

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2006
(Expressed in Renminbi Yuan)

	Share capital(undistributable)	Capital reserve - staff shares options issued	Capital reserve	Share premium	General reserve fund	Enterprise expansion fund	Retained earnings	Total
At 1 January 2006	1,445,503	6,817,880	63,159,023	319,456,274	64,798,942	9,867,952	294,708,709	760,254,283
Dividends declared	-	-	-	-	-	-	(60,211,644)	(60,211,644)
Shares issued under share option scheme	7,771	(1,492,324)	-	9,644,994	-	-	-	8,160,441
Equity settled share-based transaction	-	675,956	-	-	-	-	-	675,956
Profit for the period	-	-	-	-	-	-	100,843,826	100,843,826
At 30 June 2006	1,453,274	6,001,512	63,159,023	329,101,268	64,798,942	9,867,952	335,340,891	809,722,862
At 1 January 2005	1,442,185	4,162,988	63,159,023	315,414,137	47,405,244	9,867,952	235,322,386	676,773,915
Dividends declared	-	-	-	-	-	-	(47,533,797)	(47,533,797)
Shares issued under share option scheme	52	-	-	54,308	-	-	-	54,360
Equity settled share-based transaction	-	1,772,943	-	-	-	-	-	1,772,943
Profit for the period	-	-	-	-	-	-	66,595,215	66,595,215
At 30 June 2005	1,442,237	5,935,931	63,159,023	315,468,445	47,405,244	9,867,952	254,383,804	697,662,636

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in Renminbi Yuan)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" adopted by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements.

The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 18.

The financial information relating to the financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2006.

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

2. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises two principal business segments which are retail and original equipment manufacture ("OEM") respectively.

	Six months ended 30 June	
	2006	2005
Turnover		
Retail	363,887,110	283,894,090
OEM	40,082,199	72,673,144
Unallocated	13,128,054	26,584,301
Total	417,097,363	383,151,535
Segment result		
Retail	114,208,124	72,939,096
OEM	2,256,648	6,614,262
Total	116,464,772	79,553,358
Unallocated operating income and expenses	(11,205,842)	(8,999,436)
Profit from operations	105,258,930	70,553,922
Net finance income/(costs)	2,302,366	(1,981,678)
Income tax	(6,717,470)	(1,977,029)
Profit for the period	100,843,826	66,595,215

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal geographical areas, the PRC (other than Hong Kong), North America, Hong Kong and Europe. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Turnover		
the PRC	356,695,597	278,068,440
North America	42,261,803	81,072,104
Europe	10,948,450	18,185,341
Hong Kong	7,191,513	5,825,650
Total	417,097,363	383,151,535

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

3. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006	2005
(i) Net finance (income)/costs		
Interest income	(3,500,732)	(3,753,469)
Interest expense on bank advances repayable		
within five years	16,515	120,679
Bank charges	89,939	708,294
Net foreign exchange loss	1,091,912	4,906,174
Net finance (income)/costs	(2,302,366)	1,981,678
(ii) Other items		
Cost of inventories (note 9)	123,506,837	148,389,346
Auditors' remuneration-audit services	840,000	936,418
Loss on disposal of property, plant and equipment	6,325	-
Depreciation		
- owned fixed assets	16,620,944	13,075,460
- leased fixed assets	135,885	135,885
Amortisation		
- lease prepayments	86,365	86,365
- intangible assets	-	322,830
Operating leases charges in respect of properties		
- minimum lease payments	21,659,286	18,025,381
- contingent rents	76,289,274	55,983,095

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

4. Income tax expense

Income tax expense represents:

	Six months ended 30 June	
	2006	2005
Current period expense	16,764,292	10,681,275
Under provision in prior periods	-	154,570
Income tax refund	(9,388,235)	(7,010,682)
	7,376,057	3,825,163
Changes in deferred taxes	(658,587)	(1,848,134)
	6,717,470	1,977,029

Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in Bermuda. Also, certain subsidiaries located in foreign jurisdictions are not subject to any income tax in their local jurisdictions.

Provision for Hong Kong Profit Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits of a subsidiary in Hong Kong. No provision has been made for Hong Kong Profits Tax as there were no estimated Hong Kong assessable profits for the six months ended 30 June 2006 and 2005.

