

Corporate Governance Report

The Board of Directors considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the Code Provisions in accordance with the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors is of the opinion that during the financial year ended 31 March 2006 (the "Period"), the Company had applied the CG Code as set out in the Listing Rules, save for deviations from Code Provisions A.4.2. as mentioned below. During the Period, steps were taken to amend or repeal the bye-laws of the Company in respect of the service term and rotation of directors under Code Provision A.4.2. with a view to ensuring full compliance with the requirements of the CG Code. Resolutions of amendments of the relevant bye-laws of the Company were passed at the Company's Annual General Meeting held on 8 August 2005.

Pursuant to Code Provision A.4.2., every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. Accordingly, the Bye-laws was amended to specify that notwithstanding any other provisions in the Bye-laws of the Company, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of

three, the number nearest to but not less than, instead of not greater than, one-third) shall retire from office by rotation. As a result of the said proposed amendment, every Director is subject to retirement by rotation at least once every three years.

Code Provision A.4.2. also provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Accordingly, the Bye-laws was amended to specify that any Director appointed to fill a casual vacancy shall hold office until the next following general meeting, instead of the next following annual general meeting.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Own Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules.

On specific enquiries made, all directors have confirmed that, for the year ended 31 March 2006, they have complied with the required standard set out in the Model Code and the Own Code.

BOARD OF DIRECTORS

Composition of the Board

The Composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.

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During the Period, the Board of Directors consists of three Executive Directors and three Independent Non-Executive Directors with a variety of experience in management, marketing, R&D, accounting and finance; their brief biographical particulars and their relationship among the Board are set out on pages 15 to 16 respectively of this annual report. The detailed composition of the Board of Directors and the respective Board meetings held in the current year is as follows:

Board members	Attendance
<i>Executive Directors</i>	
Mr. Lau Yau Bor (the Chairman)	4/4
Mr. Lau Kin Tung (the Vice Chairman and Chief Executive Officer)	4/4
Madam Chan Hing Ming	4/4
<i>Non-Executive Directors</i>	
Mr. Choy Ping Sheung	4/4
Mr. Fung Tze Wa	4/4
Mr. Seet Lip Chai (appointed on 1 September 2005)	3/3
Mr. Soo Ping Shu, Samuel (ceased to hold office with effect from 1 September 2005)	1/1

The Company has appointed sufficient numbers of Independent Non-Executive Directors in accordance with the Listing Rules, including those with accounting and finance expertise. They have dedicatedly provided the Company with professional advice with respect to the steady operation and development of the Company. They also exercise supervision and coordination to safeguard interests of the company and its subsidiaries.

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with independence guidelines set out in the Listing Rules.

The Operation of the Board of Directors

The Board oversees the Group's strategic development, and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. All Board members have access to appropriate business documents and information about the Group on a timely basis. All directors and board committees have access to external legal counsel and other professionals for independent advice at the Group's expense if they require it.

Three board committees, namely, the audit committee, remuneration committee and nomination committee, have been established to oversee particular aspects of the Group's affairs. The Board has delegated the day-to-day management and operations of the Group's businesses to management of the Company and its subsidiaries.

The board had met four times during the Period to discuss and formulate overall strategies for the Group, review the financial performance, as well as other significant matters when board decisions were required.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lau Yau Bor is the Chairman of the Company and is mainly responsible for the management of the Board. Mr. Lau Kin Tung is the Chief Executive Officer of the Company and is delegated with the authority and is responsible for day-to-day management of the Group's business, and the implementation of the approved strategies in achieving the overall business objectives.

NON-EXECUTIVE DIRECTORS

Each of the Non-Executive Directors has entered into a service contract with the Company for a term of one year or till retirement by rotation in accordance with the Bye-laws of the Company, whichever is earlier.

