



CARICO HOLDINGS LIMITED 中汽資源投資有限公司*
(Incorporated in Bermuda with limited liability)

Stock Code : 729

INTERIM REPORT 2006



** For identification purposes only*

The board of directors (the "Board") of Carico Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2006. These interim financial statements have not been audited but have been reviewed by the Company's audit committee (the "Audit Committee") and the Company's independent auditors, CCIF CPA Limited in accordance with the Statement of Auditing Standards ("SAS") 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

TO THE BOARD OF DIRECTORS OF CARICO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 2 to 17.

Respective Responsibilities of Directors and Auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors of the Company.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review Work Performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 15 December 2006

Choi Man On

Practicing Certificate Number P02410

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2006

	Note	Six months ended	
		30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) HK\$'000 (Restated)
Continuing operations			
Turnover		17,967	624
Cost of sales		(20,645)	(1,612)
Gross loss		(2,678)	(988)
Other net income		630	75
Administrative expenses		(15,969)	(14,288)
Loss from operation		(18,017)	(15,201)
Finance costs	3	(3)	(533)
Share of (loss)/profit of associates		(393)	300
Loss before taxation	4	(18,413)	(15,434)
Taxation	5	—	—
Loss from the continuing operations		(18,413)	(15,434)
Discontinued operation			
Loss from discontinued operation	13	(50)	(15,155)
Loss for the period		(18,463)	(30,589)
Attributable to:			
Equity holders of the Company		(15,281)	(30,589)
Minority interests		(3,182)	—
		(18,463)	(30,589)
		HK\$	HK\$
Loss per share attributable to equity holders of the Company	6		
From continuing and discontinued operations			
— Basic		(0.0168)	(0.158)
— Diluted		N/A	N/A
From continuing operations			
— Basic		(0.0167)	(0.0798)
— Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Note	30.9.2006 (unaudited) HK\$'000	31.3.2006 (audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	10,354	9,960
Goodwill		2,464	816
Interests in associates		—	393
Available-for-sale financial assets	9	13,280	—
		26,098	11,169
Current assets			
Inventories		6,717	10,039
Amounts due from related companies		57	48
Financial assets at fair value through profit or loss	10	2,832	—
Trade and other receivables	11	18,628	26,134
Client trust bank balances		957	—
Cash and bank balances		110,925	32,543
		140,116	68,764
LIABILITIES			
Current liabilities			
Trade and other payables	12	10,168	5,052
Net current assets		129,948	63,712
NET ASSETS		156,046	74,881
CAPITAL AND RESERVES			
Share capital	15	16,591	8,289
Reserves		132,651	56,606
Equity attributable to equity holders of the Company		149,242	64,895
Minority interests		6,804	9,986
TOTAL EQUITY		156,046	74,881

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2006

	Unaudited										
	Attributable to equity holders of the Company										
	Share capital	Share premium	Exchange reserve	Contributed surplus	Capital redemption reserve	Enterprises development reserve	Share option reserve	Accumulated losses	Total	Minority interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	8,289	66,299	241	15,506	1,868	803	2,956	(31,067)	64,895	9,986	74,881
Issue of new shares	8,302	91,331	—	—	—	—	—	—	99,633	—	99,633
Exchange difference on translation of the financial statements of foreign subsidiaries	—	—	(5)	—	—	—	—	—	(5)	—	(5)
Loss for the period	—	—	—	—	—	—	—	(15,281)	(15,281)	(3,182)	(18,463)
At 30 September 2006	16,591	157,630	236	15,506	1,868	803	2,956	(46,348)	149,242	6,804	156,046
At 1 April 2005	17,272	22,435	235	58,685	1,868	803	—	(38,195)	63,103	1,361	64,464
Issue of new shares	3,450	10,350	—	—	—	—	—	—	13,800	—	13,800
Capital reduction	(18,650)	—	—	18,650	—	—	—	—	—	—	—
Cancellation of share premium	—	(22,435)	—	22,435	—	—	—	—	—	—	—
Transfer	—	—	—	(84,264)	—	—	—	84,264	—	—	—
Loss for the period	—	—	—	—	—	—	—	(30,589)	(30,589)	—	(30,589)
At 30 September 2005	2,072	10,350	235	15,506	1,868	803	—	15,480	46,314	1,361	47,675