The Group's applicable tax rate represented the preferential PRC enterprise income tax of 15% applicable to companies located within special economic zones in the PRC.

Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries located in the PRC ("PRC subsidiaries") are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC Enterprise Income Tax at 50% of the applicable income tax rate for the following three years.

The Group was granted tax refund of RMB 9,388,235 during the six months ended 30 June 2006 (2005: RMB 7,010,682), pursuant to the relevant PRC tax law and regulations applicable to re-investment of profits earned.

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

5. Dividends

(a) Dividends payable to the equity shareholders of the Company attributable to the period

	Six months ended 30 June	
	2006	2005
Interim dividend proposed after the balance sheet date of RMB0.11 per share (2005: RMB0.075 per share)	60,225,579	40,744,489

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The calculation of interim dividend per share is based on 547,505,262 ordinary shares in issue as at 30 June 2006 (2005: 543,259,856 ordinary shares).

(b) Dividends payable to the equity shareholders of the Company attributable to the previous financial year, approved during the period

	Six months ended 30 June	
	2006	2005
Final dividend in respect of the financial year ended 31 December 2005 and approved during the period, of RMB 0.11 per share (year ended 31 December 2004: RMB0.0875 per share)	60,211,644	47,533,797

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the profit attributable to shareholders of RMB100,843,826 (2005: RMB66,595,215) and the weighted average number of 547,024,504 (2005: 543,242,833) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2006 is based on the profit attributable to shareholders of RMB100,843,826 (2005: RMB66,595,215) and the weighted average number of 554,452,864 (2005: 549,115,773) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme.

(c) Reconciliation

	Six months ended 30 June	
	2006	2005
	Number of shares	Number of shares
Weighted average number of ordinary shares at 30 June	547,024,504	543,242,833
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 15)	7,428,360	5,872,940
Weighted average number of ordinary shares (diluted) at 30 June	554,452,864	549,115,773

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

7. Related party transactions

(a) Transactions with a fellow subsidiary company

During the period, the Group entered into the following transactions with Ports International Retail Corporation ("PIRC"), a fellow subsidiary company.

	Six months ended 30 June	
	2006	2005
Sales of goods	3,703,764	2,981,990

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties, and in the ordinary course of business, and this has been confirmed by the independent non-executive directors.

(b) Transactions with key management personnel

	Six months ended 30 June	
	2006	2005
Short-term employee benefits	595,963	661,444
Post employment benefits	-	-
Equity compensation benefits	13,519	35,459

(c) The Group participates in a defined contribution plan managed by the local government authorities of Xiamen whereby the Group is required to contribute to the plan. The applicable rates of contribution are either 6% of the minimum salary level of employees in Xiamen or 14% (2005: 14%) of the higher of the average salary of employees in Xiamen and the individual basic salary of the Group's employees. The Group has no obligation for the payment of retirement benefits other than the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution plan as mentioned above. The MPF scheme is a defined contribution retirement scheme. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the scheme vest immediately.

The Group's contributions to post-employment benefit plans for the six-month period ended 30 June 2006 were RMB 1,409,881 (six-month period ended 30 June 2005: RMB 1,152,161).

As at 30 June 2006 and 31 December 2005, there was no material outstanding contribution to post-employment benefit plans.

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

8. Property, plant and equipment

	2006	2005 (Audited)
Cost:		
Balance at 1 January	205,370,106	136,968,487
Acquisitions for the period/year	22,741,115	76,119,747
Disposals for the period/year	(7,450,359)	(7,718,128)
Balance at 30 June/31 December	220,660,862	205,370,106
Depreciation:		
Balance at 1 January	66,596,220	46,208,640
Depreciation charge for the period/year	16,756,829	27,745,318
Disposals for the period/year	(7,254,164)	(7,357,738)
Balance at 30 June/31 December	76,098,885	66,596,220
Net book value:		
At 30 June/31 December	144,561,977	138,773,886

9. Inventories

Inventories comprise:	30 June 2006	31 December 2005 (Audited)
Raw materials	88,062,814	69,842,374
Work in progress	31,709,969	21,683,430
Finished goods	187,544,479	160,600,846
Goods in transit	592,943	2,189,720
	307,910,205	254,316,370

