

GARRON INTERNATIONAL LIMITED

嘉禹國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1226)



INTERIM
REPORT
2010

*For identification purpose only

CORPORATE INFORMATION

STOCK CODE

1226

BOARD OF DIRECTORS

Executive Directors:

Mr. CHEN Yiquan

(was appointed on 26 October 2010)

Mr. XIE Leshan

(was appointed on 26 October 2010)

Mr. SEE Lee Seng, Reason

(was appointed on 1 December 2010)

Dr. POON Ho-man

(was resigned on 26 October 2010)

Mr. Jerry CHIOU

(was resigned on 17 September 2010)

Ms. ZHONG Hui

(was appointed on 28 July 2010 and
resigned on 26 October 2010)

Independent Non-executive Directors:

Mr. HA Tak-kong

Mr. LO Chi Ming

(was appointed on 26 October 2010)

Mr. LEUNG Kwong Kin

(was appointed on 1 December 2010)

Mr. PENG Feng

(was resigned on 1 December 2010)

Mr. TONG, I Tony

(was resigned on 26 October 2010)

REMUNERATION COMMITTEE

Mr. CHEN Yiquan

(was appointed on 26 October 2010)

Mr. HA Tak-kong

Mr. LO Chi Ming

(was appointed on 26 October 2010)

Mr. LEUNG Kwong Kin

(was appointed on 1 December 2010)

Dr. POON Ho-man

(was resigned on 26 October 2010)

Mr. PENG Feng

(was resigned on 1 December 2010)

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5801-2, 58/F,

The Center,

99 Queen's Road Central,

Central, Hong Kong

AUDITORS

HLM & Co.

Certified Public Accountants

Room 305, 3/F

Arion Commercial Centre

2-12 Queen's Road West, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

26th Floor, Tesbury Centre

28 Queen's Road East, Wanchai

Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank

Bank of China

COMPANY SECRETARY

Mr. TSE Hon Kwan, Max

WEBSITE

<http://www.garroninternational.com>

The board of directors (the “Board”) of Garron International Limited (the “Company”) hereby presents the unaudited interim report and condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2010. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company’s auditors but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	<i>Notes</i>	2010 HK\$ Unaudited	2009 HK\$ Unaudited
Revenue	4	109,675	81,745
Net realised gain on disposal of financial assets at fair value through profit or loss		209,255	–
Net unrealised gain on financial assets at fair value through profit or loss		4,160	2,983,182
Other revenue		58,880	–
Administrative expenses	5 & 6	(5,039,543)	(3,605,960)
Loss before taxation		(4,657,573)	(541,033)
Taxation	7	–	–
		(4,657,573)	(541,033)
Loss attributable to shareholders		(4,657,573)	(541,033)
Dividends	8	–	–
Other comprehensive income		–	–
Total comprehensive expenses attributable to shareholders		(4,657,573)	(541,033)
Loss per share	9		
– Basic		(0.055)	(0.008)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	<i>Notes</i>	30 September 2010 HK\$ Unaudited	31 March 2010 HK\$ Audited
Non-current asset			
Property, plant and equipment	<i>10</i>	<u>17,817</u>	<u>21,901</u>
Current assets			
Financial assets at fair value through profit or loss	<i>11</i>	7,070,070	7,691,390
Accounts receivable, prepayments and deposits		932,141	974,450
Bank and cash balance		<u>1,001,950</u>	<u>431,971</u>
		<u>9,004,161</u>	<u>9,097,811</u>
Current liability			
Other payables		<u>246,275</u>	<u>4,627,760</u>
Net current assets		<u>8,757,886</u>	<u>4,470,051</u>
Non-current liability			
Amount due to a director		<u>10,560,730</u>	<u>8,132,005</u>
Net liabilities		<u>(1,785,027)</u>	<u>(3,640,053)</u>
Capital and reserves			
Share capital	<i>12</i>	16,956,000	14,130,000
Reserves		<u>(18,741,027)</u>	<u>(17,770,053)</u>
Shareholders' funds		<u>(1,785,027)</u>	<u>(3,640,053)</u>
Net liabilities value per share	<i>15</i>	<u>(0.02)</u>	<u>(0.05)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Share option reserve <i>HK\$</i>	Warrant reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 31 March 2009 (Audited)	14,130,000	25,759,973	1,384,719	1,270,000	(41,388,259)	1,156,433
Loss for the six months ended 30 September 2009 (Unaudited)	-	-	-	-	(541,033)	(541,033)
At 30 September 2009 (Unaudited)	14,130,000	25,759,973	1,384,719	1,270,000	(41,929,292)	615,400
Loss for the six months ended 31 March 2010	-	-	-	-	(4,255,453)	(4,255,453)
At 31 March 2010 (Audited)	14,130,000	25,759,973	1,384,719	1,270,000	(46,184,745)	(3,640,053)
Reversal of unlisted warrants	-	-	-	(1,270,000)	1,270,000	-
Issue of shares	2,826,000	2,373,841	-	-	-	5,199,841
Issue of share option	-	-	1,312,758	-	-	1,312,758
Loss for the six months ended 30 September 2010 (Unaudited)	-	-	-	-	(4,657,573)	(4,657,573)
At 30 September 2010 (Unaudited)	16,956,000	28,133,814	2,697,477	-	(49,572,318)	(1,785,027)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	2010 HK\$ Unaudited	2009 HK\$ Unaudited
Net cash used in operating activities	(8,481,020)	(732,340)
Net cash generated from investing activities	1,422,433	81,745
Net cash generated from financing activities	7,628,566	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	569,979	(650,595)
CASH AND CASH EQUIVALENTS AT 1 APRIL	431,971	1,029,815
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	1,001,950	379,220
ANALYSIS OF THE BALANCES OF CASH		
Bank and cash balances	1,001,950	379,220