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 September 2006

	Six months ended	
	30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) HK\$'000
Net cash used in operating activities	(3,893)	(16,018)
Net cash (used in)/generated from investing activities	(17,358)	4,544
Net cash generated from financing activities	99,633	8,667
Net increase/(decrease) in cash and cash equivalents	78,382	(2,807)
Cash and cash equivalents at 1 April	32,543	3,505
Cash and cash equivalents at 30 September	110,925	698
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	110,925	698

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The interim financial statements are unaudited, condensed and have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 March 2006, except in relation to the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "new/revised HKFRSs"), which have become effective for accounting periods beginning on or after 1 January 2006, that are adopted for the first time for the current period's financial statements:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS - Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The adoption of the above new/revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

The following new/revised HKFRSs relevant to the Group's operations have been issued but are not effective for the periods beginning after 1 January 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures (effective from 1 January 2007)
HKFRS 7	Financial Instruments: Disclosures (effective from 1 January 2007)
HK(IFRIC) - Int 8	Scope of HKFRS 2 (effective from 1 May 2006)
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives (effective from 1 June 2006)
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment (effective from 1 November 2006)

2. TURNOVER AND SEGMENT INFORMATION

Segment information is presented by way of business segment as the primary segment reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments.

In the previous period, the Group was engaged in the businesses of manufacturing and trading of automotive components and trading of electronic components. In the current period, the Group has discontinued its operation in trading of electronic components and was engaged in the following new businesses:

- (a) the securities investment segment includes dealings in securities and disposals of investments;
- (b) the securities brokerage segment provides securities brokerage services;
- (c) the logistics business segment engages in the provision of logistics services; and
- (d) the "others" segment comprises principally the distribution of television programmes and other trading businesses.

An analysis of the Group's segment information by business segments are set out as follows:

	For the six months ended 30.9.2006							
	Continuing operations					Discontinued operation		Consolidated HK\$'000
	Manufacturing and trading of automotive components HK\$'000	Securities investment HK\$'000	Securities brokerage HK\$'000	Logistics HK\$'000	Others HK\$'000	Trading of electronic components HK\$'000		
Revenue	3,972	10,439	222	2,390	944	—	17,967	
Segment results	(6,769)	(106)	(1,067)	(553)	(305)	(50)	(8,850)	
Unallocated group expenses							(9,217)	
Loss from operation							(18,067)	
Finance costs							(3)	
Share of loss of associates							(393)	
Loss before taxation							(18,463)	
Taxation							—	
Loss for the period							(18,463)	

For the six months ended 30.9.2005

	Continuing operations					Discontinued operation	
	Manufacturing and trading of automotive components HK\$'000	Securities investment HK\$'000	Securities brokerage HK\$'000	Logistics HK\$'000	Others HK\$'000	Trading of electronic components HK\$'000	Consolidated HK\$'000
Revenue	624	—	—	—	—	15,172	15,796
Segment results	—	—	—	—	(1,019)	(15,155)	(16,174)
Unallocated group expenses							(14,182)
Loss from operation							(30,356)
Finance costs							(533)
Share of profit of associates							300
Loss before taxation							(30,589)
Taxation							—
Loss for the period							(30,589)

3. FINANCE COSTS

	Six months ended	
	30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) HK\$'000
Continuing operations		
Interest on shareholder's loan	—	528
Interest on convertible bonds	—	5
Interest on bank loans	3	—
	3	533

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	30.9.2006		30.9.2005		30.9.2006		30.9.2005	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Continuing operations		Discontinued operation		Consolidated			
Interest income	(573)	—	—	—	(573)	—	—	—
Cost of inventories sold	7,589	593	—	19,304	7,589	19,897	—	—
Depreciation	1,213	107	—	450	1,213	557	—	—
Impairment on trade receivables	—	—	—	4,484	—	4,484	—	—
Impairment on property, plant and equipment	—	—	—	3,150	—	3,150	—	—
Net realised (gain)/loss on disposal of:								
Listed financial assets at fair value through profit or loss	57	1,019	—	—	57	1,019	—	—
Unlisted available-for-sale financial assets	(2)	—	—	—	(2)	—	—	—
Net fair value loss on listed financial assets at fair value through profit or loss	20	—	—	—	20	—	—	—
(Gain)/loss on disposal of property, plant and equipment	(2)	—	27	—	25	—	—	—

5. TAXATION

No provision for Hong Kong profits tax and overseas tax in which the Group operates, have been made in the financial statements as the Group did not have any assessable profit derived from Hong Kong or any other jurisdictions for the period ended 30 September 2006 (2005: Nil).