The analysis of the amount of inventories recognized as an expense is as follows:

	Six months ended 30 June	
	2006	2005
Cost of sales	106,679,014	134,117,145
Stock provision	16,827,823	14,272,201
	123,506,837	148,389,346

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

10. Trade and other receivables, deposits and prepayments

	30 June 2006	31 December 2005 (Audited)
Accounts receivable (note (i) below)	90,523,164	100,589,405
Amount due from a related company (note 13)	602,677	9,869,350
Advances to suppliers	12,380,518	10,783,203
Other receivables, deposits and prepayments	42,761,495	35,905,774
	146,267,854	157,147,732

(i) An ageing analysis of accounts receivable (net of provisions for bad and doubtful debts) is as follows:

	30 June 2006	31 December 2005 (Audited)
Invoice date:		
Within 1 month	71,481,805	85,352,654
Over 1 month but less than 3 months	16,271,953	14,908,656
Over 3 months but less than 6 months	2,769,406	275,938
Over 6 months but less than 12 months	-	52,157
	90,523,164	100,589,405

Customers are normally granted credit terms of 0 to 60 days, depending on the credit worthiness of individual customers.

11. Cash and cash equivalents

An analysis of the balance of cash and cash equivalents is set out below:

	30 June 2006	31 December 2005 (Audited)
Cash at bank and on hand	171,895,399	111,187,417
Time deposits with banks	17,995,600	104,920,008
	189,890,999	216,107,425

Fixed deposits with banks included in cash and cash equivalents are within three months of maturity at acquisition.

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

12. Trade payables, other payables and accruals

	30 June 2006	31 December 2005 (Audited)
Accounts payable (note (i) below)	62,998,862	61,654,010
Other creditors and accruals	59,870,403	72,657,452
Amounts due to related companies (note 13)	-	7,006,534
	<u>122,869,265</u>	<u>141,317,996</u>

(i) An ageing analysis of accounts payable is as follows:

	30 June 2006	31 December 2005 (Audited)
Within 1 month or on demand	36,058,094	33,467,489
Over 1 month but less than 3 months	18,276,128	19,113,435
Over 3 months but less than 6 months	8,242,564	8,919,725
Over 6 months but less than 12 months	422,076	153,361
	<u>62,998,862</u>	<u>61,654,010</u>

13. Amount due from/to related companies

	30 June 2006	31 December 2005 (Audited)
Amount due from		
PIRC	602,677	9,869,350
Amount due to		
CFS International Incorporated	-	649,147
PIHK Limited	-	6,357,387

The amounts due from/to related companies are unsecured, interest free and have no fixed repayment terms. The balance arises from the related party transactions is disclosed in note 7.

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

14. Share capital

(i) Authorised and issued share capital

	30 June 2006		31 December 2005	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Authorised:				
Ordinary shares of HK\$0.0025 each	3,600,000,000	9,000,000	3,600,000,000	9,000,000
	<u>3,600,000,000</u>	<u>9,000,000</u>	<u>3,600,000,000</u>	<u>9,000,000</u>
Issued and fully paid:				
At beginning of the period/year	544,513,096	1,361,283	543,240,000	1,358,100
Shares issued under share option scheme	2,992,166	7,480	1,273,096	3,183
At end of period/year	<u>547,505,262</u>	<u>1,368,763</u>	<u>544,513,096</u>	<u>1,361,283</u>
		RMB equivalent		RMB equivalent
		<u>1,453,274</u>		<u>1,445,503</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

All ordinary shares, rank equally with regard to the Company's residual assets.

(ii) Shares issued under share option scheme

In 2006, 2,992,166 ordinary shares of HK\$0.0025 each of the Company were issued for a total cash consideration of HK\$7,480 (equivalent to RMB7,771) before the related issue expenses as certain share options were exercised by the holders pursuant to the share option scheme adopted by the Company. Details of the share option scheme are disclosed in note 15.