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 September 2010

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other applicable HKASs and Interpretations and the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial statements should be read in conjunction with the 2010 audited consolidated financial statements. The accounting policies and basis of preparation used in the preparation of condensed consolidated interim financial statements are consistent with those applied in the Group’s audited consolidated financial statements for the year ended 31 March 2010. The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values or revalued amounts, as appropriate.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Changes in accounting policy and disclosures

The Group has also adopted the following new and revised HKFRSs issued by the HKICPA. However, the adoption of these new and revised HKFRSs has had no material effect on these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009 (Issued in May 2009)	<i>Amendments to a number of HKFRSs*</i>

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

(b) **Issued but not yet effective Hong Kong Financial Reporting Standards**

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRSs Amendments	<i>Improvements to HKFRSs issued in 2010¹</i>
HKFRS 1 Amendment	<i>Limited Exemption of Comparative HKFRS 7 Disclosures for First-time Adopters²</i>
HKFRS 9	<i>Financial Instruments⁴</i>
HKAS 24 (Revised)	<i>Related Party Disclosures³</i>
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement³</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments²</i>

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

No analysis of the Group's turnover and contribution to operating profit for the period as set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding and all the consolidated turnover and the consolidated results of the Group are attributable to the markets in Hong Kong.

4. REVENUE

An analysis of revenue is as follows:

	2010	2009
	HK\$	HK\$
	Unaudited	Unaudited
Interest income	34	3
Dividend income from financial assets at fair value through profit or loss	109,641	81,742
	<u>109,675</u>	<u>81,745</u>

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the followings:

	2010 HK\$ Unaudited	2009 HK\$ Unaudited
Directors' remunerations		
– Fees	45,000	–
– Other remunerations	718,110	1,320,000
– Provident fund contributions	6,000	6,000
– Share based payment	1,312,758	–
Total directors' remunerations	<u>2,081,868</u>	<u>1,326,000</u>
Staff costs		
Salaries	642,500	655,333
Provident fund contributions	15,237	15,300
Total staff costs (excluding directors' remunerations)	<u>657,737</u>	<u>670,633</u>
Depreciation	4,084	85,249
Investment manager fee	–	14,411
Rent and rates	<u>1,241,889</u>	<u>1,051,698</u>

6. DIRECTORS' REMUNERATION

The summary of directors' remuneration is as follows:

For the six months ended 30 September 2010

	Directors' fee HK\$ Unaudited	Salaries, allowances and benefits in kind HK\$ Unaudited	Retirement scheme contributions HK\$ Unaudited	Share-based payments HK\$ Unaudited	Total HK\$ Unaudited
Executive directors	–	718,110	6,000	1,312,758	2,036,868
Independent non-executive directors	45,000	–	–	–	45,000
	<u>45,000</u>	<u>718,110</u>	<u>6,000</u>	<u>1,312,758</u>	<u>2,081,868</u>

For the six months ended 30 September 2009

	Directors' fee	Salaries, allowances and benefits in kind	Retirement scheme contributions	Share-based payments	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Executive directors	–	1,320,000	6,000	–	1,326,000
Independent non-executive directors	–	–	–	–	–
	–	1,320,000	6,000	–	1,326,000

7. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits. (2009: No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit.)