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the period, if any. The taxation for other jurisdictions is calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions where applicable.

6. LOSS PER SHARE

(a) Basic loss per share

From continuing and discontinued operations

The basic loss per share is calculated based on (i) the consolidated loss attributable to equity holders of the Company of HK\$15,281,000 (2005: HK\$30,589,000) and on (ii) the weighted average number of 911,004,828 ordinary shares (2005: 193,455,422 shares) in issue during the six months period.

From continuing operations

The basic loss per share from continuing operations attributable to the equity holders of the Company is based on the following information:

	Six months ended	
	30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) HK\$'000
Loss for the period attributable to equity holders of the Company	15,281	30,589
Less: Loss for the period from discontinued operation	(50)	(15,155)
Loss for the purpose of basic loss per share from continuing operations	15,231	15,434

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

From discontinued operation

Basic loss per share for discontinued operation is HK\$0.00005 (2005: HK\$0.0783) which is calculated based on the loss for the period attributable to equity holders of the Company from discontinued operation of HK\$50,000 (2005: HK\$15,155,000). The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

(b) Diluted loss per share

No diluted loss per share is presented for the periods ended 30 September 2006 and 2005 as the share options outstanding during these periods had no dilutive effect on basic loss per share for these periods.

7. DIVIDENDS

The Board has resolved not to declare an interim dividend for the period (2005: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$1,699,000 (31.3.2006: HK\$ 3,083,000) on property, plant and equipment and also disposed of property, plant and equipment with aggregate net book value of approximately HK\$97,000 (31.3.2006: HK\$391,000).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.9.2006 (unaudited) HK\$'000	31.3.2006 (audited) HK\$'000
Unlisted securities, at cost	14,230	1,450
Less: Impairment loss	(950)	(1,450)
	13,280	—
Other unlisted investment, at cost	1,680	1,680
Less: Impairment loss	(1,680)	(1,680)
	—	—
	13,280	—

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.9.2006 (unaudited) HK\$'000	31.3.2006 (audited) HK\$'000
Held for trading:		
Equity securities listed in Hong Kong, at market value	2,832	—

11. TRADE AND OTHER RECEIVABLES

Included in the balances are trade receivables with an aged analysis as follows:

	30.9.2006 (unaudited) HK\$'000	31.3.2006 (audited) HK\$'000
Outstanding balances with ages:		
Repayable on demand	4,705	—
Within 3 months	1,831	1,786
4 to 6 months	528	—
Over 6 months	5,865	12,070
	12,929	13,856

Trading terms with customers are either on a cash basis or credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Except for receivables from securities brokerage business which are interest-bearing, the balances of trade receivables are non-interest bearing. The carrying amounts of receivables and deposits are approximate to their fair values.

12. TRADE AND OTHER PAYABLES

Included in the balances are trade payables with an aged analysis as follows:

	30.9.2006 (unaudited) HK\$'000	31.3.2006 (audited) HK\$'000
Outstanding balances with ages:		
Repayable on demand	5,494	—
Within 3 months	1,106	193
4 to 6 months	312	—
	6,912	193

The outstanding balances that are repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities brokerage business.

Except for certain client payables relating to cash balances held on trust for the customers in respect of the Group's securities brokerage business are interest-bearing, the balances of trade payables are non-interest bearing.

13. DISCONTINUED OPERATION

On 14 July 2006, the Group resolved to discontinue the business of trading of electronic components. The results are presented in the condensed interim financial statements as a discontinued operation.

An analysis of the results of the discontinued operation is as follows:

	Six months ended	
	30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) HK\$'000
Revenue	—	15,172
Expenses	(50)	(30,327)
Loss before taxation	(50)	(15,155)
Taxation	—	—
Loss from discontinued operation	(50)	(15,155)

The cash flows attributable to the discontinued operation are as follows:

	Six months ended	
	30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) HK\$'000
Net cash inflows from operating activities	6,200	29

14. BUSINESS COMBINATIONS

On 7 June 2006, the Group acquired the entire issued share capital of Infast Brokerage Limited, a company that engaged in the provision of securities brokerage services, for a cash consideration of approximately HK\$9,193,000, which gives rise to a goodwill amounted to approximately HK\$1,648,000.