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

15. Equity settled share-based transactions

The Company adopted a share option scheme pursuant to the resolutions of the shareholders of the Company passed on 14 October 2003. On 3 November 2003, under the terms of the share option scheme, the Company granted 3,500,000 share options to certain employees and directors of the Group to subscribe for 3,500,000 ordinary shares at a price of HK\$10.50 per share. The options vest as to one-third on each of the first, second and third anniversary dates of the offer and are exercisable for a period commencing 3 November 2003 to 2 November 2013. As a result of the shares subdivision effected in November 2004, the share options were adjusted to enable employees and directors to subscribe for 14,000,000 ordinary shares at a price of HK\$2.625 per share.

Movement in shares involved in the options is as follows:

	2006		2005	
	Weighted average exercise price	Number of shares involved in the options	Weighted average exercise price	Number of shares involved in the options
At beginning of period/year	HK\$2.625	12,453,339	HK\$2.625	13,940,800
Exercised	HK\$2.625	(2,992,166)	HK\$2.625	(1,273,096)
Cancelled	HK\$2.625	(70,192)	HK\$2.625	(214,365)
At end of period/year	HK\$2.625	9,390,981	HK\$2.625	12,453,339
Options vested at end of period/year	HK\$2.625	4,927,934	HK\$2.625	7,921,406

No option had been granted to the directors of the Company and employees of the Group during the six months ended 30 June 2006 (2005: nil). Share options involving a total number of 70,192 ordinary shares (2005: 214,365) previously granted to certain employees of the Company were cancelled during the six months ended 30 June 2006.

During six months ended 30 June 2006, the employees of the Group exercised options relating to one-third fraction which vested on 3 November 2004 and 3 November 2005 to subscribe for 2,992,166 ordinary shares (2005: 1,273,096 ordinary shares) of the Company. None of the directors of the Company exercised options during the period (2005: nil).

Details of share options exercised during the six months ended 30 June 2006 are as follows:

Grant date	Exercise price	Weighted average closing price per share of the share options exercised	Proceeds received	Number of shares involved in the options
3 November 2003	HK\$2.625	HK\$10.23	HK\$7,854,436	2,992,166

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

Fair value of shares involved in the options and assumptions

Fair value at grant date	HK\$12,400,000
Share price	HK\$3.45
Exercise price	HK\$2.625
Expected volatility	32%
Option life	10 years
Expected dividends	2.66%
Risk-free interest rate (based on Hongkong Exchange Fund Notes Rate)	3.885%

The basis of measuring fair value is consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2005.

16. United States Dollar amounts

The U.S. dollars figures shown in the consolidated income statements and the consolidated balance sheets are for information only. The consolidated income statement for the six months ended 30 June 2006 and the consolidated balance sheet as at 30 June 2006 are translated from Renminbi Yuan at RMB 7.9956=US\$1.00, the rate ruling at 30 June 2006. The consolidated income statement for the six months ended 30 June 2005 and the consolidated balance sheet as at 31 December 2005 are translated from Renminbi Yuan at RMB8.2765= US\$1.00 and RMB8.0702=US\$1.00, the rates ruling at 30 June 2005 and 31 December 2005, respectively. These translations should not be construed as representations that the Renminbi amounts could actually be converted into U.S. dollars at such rates or at all.

17. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	30 June 2006	31 December 2005 (Audited)
Less than one year	43,876,347	53,770,854
Between one and five years	46,904,846	36,816,141
More than five years	-	192,065
	90,781,193	90,779,060

The leases run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent of a proportion of turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

Notes To The Unaudited Interim Financial Report
(Expressed in Renminbi Yuan)

18. Capital commitments

Capital commitments in respect of purchases of property, plant and equipment outstanding at 30 June 2006 and 31 December 2005 but not provided for in the interim financial report are as follows:

	30 June 2006	31 December 2005 (Audited)
Contracted for	2,665,117	3,133,066
Authorised but not contracted for	62,500,000	81,000,000
	65,165,117	84,133,066

19. Subsequent event

After the balance sheet date, the directors proposed interim dividend on 30 August 2006. Further details are disclosed in note 5.

20. Ultimate holding company

The directors consider the ultimate holding company at 30 June 2006 to be CFS International Incorporated, which is incorporated in Canada.

BMW Motorsport

Formula 1
BMW SauberF1
Team



Sheer
Driving Pleasure