8. DIVIDENDS

The Board does not recommend the payment of any interim dividends for the six months ended 30 September 2010 (2009: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to ordinary equity holders of the Company for the period under review of HK\$4,657,573 (2009: HK\$541,033) and the weighted average of 84,780,000 (2009: 70,650,000) ordinary shares in issue during the period under review.

Diluted loss per share for the six months ended 30 September 2010 and 2009 was not disclosed as the effect of potential dilutive shares for both periods is not significant.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$</i>	Office equipment <i>HK\$</i>	Motor vehicle <i>HK\$</i>	Total <i>HK\$</i>
COST				
At 31 March 2010 and 1 April 2010	247,685	40,840	384,864	673,389
Additions	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 September 2010	<u>247,685</u>	<u>40,840</u>	<u>384,864</u>	<u>673,389</u>
DEPRECIATION AND IMPAIRMENT				
At 1 April 2009	175,444	10,770	355,999	542,213
Depreciation for the year	<u>72,241</u>	<u>8,169</u>	<u>28,865</u>	<u>109,275</u>
At 31 March 2010 and 1 April 2010	247,685	18,939	384,864	651,488
Depreciation for the period	<u>–</u>	<u>4,084</u>	<u>–</u>	<u>4,084</u>
At 30 September 2010	<u>247,685</u>	<u>23,023</u>	<u>384,864</u>	<u>655,572</u>
NET BOOK VALUE				
At 30 September 2010	<u>–</u>	<u>17,817</u>	<u>–</u>	<u>17,817</u>
At 31 March 2010	<u>–</u>	<u>21,901</u>	<u>–</u>	<u>21,901</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2010 <i>HK\$</i> Unaudited	31 March 2010 <i>HK\$</i> Audited
Financial assets at fair value through profit or loss:		
Listed in Hong Kong	<u>7,070,070</u>	<u>7,691,390</u>
Market value of listed financial assets at fair value through profit or loss	<u>7,070,070</u>	<u>7,691,390</u>

12. SHARE CAPITAL

	<i>Note</i>	Number of ordinary HK\$0.20 each	<i>HK\$</i>
Authorised:			
At 31 March 2010, 31 March 2009, 31 March 2008		100,000,000	20,000,000
Increased the authorised share	<i>a</i>	<u>5,900,000,000</u>	<u>1,180,000,000</u>
At 30 September 2010		<u>6,000,000,000</u>	<u>1,200,000,000</u>
Issued and fully paid:			
At 31 March 2010, 31 March 2009, 31 March 2008		70,650,000	14,130,000
Placement of shares	<i>b</i>	<u>14,130,000</u>	<u>2,826,000</u>
At 30 September 2010		<u>84,780,000</u>	<u>16,956,000</u>

Note:

- (a) On 20 September 2010, the authorised share capital of the Company was increased from HK\$20,000,000 divided into 100,000,000 Shares to HK\$1,200,000,000 divided into 6,000,000,000 Shares by the creation of an additional 5,900,000,000 Shares which was approved by Shareholders in the AGM.
- (b) On 9 July 2010, the Company entered into a placing agreement with Friedmann Pacific Securities Limited to place a total of 14,130,000 shares of HK\$0.20 each in the share capital of the Company to not less than six independent investors at a price of HK\$0.368.

13. SHARE OPTIONS SCHEME

The Company's share option scheme ("Share Option Scheme") was adopted by an ordinary resolution of the Company on 31 August 2002 for the primary purpose of providing incentives to directors, eligible employees, advisers, consultants and business affiliates.

At 30 September 2010, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 14,000,000 (31 March 2010: 9,000,000) representing 16.51% (31 March 2010: 12.74%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under these schemes is not permitted to exceed 30% of the shares of the Company in issue.

