Code is posted on the Company's intranet where all employees can have access to it.

於二零零七年四月，本公司已獲各獨立非執行董事參照上市規則第3.13條書面確認彼等的獨立身份。根據有關確認，董事會認為全體獨立非執行董事均被視為獨立人士。

董事培訓

董事會認為，全體董事必須掌握彼等作為董事的集體責任。本公司的公司秘書在法律顧問的協助下須負責為董事補充知識，並向全體董事更新有關適用監管規定的最新發展，以確保遵守及知悉良好企業管治常規。

於二零零六年九月二十六日，本公司的法律顧問舉行介紹會議，全體執行董事及兩名獨立非執行董事（劉紹基先生就因另有事先安排而缺席會議致歉）、公司秘書及集團會計經理均有出席。會議涉及的範圍包括董事根據成文法及普通法、上市規則、適用法定及監管規定、本公司業務及管治政策及香港公司註冊處於二零零四年一月頒佈的董事職責非法定指引的上市發行人董事權利及職責、法定及道德責任。

董事及行政人員的彌償保證

本公司於二零零六年十二月二十九日投購保險，以彌償其董事及高級行政人員任何損失、索償、破損、負債及開支，包括但不限於因行政人員根據各自與本公司訂立的服務協議獲委任而履行其職責而向彼等提出的任何訴訟。

董事進行證券交易

根據於二零零六年十一月二十五日通過的決議案，本公司採納監管本集團董事及高級管理層進行證券交易的標準守則。本公司規定其全體僱員，特別是很大可能擁有本集團未公佈股價敏感資料的僱員遵守標準守則。標準守則已刊載於本公司全體僱員均可登入的內聯網內。

Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the Review Period and up to the date of this annual report.

THE FUNCTIONS OF THE BOARD

Distinctive roles of the Chairman and the Chief Executive Officer

To avoid concentration of power in any one individual, the clear division of responsibilities between the Chairman and the Chief Executive Officer is crucial to the effective running of the Board and the development of the Group. The positions of the Chairman and the Chief Executive Officer of the Company have been held by two different executive Directors namely, Mr. Cheng Man Tai and Ms. Cheng Pik Ho Liza respectively. Their roles and duties are distinct. Mr. Cheng Man Tai, the Chairman, is to provide leadership of the Board and ensure the effectiveness of the Board. Ms. Cheng Pik Ho Liza, holding the role of the Chief Executive Officer, is answerable to the Board for the operations of the Company.

Distinctive roles of the Board and the management

While at all times the Board retains full responsibility for guiding and monitoring the operations of the Group, in discharging its duties, certain responsibilities are delegated to:

- the standing committees of the Company namely: the Audit Committee, the Nomination Committee and the Remuneration Committee. Each committee's constitution, power and duties are clearly defined by its terms of reference, and are accountable to the full Board. Ad hoc Board committees may also be established as required from time to time by the Board;
- the Chief Executive Officer, who is delegated with day-to-day management of the business of the Company, is accountable to the Board; and
- the senior management team of the Company, who is delegated with the responsibilities to deal with daily operational functions, are answerable to the executive Directors.

於向全體董事作出特別查詢後，全體董事確認，彼等已於回顧期間及截至本年報日期遵守標準守則所載的規定標準。

董事的職能

主席及行政總裁的角色區分

為避免權力集中於任何一名人士，主席與行政總裁之間的職責必須有清晰區分，以有效運作董事會及發展本集團。本公司的主席及行政總裁職位分別由兩個不同執行董事鄭敏泰先生及鄭碧浩女士擔任，彼等的角色及職責均有所不同。主席鄭敏泰先生負責領導董事會及確保董事會有效運作，而鄭碧浩女士則擔任行政總裁，就本公司的營運向董事會負責。

