STATEMENT FROM THE MANAGEMENT

The board of directors (the "Board") of GARRON INTERNATIONAL LIMITED (the "Company") solemnly presents the audited consolidated results of the Company and its subsidiary (collectively the "Group") for the year ended 31 March 2005.

FINANCIAL RESULTS

For the year ended 31 March 2005, the Group recorded a 40% increase in turnover to approximately HK$2,490,391 (2004: HK$1,777,062) as a result of an increase in sales proceeds of trading securities. However, the net loss suffered by the Group soared to approximately HK$21,126,160 during the year (2004: net loss of HK$738,606). The net loss mainly results from the net realised gain from non-trading securities held by the Group being out-weighted by the realised and unrealised loss on sale of trading securities and the administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 March 2005, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of HK$2,420,110 (2004: HK$5,701,562), which was mainly placed in bank as demand deposits. Since the Group has made no borrowing as at 31 March 2005, 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 Group throughout the year comprises of two separate categories, 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 Group in any single industry.

During the year under review, the listed investment portfolio of the Group mainly included investments in quoted securities of locally listed companies whose business principally focuses on design, development, trading and manufacture of automobiles, 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.

During the second half of the year, a wholly owned subsidiary of the Company entered into a share purchase agreement with an independent third party to acquire 6% equity interests in an unlisted company which holds 100% interest in a pharmaceutical company in the PRC at a consideration of HK$3,000,000. A deposit of HK$1,000,000 has been paid and, as at the date of this report, the completion of the transaction is still subject to the satisfactory fulfillment of certain conditions by the vendor.

STATEMENT FROM THE MANAGEMENT

As all transactions of the Group 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 Disposal of Subsidiary
During the year, there was no material acquisition nor disposal.

Employees
During the year ended 31 March 2005, the Group had retained four employees (2004: two employees). Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to HK$945,104 (2004: HK$229,334). 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 2005, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

Prospects
The continue improvement in market sentiments during the past six months has significantly changed the overall trend and development in major capital markets around the Greater China Region. The Group intends to welcome such market upturn by further enhancing internal operation efficiency and resources allocation and to get ready for any investment opportunities that may emerge in the coming future.

In this respect, the Company recently changed the terms for its investment manager from the fixed annual rate basis to an incentive-driven basis by replacing its existing investment manager with Friedmann Pacific Asset Management Limited ("FPAML").

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

POON Ho-man
Executive Director

Hong Kong, 23 June 2005