

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") of the Company is committed to maintain high standards of corporate governance for the Company. The Company has complied with all Code Provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the financial year ended 31 December 2006.

The current practices of the corporate governance of the Company will be reviewed and updated in a timely manner in order to comply with the requirements of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements for directors' securities transactions stated in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") in Appendix 10 of the Listing Rules. All Directors of the Company have confirmed that they have complied with the requirements as set out in the Model Code for the year ended 31 December 2006.

BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises ten members and their positions, as at the date of this report, are as follows:

Executive Directors

Chuang Yueheng, Henry	(Chairman)
King Phillip	(Managing Director)
Lo Kan Sun	(Chief Operating Officer)
Wong Ying Seung, Asiong	
Wang Lin	

Independent Non-executive Directors

Nakajima Toshiharu
Lin Wai Yi
Liu Jian
Shum Ming Choy
Yau Yan Ming, Raymond

Alternate Director

Lee Kwan Ching (Alternate Director to Lo Kan Sun)

Corporate Governance Report

Details of the backgrounds and qualifications of the Directors are set out in the section of "Biographies of Directors and Senior Management" on pages 11 and 12 of the annual report for year ended 31 December 2006 (the "Annual Report"). All Directors have provided grave concern, sufficient time and attention to all the significant issues and affairs of the Company and its subsidiaries (collectively the "Group"). Each Executive Director has accumulated sufficient and valuable experience to hold his position in order to ensure that his fiduciary duties have been carried out in an efficient and effective manner. None of the members of the Board have, in any respect, related to each other in any circumstances.

To improve the transparency and independency of the corporate governance of the Company, the fiduciary duties of the Chairman and the Managing Director of the Company are segregated and not executed by the same individual. The Chairman is responsible for the management of the Board and external corporate communication. The Managing Director is responsible for the day-to-day operation, including but not limited to, the implementation of the overall strategy of the Company.

In order to protect the interest of the shareholders of the Company (the "Shareholders"), the independent non-executive Directors were appointed with relevant and sufficient experience and qualification to perform their duties. All independent non-executive Directors are appointed with specific written terms by the Company.

The Company has received annual confirmation of independence from the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed and concluded that all the independent non-executive Directors are independent in view of the definition of the Listing Rules.

The Board held a full board meeting for seven times in 2006. Details of the attendance of the Board members are as follows:

Executive Directors		Attendance
Chuang Yueheng, Henry		6/7
King Phillip		7/7
Lo Kan Sun		7/7
Wong Ying Seung, Asiong		6/7
Wang Lin	(appointed on 3 May 2006)	3/4
Independent Non-executive Directors		
Nakajima Toshiharu		7/7
Lin Wai Yi		6/7
Liu Jian	(appointed on 24 January 2006)	6/7
Shum Ming Choy	(appointed on 1 August 2006)	2/2
Yau Yan Ming, Raymond	(appointed on 16 October 2006)	0/0
Lam Ping Cheung	(resigned with effect from 26 June 2006)	2/3
Miu Frank H.	(resigned with effect from 27 March 2007)	5/7

Save for the above regular board meetings held in 2006, the Board also held special meetings to discuss on any matters which would require a decision from them. Notice of each board meeting and details of its agenda were delivered in advance to the Board. Minutes of each board meeting were sent to the Directors within 7 days after the meeting.

TRAINING FOR DIRECTORS

Each newly appointed Director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established in June 2005. The primary duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing the special remuneration packages of all executive Directors by reference to corporate goals and objectives resolved by the Board from time to time. As at the date of this report, the Remuneration Committee comprises two independent non-executive Directors and one executive Director, which are as follows:

Wong Ying Seung, Asiong (Chairman)
Nakajima Toshiharu
Yau Yan Ming, Raymond

The adopted terms of reference of the Remuneration Committee is in compliance with the Code Provision B.1.3.