董事會及管理層的角色區分

儘管董事會於任何時刻均承擔指引及監察本集團營運的全部責任，惟於董事會履行其職責時，亦已指派若干責任予：

- 本公司的常務委員會：審核委員會、提名委員會及薪酬委員會。各委員會的章程、權力及職責均以書面職權範圍清楚界定，並須向全體董事會負責。董事會或不時於有需要時成立臨時委員會；
- 行政總裁，其獲指派管理本公司的日常業務，並須對董事會負責；及
- 本公司的高級管理隊伍，其獲指派處理日常營運工作的責任，並須對執行董事負責。

Corporate Governance Report (continued)
企業管治報告 (續)

The Board believes that effective delegation of authority and responsibility can ensure that the Board is provided with sufficient and timely information in regard to the Group's businesses, and in particular with respect to the Group's performance, financial condition and operating results so that the Board is able to make an informed assessment for matters put before the Board for approval. During the Review Period, each executive Director had frequent meetings with operational managers in order to maintain an effective feedback system and enable the Company to react to changes or problems quickly and efficiently.

The matters being reserved for the full Board to deal with include:

- any matters determined by the Board to be material;
- any matters relating to the formulation of the Company's strategy and direction;
- any matters relating to the financial controls, compliance and risk management;
- any changes in corporate structure such as the changes relating to the Company's capital structure, including reductions of share capital, share buy-backs or issue of new securities; and
- the major appointments such as appointments to the Board, taking into account any recommendations of the Nomination Committee; the appointment of the Chairman and the Chief Executive Officer; recommendations to the shareholders on the appointment or removal of external auditors after taking into consideration the recommendations of the Audit Committee; and the appointment or removal of the company secretary and the qualified accountant.

The Board shall review its arrangement on delegation of responsibilities and authority regularly to ensure that such delegations are appropriate in view of the Company's prevailing circumstances and that appropriate reporting system are in place.

董事會相信，有效指派權力及責任可確保董事會獲提供充足及準時的集團業務資料，特別是有關本集團表現、財務狀況及經營業績的資料，致使董事會於批准有關事宜前可就該等事宜作出知情評估。於回顧期間，各執行董事與營運經理多次會面，以奉行有效的回饋制度，讓本公司可迅速及有效就轉變或問題作出回應。

由全體董事會處理的事宜包括：

- 任何由董事會釐定的重大事宜；
- 任何有關制定本公司策略及方向的事宜；
- 任何有關財務監控、遵例及風險管理的事宜；
- 任何企業架構變動，例如有關本公司資本結構的變動，包括股本減少、股份購回或發行新證券；及
- 主要委任事項，例如經考慮提名董事會任何建議後委任董事會成員；委任主席及行政總裁；經考慮審核委員會建議後就委任或撤換外聘核數師而向股東作出建議；以及委任或撤換公司秘書及合資格會計師。

董事將定期檢討其指派責任及權力的安排，以確保有關指派安排於本公司當時的情況下屬恰當，並已實行適當的申報制度。

Corporate Governance Report (continued)
企業管治報告 (續)

BOARD MEETINGS

Attendance

Two full Board meetings were held during the year ended 31 December 2006 and three full Board meeting were held up to the date of this annual report. The meetings held were physically attended by all Directors and with an attendance rate of 100%.

Individual attendance records of the relevant Directors are as follows:

董事會會議

出席率

於截至二零零六年十二月三十一日止年度，合共舉行兩次全體董事會會議，而截至本年報日期，亦舉行三次全體董事會會議。全體董事均有親身出席所舉行的會議，出席率達100%。

有關董事的個人出席記錄如下：

Category of Directors 董事類別	Attendance level 出席水平	2006 二零零六年		2007 二零零七年		
		26 Sep 九月 二十六日	25 Nov 十一月 二十五日	8 Feb 二月 八日	13 Apr 四月 十三日	18 Apr 四月 十八日

Executive Directors:

執行董事：

Mr. Cheng Man Tai	鄭敏泰先生	(100%)	•	•	•	•	•
Ms. Cheng Pik Ho Liza	鄭碧浩女士	(100%)	•	•	•	•	•
Madam Ngok Ming Chu	岳明珠女士	(100%)	•	•	•	•	•
Mr. Hung Hin Kit *	孔憲傑先生*	(100%)	N/A 不適用	•	•	•	•

Independent non-executive
Directors:

獨立非執行董事：

Mr. Lau Siu Ki *	劉紹基先生*	(100%)	N/A 不適用	•	•	•	•
Mr. Lee Kwan Hung *	李均雄先生*	(100%)	N/A 不適用	•	•	•	•
Prof. Lee T. S. *	李天生教授*	(100%)	N/A 不適用	•	•	•	•

Notes:

- Denoting individual Director's presence in the meeting held on the date specified.
- * These Directors were not present in the Board meeting held on 26 September 2006 as they were only appointed as Directors on 25 November 2006.

附註：

- 表示個別董事出席於指定日期舉行的會議。
- * 由於該等董事僅於二零零六年十一月二十五日獲委任，故此彼等並無出席於二零零六年九月二十六日舉行的董事會會議。

Corporate Governance Report (continued)
企業管治報告 (續)

A committee has been set up in November 2006 for the purpose of facilitating the implementation of the initial public offering of the Company. Mr. Cheng Man Tai and Ms. Cheng Pik Ho Liza were appointed as the committee members. Two committee meetings were held during the year ended 31 December 2006. Individual attendance records of the relevant Directors at the committee meetings are as follows:

本公司於二零零六年十一月成立一個委員會，以協助本公司進行首次公開發售。鄭敏泰先生及鄭碧浩女士獲委任為該委員會成員，委員會截至二零零六年十二月三十一日止年度合共舉行兩次會議，有關董事的個人出席該委員會會議的記錄如下：

		2006 二零零六年		
Attendance level		5 Dec	14 Dec	
出席水平		十二月五日	十二月十四日	
Mr. Cheng Man Tai	鄭敏泰先生	(100%)	•	•
Ms. Cheng Pik Ho Liza	鄭碧浩女士	(100%)	•	•

Note:

- Denoting individual Director's attendance in the meeting held on the date specified.

附註:

- 表示個別董事於指定日期舉行的會議的出席率。

Proceedings of meetings

The Board considers that all meetings should be legally and properly convened. With the assistance of the company secretary, the Chairman of the Board takes the lead to ensure each Board meeting as well as all other committee meetings be convened in the manners that are prescribed in the articles of association of the Company, the terms of reference of the respective Committees of the Board of Directors as well as within the standards as set out in the Listing Rules.

In convening the meetings, the Chairman is responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors and the company secretary. Prior notice of each Board meeting was given to all Directors at least 14 days in advance of the regular Board meeting and the Directors were invited to include matters for discussion in the agenda. Agenda and accompanying board papers were sent to all Directors at least 3 days in advance or within reasonable time prior to the meetings.

The minutes of the Board meeting were recorded in sufficient details of the matters considered by the Board and had included all concerns raised by Directors and dissenting views expressed. The minutes of all Board meetings and all other committee meetings are kept by the company secretary and are available for inspection by any Director, auditors or any relevant eligible parties who can have access to such information.

會議程序

董事會認為所有會議均應按合法及妥善的方式召開。在公司秘書的協助下，董事會主席領導董事會以確保每次董事會會議及所有其他委員會會議均按本公司組織章程細則，各董事委員會的權責範圍所規定及合乎上市規則所載標準的方式召開。

於召開會議時，主席負責向全體董事及公司秘書作出諮詢後草擬及批准每次董事會會議的議程。每次召開董事會會議時，全體董事獲發出定期董事會會議前最少14天的事先通知，董事均會獲邀於議程內加入商討事項。議程及隨附的董事會文件將於會議前最少3天或合理時間內寄發予全體董事。

董事會會議記錄充份記錄董事會所考慮事宜的詳情，並包括由董事提出的所有關注事項及發表的反對意見。所有董事會會議及所有其他委員會會議記錄均由公司秘書保存，任何董事、核數師或任何有關合資格取得該等資料的人士均可查閱。

Corporate Governance Report (continued) 企業管治報告 (續)

With the assistance of the company secretary, the Chairman has drawn up a timetable laying down a schedule of Board meetings as well as the meeting dates for other committees meetings to be held in year 2007. On a meeting held on 8 February 2007, the Board discussed and approved a schedule of Board meetings for year 2007.