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REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 1 September 2005 with written terms of reference as disclosed on the Company's website. The Remuneration Committee is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management, as well as reviewing and making recommendations on the Group's share option scheme, bonus structure, provident fund and other compensation-related issues. The committee shall consult with the Chairman on its proposals and recommendations, and has access to professional advice if deemed necessary.

During the year under review, the members of Remuneration Committee are Mr. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Seet Lip Chai, all Independent Non-executive Directors. Mr. Choy Ping Sheung is the Chairman of the remuneration committee.

During the Period, the Remuneration Committee had held 1 meeting. Attendance of each individual member was as follows:

Committee member	Meeting Attended/Held
Mr. Choy Ping Sheung (Chairman)	1/1
Mr. Fung Tze Wa	1/1
Mr. Seet Lip Chai	1/1

The emolument policies of the directors of the Company are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details on the emolument payable to the Directors and the Company's share option scheme are disclosed on page 21 and page 22 of this annual report.

NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 1 September 2005 with written terms of reference as disclosed on the Company's website. The Nomination Committee is responsible for reviewing and making

recommendations to the board on relevant matters relating to the appointment, re-appointment and succession planning for the board members. The Nomination Committee has the responsibility to consider and access candidates for directorships on the Board based on their characters, qualifications and experience appropriate for the businesses of the Group.

The Bye-laws of the Company were amended in August 2005 to provide that each director is required to retire by rotation once every three years and that one-third (or the number nearest to one-third but not less than one-third) of the directors shall retired from office by rotation at each annual general meeting of the Company.

During the Period, the members of Nomination Committee are Mr. Seet Lip Chai, Mr. Choy Ping Sheung, and Mr. Fung Tze Wa, all Independent Non-Executive Directors. Mr. Seet Lip Chai is the Chairman of the remuneration committee.

During the year, the Nomination Committee had held 1 meeting. Attendance of each individual member was as follows:

Committee member	Meeting Attended/Held
Mr. Seet Lip Chai (Chairman)	1/1
Mr. Fung Tze Wa	1/1
Mr. Choy Ping Sheung	1/1

AUDITOR'S REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company. During the Period, the Group is required to pay to the Auditors, Grant Thornton the following remuneration:

Nature of services	HK\$'000
Audit services	350
Tax advisory services	–

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AUDIT COMMITTEE

The Audit Committee members comprise Mr. Fung Tze Wa, Mr. Choy Ping Sheung and Mr. Seet Lip Chai, all Independent Non-Executive Directors. Mr. Fung Tze Wa is the Chairman of the Audit Committee who has appropriate professional qualifications and accounting expertise. No member of this committee is a member of the former or external auditors of the Company.

The audit committee's primary responsibilities include overseeing the relationship with the Company's external auditors, review of financial information of the Group, and oversight of the Group's financial reporting system, internal control procedures and risk management. The Company has adopted a term of reference of the audit committee which complies with the provisions of the Code. The terms of reference of the audit committee are available on the Company's website.

During the year, the Audit Committee had held 2 meetings. Attendance of each individual member was as follows:

Committee member	Meeting Attended/Held
Mr. Fung Tze Wa (Chairman)	2/2
Mr. Choy Ping Sheung	2/2
Mr. Seet Lip Chai (appointed on 1 September 2005)	1/1
Mr. Soo Ping Shu, Samuel (ceased to hold office with effect from 1 September 2005)	1/1

RESPONSIBILITY ON FINANCIAL REPORTING

Management provides financial information with explanation to the Board to assist the Board in assessing the financial position of the Company.

The board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to the statutory requirements. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of Grant Thornton, the Company's auditors, are stated in the Auditors' Report on page 24 of the Annual Report.

COMMUNICATION WITH SHAREHOLDERS

The Company continues to enhance communications and relationships with its investors. To promote effective communication, the Company disseminated its first "Jiwa e-Newsletter" to investors in October 2005, this e-Newsletter is published on a quarterly basis, it carries information of the Group's major events, upcoming activities and product information. The Company also maintains a website at www.jiwa.com.hk, where corporate information and financial information are posted.