The acquired business contributed revenue of HK\$222,000 and net loss of HK\$1,070,000 to the Group for the period from acquisition to 30 September 2006. If the acquisition had occurred on 1 April 2006, the acquired business would contribute revenue of HK\$481,000 and net loss of HK\$1,392,000 to the Group.

The calculation of goodwill is as follows:

	(unaudited) HK\$'000
Purchase consideration:	
— cash paid	8,890
— direct costs relating to the acquisition	303
Total purchase consideration	9,193
Fair value of net identifiable assets acquired	(7,545)
Goodwill	1,648

The major components of assets and liabilities arising from the acquisition are as follows:

	(unaudited) Fair value HK\$'000	(unaudited) Carrying value HK\$'000
Property, plant and equipment	5	5
Trade and other receivables	1,981	1,981
Client trust bank balances	414	414
Cash and bank balances	6,814	6,814
Trade and other payables	(1,669)	(1,669)
Net identifiable assets acquired	7,545	7,545

The goodwill is attributable to the future profitability expected to arise after its acquisition by the Group.

15. SHARE CAPITAL

	Note	30.9.2006		31.3.2006	
		(unaudited) No. of shares '000	(unaudited) Value HK\$'000	(audited) No. of shares '000	(audited) Value HK\$'000
Authorised:					
At the beginning of period/year					
Ordinary shares of HK\$0.01 each		50,000,000	500,000	50,000,000	500,000
Consolidation of every 10 shares into 1 share	(a)	—	—	(45,000,000)	(450,000)
		50,000,000	500,000	5,000,000	50,000
Cancellation of unissued shares	(b)	—	—	(4,792,782)	(47,927)
Increase in authorised share capital	(c)	—	—	49,792,782	497,927
At the end of period/year					
Ordinary shares of HK\$0.01 each		50,000,000	500,000	50,000,000	500,000
Issued and fully paid:					
At the beginning of period/year					
Ordinary shares of HK\$0.01 each		828,871	8,289	1,727,177	17,272
Issue of new shares pursuant to share placement	(d)	—	—	345,000	3,450
Consolidation of every 10 shares into 1 share	(a)	—	—	(1,864,959)	—
Capital reduction	(b)	—	—	—	(18,650)
Issue of new shares pursuant to open offer	(d)	829,551	8,295	621,653	6,217
Exercise of share options	(e)	680	7	—	—
At the end of period/year					
Ordinary shares of HK\$0.01 each		1,659,102	16,591	828,871	8,289

Notes:

(a) Share consolidation

By a resolution passed at the special general meeting of the Company held on 23 September 2005, the authorised and issued share capital of the Company had been consolidated for every ten ordinary shares of HK\$0.01 each into one ordinary share of HK\$0.1 each ("Consolidated Share").

(b) Capital reorganisation

By a resolution passed at the special general meeting of the Company held on 23 September 2005, it was resolved that with effect from 26 September 2005:

- (1) the nominal value of the Consolidated Shares in issue was reduced from HK\$0.10 each to HK\$0.01 each by canceling the issued share capital to the extent of HK\$0.09 paid up on each of the issued Consolidated Shares ("Capital Reduction");
- (2) all of the authorised but unissued share capital of the Company was cancelled and subsequently the authorised share capital increased to the original authorised share capital of HK\$500,000,000 by the creation of such number of the new shares of HK\$0.01 each taking into account the number of issued new shares ranking pari passu with the then existing shares of the Company;
- (3) credit arising from the Capital Reduction was entirely transferred to the contributed surplus account of the Company;
- (4) the entire amount standing to the credit of the shares premium account of the Company as at 31 March 2005 was cancelled ("Share Premium Reduction") and the credit arising from the Share Premium Reduction was entirely transferred to the contributed surplus account of the Company; and
- (5) an amount equivalent to the amount of the accumulated losses of the Company as at 31 March 2005 was applied from the contributed surplus account against such accumulated losses in full.