AUDIT COMMITTEE

At present, the Audit Committee consists of three independent non-executive Directors namely:

Mr. Lau Siu Ki (*Chairman*)
Mr. Lee Kwan Hung
Prof. Lee T.S.

Members of the committee shall be appointed by the Board amongst the independent non-executive Directors only and shall consist of no less than three members. The Board considers that each Audit Committee member has broad commercial experience and together form a suitable mix of expertise in legal, business and accounting and that the composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has the responsibilities and powers set forth in the terms of reference of the Audit Committee. To maintain independence, the Audit Committee shall be required to have at least one meeting with the external auditors without executive Board members present within a financial year. The function of the committee is to provide assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to:

- The integrity of accounts and financial reporting process of the Company;
- The assessment of the external auditor's qualifications and independence; and
- The performance of the Company's internal audit function and the performance of the external auditors.

在公司秘書的協助下，主席已草擬時間表，確定將於二零零七年度舉行的董事會會議時間編排以及其他委員會會議的會議日期。於二零零七年二月八日舉行的會議上，董事會已討論及批准二零零七年度的董事會會議時間表。

審核委員會

目前，審核委員會由三名獨立非執行董事組成，分別為：

劉紹基先生 (*主席*)
李均雄先生
李天生教授

委員會成員由董事會僅從獨立非執行董事中委任，且由不少於三名成員組成。董事會認為各審核委員會成員均具備豐富商業經驗，成員的法律、業務及會計專業知識互相配合。審核委員會的組成及成員符合上市規則第3.21條的規定。

審核委員會承擔及具有審核委員會職權範圍所載的責任及權力。為保持其獨立性，審核委員會須於每個財政年度內與外聘核數師最少舉行一次會議，董事會執行董事成員不得出席有關會議。委員會的職能為向董事會提供協助，以便履行彼等就以下事項而須對股東、潛在股東、投資人士及其他人士承擔的監察責任：

- 本公司賬目及財務報告程序的真實性；
- 評估外聘核數師的資格及獨立身份；及
- 本公司內部核數部門的表現及外聘核數師的表現。

Corporate Governance Report (continued)
企業管治報告 (續)

The terms of reference of the Audit Committee are available for inspection on the Company's website at www.embryform.com.

本公司股東可於本公司網站www.embryform.com查閱審核委員會的職權範圍。

On 13 April 2007, a meeting of the Audit Committee was held and Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T.S., being all members of the Audit Committee were present at the meeting.

於二零零七年四月十三日，審核委員會舉行會議，全體審核委員會成員劉紹基先生、李均雄先生及李天生教授均有出席。

The work, which have been performed by the Audit Committee during the Review Period and up to the date of this annual report includes:

審核委員會於回顧期間及截至本年報日期止所履行的工作包括：

Financial reporting for the year ended 31 December 2006

The Audit Committee has reviewed and discussed with the external auditors of the Company the Group's consolidated financial statements for the year ended 31 December 2006, who is of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

截至二零零六年十二月三十一日止年度的財務報告

審核委員會已審閱及與本公司外聘核數師討論本集團截至二零零六年十二月三十一日止年度的綜合財務報表，審核委員會認為該等報表符合適用會計準則、上市規則及法律規定，並已作出足夠披露。

Review of continuing connected transactions

The Audit Committee also reviewed the reasonableness and fairness of the continuing connected transactions of the Company conducted during the year ended 31 December 2006.