The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

Details of the Company's Share Option Scheme are summarized as follow:

Date of grant	Note	Outstanding at 1/4/2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30/9/2010	Exercise period	Exercise price per share	Closing price of the Company's share immediately before the grant date
Category I:									
Directors									
5/11/2007		210,000	-	-	-	210,000	6/11/2007-5/11/2010	HK\$1.24	HK\$1.25
22/11/2007		7,000,000	-	-	-	7,000,000	22/11/2007-21/11/2017	HK\$1.082	HK\$1.04
20/9/2010	(a)	-	5,000,000	-	-	5,000,000	20/9/2010-2/8/2012	HK\$0.44	HK\$0.42
Category II:									
Employees									
5/11/2007		1,490,000	-	-	-	1,490,000	6/11/2007-5/11/2010	HK\$1.24	HK\$1.25
Category III:									
Consultant									
5/11/2007		300,000	-	-	-	300,000	6/11/2007-5/11/2010	HK\$1.24	HK\$1.25
		<u>9,000,000</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>14,000,000</u>			

Note:

- (a) At the AGM on 20 September 2010, the resolutions of the grant of 5,000,000 share options to Ms. ZHONG Hui under the share option scheme of the Company was approved by the shareholders of the Company.

Based on the Black Scholes option pricing model, the fair value of the Options granted on 5 November 2007, 22 November 2007 and 20 September 2010 are HK\$1.02, HK\$ 1.01 and HK\$0.26 respectively. However, since the valuation relies on subjective assumptions such as the estimated volatility of the Share price, the Black Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the Options. The volatility is measured at the standard deviation from the data of the share prices for not less than one year.

The assumptions used are as follows:

	2007/11/5	2007/11/22	2010/9/20
Risk Free Interest Rate	3.95%	4.85%	0.446%
Expected life	3	10	2
Standard Deviation	152%	151%	150%
Annualized Dividend Yield	0	0	0

14. WARRANTS

No warrants are outstanding at 30 September 2010 and its movements are as follows:

Date of grant	Note	Outstanding at 1/4/2010	Issued during the period	Exercised/ Lapsed during the period	Outstanding at 30/9/2010	Exercise period	Exercise price per share
27 September 2007	a	4,300,000	–	4,300,000	–	27/9/2007– 26/9/2010	HK\$0.70
30 April 2008	b	5,600,000	–	5,600,000	–	30/4/2008– 29/4/2010	HK\$0.60
		<u>9,900,000</u>	<u>–</u>	<u>9,900,000</u>	<u>–</u>		

Note:

- (a) On 27 September 2007, the Company placed a total of 4,800,000 unlisted warrants (“Warrants”) to certain independent third parties at an issue price of HK\$0.1 each of which 500,000 Warrants had been exercised and 500,000 new shares of the Company had been issued and allotted on 3 December 2007.
- (b) On 30 April 2008, the Company placed a total of 5,600,000 unlisted warrants (“Warrants”) to certain independent third parties at an issue price of HK\$0.15 each. No Warrants has been exercised during the six months ended 30 September 2009.

15. NET LIABILITIES VALUE PER SHARE

The calculation of net liabilities values per share is based on the net liabilities value of the Group as at 30 September 2010 of HK\$1,785,027 (31 March 2010: HK\$3,640,653) and 84,780,000 (31 March 2010: 70,650,000) ordinary shares in issue at that date.

16. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2010, the Group had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group’s business:

	2010	2009
	HK\$	HK\$
	Unaudited	Unaudited
Friedmann Pacific Asset Management Limited (<i>note a</i>) to which the following expenses were paid:		
Investment management fee (<i>note b</i>)	<u>–</u>	<u>14,411</u>

Notes:

- (a) At the end of 30 September 2010, Dr. POON Ho-man is a common director of Friedmann Pacific Asset Management Limited (“FPAML”) and the Company.

An executive director of the Company, Dr. POON Ho-man, has beneficial interests in FPAML at the end of the reporting period.

- (b) The Company entered into an investment management agreement with FPAML on 14 June 2005 for a period of one year with effect from 16 June 2005 which shall continue for successive periods of one year each unless terminated at any time by serving on the other party not less than three months prior notice in writing. FPAML was entitled to receive an investment management fee on a quarterly basis at a rate of 2% per annum of the net asset value of the Company as at the valuation date as defined in the agreement. FPAML was also entitled to receive an incentive fee at a rate of 10% of the surplus net asset of the Company as at the last valuation date in a financial year as defined in the agreement but the maximum aggregate annual value of the fee shall not be more than HK\$390,000.