The Remuneration Committee held four meetings in 2006. Details of the attendance of the Remuneration Committee meeting were as follows:

Committee members		Attendance
Wong Ying Seung, Asiong		4/4
Nakajima Toshiharu		4/4
Yau Yan Ming, Raymond	(appointed on 16 October 2006)	1/1
Miu Frank H.	(resigned with effect from 27 March 2007)	3/3

During the year, the Remuneration Committee has reviewed and approved the remuneration package of all staff and newly appointed Directors.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is empowered under the Company's Articles of Association to appoint any person as a Director either to fill a casual vacancy on or as an additional member of the Board. Candidates to be selected and recommended are those who are experienced and competence and able to fulfill the fiduciary duties and duties of skill, care and diligence to a standard required of for listed companies' Directors. A proposal for the appointment of a new Director together with detailed information on his/her educational and professional qualifications and the relevant working experience is submitted to the Board for decision in the appointment process. At every annual general meeting, one-third of the Directors are subject to retirement by rotation, provided that every Director shall be subject to retirement at least once every three years.

During the year, the Board held six meetings to approve the resignation and appointment of Directors.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in January 2003. The primary duties of the Audit Committee are to communicate with the management of the Company from time to time, including but not limited to, review the accounting principles and practices adopted by the Company, the effectiveness of its internal control systems, the interim and annual results of the Company. At as the date of this report, all members of the Audit Committee are independent non-executive Directors, which are as follows:

Shum Ming Choy (Chairman)
Nakajima Toshiharu
Lin Wai Yi
Yau Yan Ming, Raymond

The Audit Committee held four meetings in 2006. Details of the attendance of the Audit Committee meetings were as follows:

Committee members		Attendance
Nakajima Toshiharu		4/4
Lin Wai Yi		4/4
Shum Ming Choy	(appointed on 1 August 2006)	2/2
Yau Yan Ming, Raymond	(appointed on 16 October 2006)	0/0
Lam Ping Cheung	(resigned with effect from 26 June 2006)	1/1
Miu Frank H.	(resigned with effect from 27 March 2007)	4/4

The Company's unaudited interim results for the six months ended 30 June 2006 and audited annual results for the financial year ended 31 December 2006 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results have been complied with the applicable accounting standards.

EXTERNAL AUDITORS

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit services performed by the external auditors. During the year, the remuneration of HK\$1,135,000 and HK\$136,000 were paid to the Company's auditors, Moores Rowland Mazars for the provision of audit services and the purpose of reviewing the financial information stated in the circular relating to major transactions respectively.

INTERNAL CONTROLS

Proper internal controls not only facilitate the effectiveness and efficiency of operations, ensuring compliance with laws and regulations, but most importantly, it helps to minimize risk exposure for the Company. The Company is committed to the identification, monitoring and management of risks associated with its business activities and has implemented practical and effective control systems. The Board, through the Audit Committee, assesses the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance control on annual basis.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The responsibilities of the Directors and Auditors are set out on page 25 of this Annual Report. The Directors acknowledge their responsibility to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the Company, and present the interim results, annual financial statements, and announcements to the Shareholders. The Directors aim to present a fair and reasonable assessment of the Company's position and prospects to the Shareholders and the relevant information required under the Listing Rules. As the Board is not aware of any material uncertainties relating to the events or conditions that may cause any significant doubt upon the going concern of the Company, the Board therefore continues to adopt the going concern approach in preparing the financial statements for the financial year of 2006.

COMMUNICATIONS WITH SHAREHOLDERS

Individual resolution has been proposed by the Chairman in the general meetings in response to each substantial issue.

The Chairman of the Company, the chairman of the Audit Committee and the chairman of the Remuneration Committee, in the absence of the chairman of such committees, another member of the committees attended were available to answer questions in the annual general meeting and extraordinary general meetings.

VOTING BY POLL

In order to ensure compliance with the requirements on the poll voting procedures, the Company informs the Shareholders in respect of the procedures for voting by poll and the rights of the Shareholders to demand a poll in accordance with the Article 81 of the Articles of Association of the Company.

On behalf of the Board

Willie International Holdings Limited

King Phillip

Managing Director

Hong Kong, 18 April 2007