審閱持續關連交易

審核委員會亦已審閱本公司於截至二零零六年十二月三十一日止年度進行的持續關連交易是否合理公平。

Auditors' remuneration

The Audit Committee has reviewed the remuneration paid/payable to Messrs. Ernst & Young, the external auditors of the Company, for services provided during the year ended 31 December 2006 as follows:

核數師酬金

審核委員會已審閱就本公司於截至二零零六年十二月三十一日止年度獲提供以下服務而支付本公司外聘核數師安永會計師事務所的酬金：

Services rendered	所提供服務	Fees paid/payable 已付／應付費用
Audit services	審核服務	HK\$1,980,000
Taxation services	稅項服務	HK\$52,000
Total:	總計：	<u>HK\$2,032,000</u>

The Audit Committee has reflected their views to the Board that the level of fees paid/payable to the Company's external auditors are reasonable. There has been no major disagreement between the auditors. The management of the Company during the year ended 31 December 2006.

Internal control review

In connection with the internal control review conducted in September 2006, the Chairman of the Audit Committee and the qualified accountant of the Company had met with an independent accounting firm, which has performed the internal control review, to follow up on the findings been identified in their assessment report regarding to the Company's internal control system. The Audit Committee members are of the view that the key areas of the Company's internal control system have reasonably implemented and there are no material issues calling for concerns by the Board.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference. At present, the Nomination Committee has four members comprising one executive Director, who is also the Chairman of the Nomination Committee, and three independent non-executive Directors:

Ms. Cheng Pik Ho Liza (*the Chairman*)
Mr. Lau Siu Ki
Mr. Lee Kwan Hung
Prof. Lee T. S.

Members of the Nomination Committee were appointed by the Board and consists of a majority of independent non-executive Directors. The main functions of the Nomination Committee are to review the structure, size and composition of the Board, to identify individuals who are suitably qualified to become members of the Board, to assess the independence of the independent non-executive Directors. Having regard to the independence and quality of nominees, the Nomination Committee shall make recommendations to the Board so as to ensure that all nominations are fair and transparent. The Nomination Committee is also responsible for reviewing the succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Board shall provide sufficient resources to the Nomination Committee to enable it to discharge its duties.

審核委員會已向董事會反映意見，表示已付／應付本公司外聘核數師的費用水平合理。核數師與本公司管理層於截至二零零六年十二月三十一日止年度並無任何主要意見分歧。

內部監控

就於二零零六年九月進行的內部監控檢討，審核委員會主席及本公司合資格會計師與進行內部監控檢討的獨立會計師舉行會議，以跟進彼等於有關本公司內部監控制度的評估報內確定的發現。審核委員會成員認為，本公司的內部監控制度已實行，董事會並無提出須注意的重大事項。

提名委員會

本公司已成立提名委員會，並書面訂明其書面職責範圍。目前，提名委員會包括一名執行董事（亦為提名委員會的立席）及三名獨立非執行董事：

鄭碧浩女士（主席）
劉紹基先生
李均雄先生
李天生教授

提名委員會成員由董事會委任，主要由獨立非執行董事組成。提名委員會的主要職能為檢討董事會的架構、規模及成員，以物色具備適合資格以成為董事會成員的人選及評估獨立非執行董事的獨立身份。於考慮獲提名人士的獨立身份及資格後，提名委員會將向董事會作出建議，以確保所有提名均屬公平透明。提名委員會亦負責董事的接任計劃，特別是主席及行政總裁的接任計劃。董事須向提名委員會提供充足資源，以助彼等履行其職務。

Corporate Governance Report (continued)
企業管治報告 (續)

The Nomination Committee has reviewed the terms of the executive Directors' service contracts as well as their remuneration packages.