17. COMMITMENTS

At the end of the reporting period, the Group had outstanding minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 September	31 March
	2010	2010
	HK\$	HK\$
	Unaudited	Audited
Within one year	–	1,238,680
In the second to fifth year inclusive	–	–
	<u>–</u>	<u>1,238,680</u>

Operating leases are negotiated and payments are fixed for an average of 2 years.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the period, the investment portfolio of the Group mainly comprises of listed securities in Hong Kong. As a whole, the portfolio was carefully managed and being fully diversified to minimize commercial risk resulting from over concentration of the investment of the Group in any single industry. The Group reported a net loss of HK\$4,657,573 for the period under review, comparing to the net loss of HK\$541,033 recorded for the corresponding period last year. The substantial increase in loss during the period was mainly due to the share based payment expense of HK\$1,312,758 for share option granted and less unrealized gain on financial asset.

Business Review

Financial markets in general continue to recover with threat from the European credit crisis and weakness of the US Economy. Prudent investment approach is adopted in order to minimize the market risk. Relying on careful target selection and prudent risk control, the Group has prudently managed its investment activities. Our major income is derived from net realised gain on disposal of financial assets at fair value through profit or loss and dividend income. Management continues to seek potential investment with good return.

Prospects

The first half of the year was a volatile period, dominated by the threat of a European credit crisis and the tightening of credit in the PRC. The Hang Seng Index generally recovered from the low of 18,985 in May to closing at 22,358 on 30 September 2010, 1,119 points up since 1 April 2010.

In view of the tug-of-war between the US and the PRC, the Group expects that the global financial market will continue to be volatile in the second half of the year. The Group will prudently manage its investment portfolio for the long-term benefit of its shareholders and capitalize on any investment opportunities arising.

Significant Investments

The investment portfolio of the Group mainly comprises of listed securities in Hong Kong. As a whole, the portfolio was carefully managed and being fully diversified to minimize commercial risk resulting from over concentration of the investment of the Group in any single industry.

During the period under review, the listed investment portfolio of the Group is focused on Hong Kong listed securities and covered various industry sectors. The total market value of the listed investment is approximately HK\$7,070,070.

Liquidity and Financial Resources

As at 30 September 2010, the Group had total assets of HK\$9,021,978 (31 March 2010: HK\$9,119,712) and, which was financed by current liabilities of HK\$246,275 (31 March 2010: HK\$4,627,760), and non-current liabilities of HK\$10,560,730 (31 March 2010: HK\$8,132,005).

Gearing Ratio

As at 30 September 2010, the amount of total liabilities was HK\$10,807,005 (31 March 2010: HK\$12,759,765). The gearing being equal to approximately 120% (31 March 2010: 140%) of the total assets of HK\$9,021,978 (31 March 2010: HK\$9,119,712).

Capital Structure

The Group completed a share placement on 9 July 2010 and allotted 14,130,000 new shares to not less than six independent investors, making the total number of issued share capital of the Group as at 30 September 2010 to 84,780,000.

On 20 September 2010, the authorised share capital of the Company was increased from HK\$20,000,000 divided into 100,000,000 Shares to HK\$1,200,000,000 divided into 6,000,000,000 Shares by the creation of an additional 5,900,000,000 Shares which was approved by Shareholders in the AGM.

Dividend

The Board has resolved not to recommend the payment of an interim dividend.

Capital commitment and contingent liabilities

As at 30 September 2010, the Group had no material capital commitment and contingent liabilities.

Foreign currency fluctuation

The Board believes that the foreign exchange risk is minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

Material Acquisition and Disposal of Subsidiary

No material acquisition or disposal of subsidiary had occurred during the current period.

