

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code on corporate governance practices as set out in Appendix 14 of the Listing Rules (the “Code”) throughout the period, with deviations from code provisions A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

Under the code provisions A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, one-third of the directors of the Company (both executive and non-executive) are subject to the retirement by rotation at each annual general meeting under the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are similar to those in the Code.

Under the articles of association of the Company, the chairman of the Board and/or the managing director and/or the deputy managing director of the Company are not subject to retirement by rotation or be taken into account on determining the number of directors to retire in each year. This constitutes a deviation from the code provision A.4.2 of the Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding director’s securities transactions. The Company confirms that, having made specific enquiry of all directors, the Board has complied with the required standard set out in the Model Code.

## **AUDIT COMMITTEE**

The audit committee, which comprises of three independent non-executive directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the Group’s unaudited financial statements for the six months ended 30 September 2005.

By Order of the Board  
**GARRON INTERNATIONAL LIMITED**  
**POON Ho-man**  
*Executive Director*

Hong Kong, 14 December 2005