On 13 April 2007, a Nomination Committee meeting was held with Ms. Cheng Pik Ho Liza, Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T.S., being all members of the Nomination Committee, present to:

- perform appraisal of the Directors so as to recommend to Board for re-election in the forthcoming annual general meeting of the Company; and
- review the independence of the independent non-executive Directors.

The terms of reference of the Nomination Committee are available for inspection on the Company's website at www.embryform.com.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference. The Board has delegated the authority to the Remuneration Committee to review and recommend to the Board the compensation scheme of the Company to the Directors as well as to the senior management staff.

The Remuneration Committee at present has four members comprising one executive Director and three independent non-executive Directors, namely:

Ms. Cheng Pik Ho Liza (*Chairman*)
Mr. Lau Siu Ki
Mr. Lee Kwan Hung
Prof. Lee T.S.

The main function of the Remuneration Committee is to assist the Board to oversee the Group's remuneration packages and establish a transparent procedure for developing policy on such remuneration. The Board shall in consultation with the Chairman of the Remuneration Committee provide sufficient resources to the Remuneration Committee to enable it to discharge its duties.

提名委員會已審閱執行董事的服務合約條款及彼等的酬金組合。

於二零零七年四月十三日，提名委員會舉行會議，全體提名委員會成員鄭碧浩女士、劉紹基先生、李均雄先生及李天生教授均有出席，以進行以下事項：

- 對董事進行評估以就於本公司應屆股東週年大會上的重選事項提供建議；及
- 檢討獨立非執行董事的獨立身份。

本公司股東可於本公司網站www.embryform.com查閱提名委員會的職權範圍。

薪酬委員會

本公司已成立薪酬委員會，並書面訂明其書面職責範圍。董事會授權薪酬委員會檢討本公司董事及高級管理員工的薪酬計劃及就此向董事會提出建議。

薪酬委員會目前由四名成員組成，包括一名執行董事及三名獨立非執行董事，分別為：

鄭碧浩女士 (主席)
劉紹基先生
李均雄先生
李天生教授

薪酬委員會的主要職能為協助董事會監察本集團的酬金組合及訂立一套具透明度的程序，以制定有關該等酬金的政策。董事會須向薪酬委員會主席作出查詢。董事須向提名委員會提供充足資源，以協助彼等履行其職務。

Corporate Governance Report (continued) 企業管治報告 (續)

The Remuneration Committee has conducted a meeting on 8 February 2007 with Ms. Cheng Pik Ho Liza, Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T.S., being all members of the Remuneration Committee, present and has assisted the Board to review the remuneration of the executive Directors, senior management and sales staff and has made recommendations to the Board for salary adjustments for some senior management staff.

In recommending the remuneration of Directors, the Remuneration Committee made reference to companies of comparable business type or scale, and the nature and quantity of work in order to compensate the Directors reasonably for their time and efforts spent. The Remuneration Committee will regularly review and recommend the remuneration of Directors to the Board.

The terms of reference of the Remuneration Committee are available for inspection by the shareholders of the Company upon request made to the company secretary. The terms of reference of the Remuneration Committee are also available for inspection on the Company's website at www.embryform.com.

FINANCIAL REPORTING

The Board acknowledges its responsibility for the preparation of the financial statements for each financial period, which shall give a true and fair view of the state of affairs of the Company. During the past year, the Board is not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

All Directors acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2006.

The Company shall release interim and annual results as and when required by the Listing Rules as soon as reasonably practicable after the end of the relevant financial period and the financial year, disclosing all such information as would enable shareholders of the Company to assess the performance, financial position and prospects of the Company.

INTERNAL CONTROL

The Board acknowledges that the objective of internal control is to safeguard the Company's assets against unauthorised use or disposition and to ensure that the Company's accounting records are properly maintained and all the financial information is accurate and reliable.

