

STATEMENT FROM THE MANAGEMENT

The board of directors (the “Board”) of GARRON INTERNATIONAL LIMITED (the “Company”) pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2006.

FINANCIAL RESULTS

For the year ended 31 March 2006, the Group recorded a substantial increase in turnover from HK\$2,490,391 to HK\$15,648,977, representing an increase of approximately 528%. The profit attributable to shareholders of the Company for the year amounted to HK\$4,162,066 as compared to the net loss of last year amounted to HK\$21,126,160.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 March 2006, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of HK\$3,745,865 (2005: HK\$2,420,110), which was mainly placed in bank as demand deposits. Since the Group has made no borrowing as at 31 March 2006, the calculation of gearing ratio was not applicable.

Capital Structure

During the year under review, the issued share capital of the Company were consolidated from 80,200,000 shares of HK\$0.01 each into 4,010,000 shares of HK\$0.20 each while the authorized share capital of the Company were consolidated from 2,000,000,000 shares of HK\$0.01 each into 100,000,000 shares of HK\$0.20 each. In October 2005, the Company had completed the fund raising by way of a rights issue, in the proportion of five rights shares for every consolidated share (after the completion of share consolidation) held and 20,050,000 shares were issued at HK\$0.20 per share. The proceeds, before expenses, of approximately HK\$4,010,000 were used as general working capital purpose.

Significant Investments

The investment portfolio of the Group mainly comprises of listed securities in Hong Kong during the year. 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 included investments in Hong Kong listed securities whose business principally focus on the provision of trading and back office systems and solutions to financial institutions and intermediaries in Asia; manufacturing and trading of automotive equipment and parts in the People’s Republic of China (the “PRC”); manufacturing and trading of audio equipment in Hong Kong; design, manufacturing, and distribution of satellite TV reception products and communication related products; provision of wire-line telecommunications services in 20 provinces/autonomous regions and municipalities in the PRC; design, manufacturing and distribution of colour TV and digital audio-visual products in the PRC; producing and distribution of internet and network communication products; provision of commercial banking products and services; processing of raw hides and skins into leathers and distribution of finished leather; provision of shipping services; manufacturing and distribution of synthetic sapphire watch crystals and optoelectronic products, etc.

Taking advantage of the booming in the equity market in the first quarter of 2006, the Group had disposed of its listed securities to realize certain profit and to diversify the exposure in certain equities.

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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 in 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 neither material acquisition nor disposal.

Employees

During the year ended 31 March 2006, the Group had retained five employees (2005: four employees). Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to HK\$1,560,043 (2005: HK\$945,104). 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 2006, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

Prospects

With the upswing in the economy of the greater china region for the first half of 2006, the Group has taken advantage of these investment opportunities and actively participated in the equity market including the booming initial public offer. To ensure a stable return for the shareholders of the Company on a medium to long term basis, the Company intends to continue enhancing internal operation efficiency and resources allocation while identifying those undervalued stocks and minimizing the risk of over concentration by diversification.

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, 10 July 2006