(c) Increase in authorised share capital

On 26 September 2005, the Company's authorised share capital increased to HK\$500,000,000 by the creation of additional 49,792,782,284 ordinary shares of HK\$0.01 each, ranking pari passu with the then existing shares of the Company.

(d) Subscriptions of new shares

On 13 June 2005, the Company issued 345,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.04 per share to not less than six independent investors, all ranking pari passu in all respects with the then existing shares of the Company.

On 25 October 2005, the Company issued 621,653,148 ordinary shares of HK\$0.01 each at the subscription price of HK\$0.10 per share pursuant to the open offer on the basis of three offer shares for every adjusted share held on 3 October 2005.

On 13 September 2006, the Company issued 829,550,864 ordinary shares of HK\$0.01 each at the subscription price of HK\$0.12 per share pursuant to the open offer on the basis of one offer share for every share held on 23 August 2006.

All the new ordinary shares issued during the period/year ranked pari passu in all respects with the then existing ordinary shares of the Company.

(e) **Exercise of share options**

During the period, options to subscribe for 680,000 ordinary shares in the Company were exercised. The net consideration was HK\$87,040 of which HK\$6,800 was credited to share capital and the balance of HK\$80,240 was credited to the share premium account.

All the new ordinary shares issued during the period ranked pari passu in all respects with the existing ordinary shares of the Company.

16. CAPITAL COMMITMENTS

	30.9.2006 (unaudited) HK\$'000	31.3.2006 (audited) HK\$'000
Capital commitments contracted but not provided for at the balance sheet date	1,560	8,860

17. SUBSEQUENT EVENTS

- (1) On 20 October 2006, options carrying the right to subscribe for 82,940,000 shares were granted to directors, employees, suppliers and advisers of the Group as means to provide incentives and rewards to the grantees for their contribution to the Group.
- (2) Further to a non-legally binding memorandum of understanding dated 24 May 2006 entered into between the Company and 江蘇松林汽車零部件有限公司 (Jiangsu Songlin Automobile Parts Co., Ltd.) ("Jiangsu Songlin") in relation to the proposed investments, a non-legally binding supplemental memorandum of understanding was entered into between the same parties on 23 November 2006 to extend (i) the latest date for entering into a formal agreement and a shareholders' agreement and (ii) the deadline for completing the due diligence on Jiangsu Songlin, in each case, to 23 February 2007.

18. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation. The reclassifications and restatements had no impact on the Group's result for the six months ended 30 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Owing to the contributions of new business segments developed over the past financial period, the Group's turnover for the six months ended 30 September 2006 amounted to approximately HK\$18 million. Approximately HK\$0.6 million turnover (excluding the turnover attributed to a discontinued operation — trading of electronic components amounted to HK\$15 million) was recorded in the corresponding period of 2005. Net loss for the period increased to approximately HK\$18 million from approximately HK\$15 million of the corresponding period in the previous year (excluding the loss attributed to a discontinued operation — trading of electronic components amounted to HK\$15 million). Basic loss per share from continuing and discontinued operations is HK\$0.0168 (2005: loss per share of HK\$0.158).

Considering the adverse business environment in the electronic components trading market to be persistent in the foreseeable future, the Group discontinued the electronic components trading business in July 2006 to conserve the financial resources for new business developments.

Through the dedication of our management, the Group has been in the right track of developing its core business units: Auto Parts, Logistics, Securities Brokerage and Securities Investment. It is expected that contributions from those business segments will increase steadily in the following financial years.

Objective

The objective of the Group is to establish a solid platform to invest in business sectors providing high potential growth within the Greater China region through acquisitions of projects with promising future. The ultimate goal is to continuously enhance shareholder's return by excellent management of the acquired projects and businesses.

Progress Achieved Over the Period

(1) *Auto Parts*

The Company, through its indirectly wholly-owned subsidiary, owns 53% of the issued share capital of Unicla International Limited ("UIL"). UIL is mainly engaged in investment, trading and manufacturing of compressor business. It has established a processing plant (the "Plant") in Dongguan, Guangdong Province, the People's Republic of China (the "PRC") for the manufacture of air-conditioning compressors for various types of vehicles.

During the period, the Plant commenced its trial operation. As soon as some of the technical and workstation streamlining works are completed, commercial production will be commenced. Compressors produced by the Plant are targeted at export with markets mainly in Australia, the United States (the "US"), Hong Kong and Europe.