薪酬委員會於二零零七年二月八日舉行會議，薪酬委員會全體成員鄭碧浩女士、劉紹基先生、李均雄先生及李天生教授均有出席，並協助董事會檢討執行董事、高級管理層及銷售員工的酬金，以及就個別高級管理層員工的薪金調整向董事會作出建議。

就董事酬金作出建議時，薪酬委員會參考業務類別或規模可予比較的公司，以及其工作性質及工作量，以就董事所付出的時間及努力向彼等提供合理薪酬。薪酬委員會將定期檢討董事酬金及就此向董事會提出建議。

本公司股東可向公司秘書要求查閱薪酬委員會的職權範圍，薪酬委員會的職權範圍亦可於本公司網站www.embryform.com查閱。

財務報告

董事會深明其編製各財務期間財務報表的責任，該等財務報表應真實及公平地反映本公司的財務狀況。去年，董事會並不知悉任何重大不明確因素，與可能對本公司繼續經營能力構成重大疑問的事件或情況相關。因此，董事會已按持續經營基準編製本公司的財務報表。

全體董事深明其編製截至二零零六年十二月三十一日止年度財務報表的責任。

本公司須按上市規則規定於有關財政期間及財政年度完結後在實際合理情況下儘快公佈中期及年度業績，披露所有有關資料，以便本公司股東可評估本公司的表現、財務狀況及前景。

內部監控

董事會深明內部監控旨在保障本公司的資產，以免本公司資產在未經授權下遭動用或處置，以及確保本公司的會計記錄已經妥善存置及所有財務資料均屬正確可靠。

Corporate Governance Report (continued) 企業管治報告 (續)

During the past year, the Board has conducted a review on the system of internal control of the Company by an independent accounting firm to assess the effectiveness of the internal controls, which covered the areas of financial, operational, compliance controls and risk management. The findings and recommendations have been reviewed by the Audit Committee and the Board who are of the view that the internal control system of the Group has been implemented without any significant incidence of failure.

The Board undertakes to periodically review the internal control and risk management systems of the Group to ensure their effectiveness and efficiency.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining on-going communication with the shareholders.

The Company shall ensure the validity of all the voting shares present at each annual general meeting and shall appoint a professional scrutineer for the meetings. The voting results shall be published in the Group's designated newspapers and on the Company's websites in accordance with the applicable laws and the Listing Rules.

INVESTOR RELATIONS

In 2006, the Company has engaged a professional public relation consultancy firm to organise various investor relation programs aiming at increasing its transparency, enhancing communication, increasing investors' understanding of and confidence in the Group's business. It also aims at building investors' confidence in the Group's future developments and promoting market recognition and support to the Company.

The Company understands that a two-way and interactive communication with investors is important to achieve comprehensive disclosure of the Company's information.

In the year ahead, the Company shall try to redesign and enhance the platform and capabilities of its own website in order to adhere to the new publication requirements of the Listing Rules.

去年，董事會已委聘獨立會計師行就本公司的內部監控制度進行檢討，以評估涵蓋財務、經營、遵例控制及風險管理範圍的內部監控的效能。有關發現及建議經已由審核委員會及董事會審閱。董事會認為，本集團已實行其內部監控制度，且並無任何重大失職情況。

董事會承諾將定期檢討本集團風險管理制度，以確保其效率及效能。

與股東之間的溝通

董事認同持續與股東保持溝通的重要性。

本公司須確保每屆股東週年大會上的所有投票均為有效，並須就大會委任一名專業監票人。投票結果須根據適用法例及上市規則於指定報章及本公司網站內公佈。

投資者關係

於二零零六年，本公司已委聘一間專業公關顧問公司籌辦多項投資者關係活動，旨在提高其透明度、加強溝通，以及加深投資者對本集團業務的了解及信心。同時，該等投資者關係活動亦務求建立投資者對本集團日後發展的信心，以及提升本公司的市場知名度及支持率。

本公司明白，與投資者之間的雙向及互動溝通對全面披露本公司資料的重要性。

於來年，本公司將嘗試重新設計及改良其網站的平台及功能，以符合上市規則的新訂公佈規定。