

Statement from the Management

The board of directors (the "Board") of GARRON INTERNATIONAL LIMITED (the "Company") earnestly presents the audited consolidated results of the Company and its subsidiary (collectively the "Group") for the year ended 31 March 2004.

FINANCIAL RESULTS

For the year ended 31 March 2004, the Group recorded a 22.35% decrease in turnover to HK\$1,777,062 (2003: HK\$2,288,600) and suffered from a net loss of HK\$738,606 (2003: net profit of HK\$1,907,288). The net loss mainly results from the net realised and unrealised gain from listed securities being out-weighted by the realised loss on sale of non-trading securities and the administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 March 2004, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of HK\$5,701,562 (2003: HK\$8,253,275), which was mainly placed in bank as call deposits. Since the Company has made no borrowing as at 31 March 2004, the calculation of gearing ratio was not applicable.

Capital Structure

During the year under review, no movement in the share capital of the Company has been recorded.

Significant Investments

The investment portfolio of the Company comprises of two separate sections, namely, trading securities and non-trading securities. As a whole, the portfolio was carefully managed and being fully diversified to minimise commercial risk resulting from over concentration of the investment of the Company in any single industry.

During the year under review, the investment portfolio of the Company mainly included investments in quoted securities of locally listed companies whose business principally focuses on design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components and provision of information technology services, the provision of transportation technology solutions in the People's Republic of China (the "PRC"), the manufacture and sale of leather, the sale of technology solution systems and related services, provision of manufacturing decision support system and computerisation consultation services and licensing of accounting and data application systems to manufacturers and traders in Hong Kong and the PRC and the manufacture and sale of synthetic sapphire watch crystals and optoelectronic products and watches distribution, etc.

As all transactions of the Company during the year under review were conducted in Hong Kong and the reporting currency of its financial statements was Hong Kong Dollar, its exposure to fluctuations in exchange rates and any related hedges was minimal.

Material acquisition and disposals of subsidiaries

No change in the Company's investment in its subsidiary was recorded during the year under review.

Statement from the Management

Employees

As at 31 March 2004, the Company had retained two employees (2003: one employee). Total staff costs of the Company, excluding directors' remuneration, for the year under review amounted to HK\$222,167 (2003: HK\$49,000). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

Charges on assets and contingent liabilities

Throughout the year ended 31 March 2004, assets of the Company were free from any form of legal charge. In addition, the Company did not have any significant contingent liabilities.

Prospects

Although the Company has changed its investment manager in April 2004, its overall investment strategy will remain unchanged. In 2005, the Company will keep on identifying and pursuing investment opportunities in Hong Kong, PRC and Taiwan in a cautious and prudent manner.

APPRECIATION

On behalf of the Board, I would like to express our deepest appreciation to our shareholders for their continued support.

By Order of the Board
LIU Yong
Executive Director

Hong Kong, 23 July 2004