Employees

As at 30 September 2010, the Company had retained four employees (2009: four employees). Total staff costs of the Company, including directors' remuneration, for the six months ended 30 September 2010 amounted to approximately HK\$2,740,000 (2009: HK\$1,997,000). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

Charges on Assets

Throughout the six months period ended 30 September 2010, assets of the Company were free from any form of legal charge.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2010, the interests and short positions of the directors and chief executives in the ordinary shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which they are deemed or taken to have under such provisions of the SFO)), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Directors	Number of shares of the Company	Number of underlying shares of the Company	Total	Approximate percentage of shareholding
Dr. Poon Ho-man	12,940,000 <i>(Note 1)</i>	7,070,000 <i>(Note 2)</i>	20,010,000	23.6%
Ha Tak-kong	–	70,000 <i>(Note 3)</i>	70,000	0.08%
Tong, I Tony	–	70,000 <i>(Note 3)</i>	70,000	0.08%
Peng Feng	–	70,000 <i>(Note 3)</i>	70,000	0.08%

Notes:

1. Dr. Poon Ho-man, an executive director of the Company, is deemed to be interested in these shares by virtue of his 100% interest in Planters Universal Limited, a company incorporated in the British Virgin Islands.
2. Dr. Poon Ho-man is interested in 7,000,000 share options conferring rights to subscribe for 7,000,000 shares of the Company. Save for which, Dr. Poon Ho-man is deemed to be interested in 70,000 share options held by his spouse, conferring rights to subscribe for 70,000 shares of the Company.
3. Each of Ha Tak-kong, Tong, I Tony and Peng Feng is interested in 70,000 share options conferring rights to subscribe for 70,000 shares of the Company.

Save as disclosed above, none of the directors and chief executives had any interests in equity or debt securities of the Company or of any of its associated corporations which were required to be notified to the Company and the Stock Exchange as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and neither the Directors nor any of their spouses or children under 18 years of age, had any right to subscribe for shares or debt securities of the Company, or had exercised any such rights during the period under review.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, to the best knowledge of the Board and the chief executives of the Company, the following persons, other than being directors or chief executives of the Company, had an interest or short position in 5% or more in the shares and underlying shares of the Company have notified the Company and being recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
Planters Universal Limited (Note 1)	Beneficial owner	12,940,000	15.26%
CHEN Jui-yang (Note 2)	Beneficial owner	7,000,000	8.26%
Linkasia Investment Limited (Note 3)	Beneficial owner	5,528,000	6.52%
BUDIMAN Leo (Note 3)	Interest in controlled corporation	5,528,000	6.52%

Notes:

1. Planters Universal Limited is beneficially interested in 12,940,000 shares of the Company as at 30 September 2010. The entire shares in Planters Universal Limited are beneficially owned by Dr. Poon Ho Man. The interests of Dr. Poon Ho Man in the Company are stated under the section headed "Directors' and Chief Executives' Interests in Equity or Debt Securities".
2. Mr. Chen Yui Yang, is interested in 7,000,000 shares as at 30 September 2010. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Chen Yui Yang has no relationship with any Directors, senior management or other substantial or controlling Shareholders.
3. To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, the 5,528,000 Shares are beneficially owned by Linkasia Investment Limited as at 30 September 2010. The entire shares in Linkasia Investment Limited are beneficially owned by Mr. Budiman Leo, an independent third party, and Mr. Budiman Leo is therefore deemed to be interested in 5,528,000 Shares.

Save as disclosed above, the Company had not been notified of any other person, not being a director or chief executive of the Company, who has interest or short positions in the shares of the Company representing 5% or more of the Company's issued share capital.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the period under review, neither the Company nor its subsidiary had purchased, sold or redeemed any of the Company's shares.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the Period, with deviations from code provisions A.2.1 to A.2.3, A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officers should be separate and should not be performed by the same individual.

No chairman or chief executive officer had been appointed by the Company during the period. This constitutes a deviation from the code provision A.2.1 to A.2.3 of the Code. In view of the simple structure of the Company, all significant decision making is carried out by all executive directors of the Company while the day-to-day investment decision is based on the professional recommendation of the investment manager. The Board considers that this structure will not impair the balance of power and authority between the management of the Board and the management of its business.

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 the 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 ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code on securities transactions by directors set out in Appendix 10 of the Listing Rules (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 2010.

BOARD OF DIRECTORS

As at the date of this report, the board of the Company consists of Mr. CHEN Yiquan, Mr. XIE Leshan and Mr. SEE Lee Seng, Reason as executive directors and Mr. HA Tak-kong, Mr. LO Chi Ming and Mr. LEUNG Kwong Kin as independent non-executive directors.

By Order of the Board of
GARRON INTERNATIONAL LIMITED
Mr. XIE Leshan
Executive Director

Hong Kong, 24 December 2010