UIL is currently the registered proprietor and beneficial owner of the trademarks of "Unicla" in 17 countries and the patents of "Unicla" products in Japan, Korea, Germany and the US.

(2) *Logistics*

The Group's logistics operation mainly provides cross-border logistics services to clients which are located in Hong Kong and the Pearl River Delta of the PRC. The operation owns a small fleet of trucks. Parallel with the "world's factory" status honored by the Pearl River Delta and the commencement of formal production of UIL, the scale of logistics operation is expected to expand steadily.

(3) *Securities Brokerage*

On 7 June 2006, the Company, through its indirectly wholly-owned subsidiary, completed the acquisition of the entire issued share capital of Infast Brokerage Limited ("Infast"). Infast provides stock brokerage services to individual and corporate clients. It is a licensed corporation which carries business in type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (the "SFO") and is an Exchange Participant and a holder of the Stock Exchange Trading Right.

Under the booming sentiment of Hong Kong stock market since June 2006, the turnover of clients' securities trading made through Infast increased by approximately 314% during the period from June to September, subsequent to the completion of acquisition by the Company.

(4) *Securities Investment*

In an effort to diversify the cyclical risk of auto parts industry and to utilise its idle financial resources more effectively, the Group has been engaging in securities investments. Such investments will be held for short-to-medium term capital appreciation. The Board believes that such business can lift shareholder's return by making profits under advantageous market conditions.

Corporate Activities Over the Period

(1) *Change of Board Composition*

On 9 May 2006, the Company announced that (i) Mr. Ryoji Furukawa was appointed non-executive Director and Chairman of the Company; (ii) Mr. Yip Chi Chiu was appointed executive Director and Deputy Chairman of the Company; (iii) Mr. Loo Chung Keung, Steve resigned from the position of Chairman of the Company but remained as an executive Director and was appointed the Managing Director of the Company; and (iv) Mr. Chan Wai Ming resigned from the position of Deputy Chairman of the Company but remained as an executive Director and Chief Executive Officer of the Company.

(2) *Open Offer*

On 7 June 2006, the Company proposed an open offer of new shares on the basis of one offer share for every share held on record date (the "Open Offer"), which was successfully completed on 12 September 2006. The net proceeds of the Open Offer amounting to HK\$96.5 million were intended to be used to finance the proposed investments (the "Proposed Investments") (further details of which are set out in the section headed "Proposed Investments" below) and for working capital and future investments purposes.

(3) *Proposed Investments*

The Proposed Investments refer to the proposed subscription of shares in 江蘇松林汽車零部件有限公司 (Jiangsu Songlin Automobile Parts Co., Ltd.) (“Jiangsu Songlin”). Pursuant to a non-legally binding memorandum of understanding dated 24 May 2006 (“MOU”) entered into between the Company and Jiangsu Songlin, the Company will subscribe for approximately 39.4% of the total registered capital of Jiangsu Songlin as enlarged by such subscription at a consideration of RMB65 million. Jiangsu Songlin is a company incorporated in the PRC with registered capital of RMB5.3 million. Pursuant to the business licence of Jiangsu Songlin, the business scope of which includes manufacturing and sale of automobile parts, agricultural machinery, engineering machinery, plant and machinery for environmental protection and electricity generating sets. As at 30 September 2006, the Company has yet to finish the due diligence and the negotiation of detailed terms of the Proposed Investments. Accordingly, the Proposed Investments may or may not be materialised.

Subsequent to the period, in view of the change in the composition of the Board in November 2006, the new Board may require more time to consider the Proposed Investments. At the same time, additional time is required for the Company to conduct due diligence on Jiangsu Songlin and for the new Board to negotiate the terms and conditions of a formal agreement and a shareholders’ agreement. For this reason, the Company and Jiangsu Songlin entered into a non-legally binding supplemental memorandum of understanding (the “Supplemental MOU”) on 23 November 2006. Pursuant to the Supplemental MOU, the Company and Jiangsu Songlin agreed to extend (i) the latest date for entering into a formal agreement and a shareholders’ agreement and (ii) the deadline for completing the due diligence on Jiangsu Songlin, in each case, from six months from the date of signing of the MOU (i.e. 23 November 2006) to nine months from the date of signing of the MOU (i.e. 23 February 2007).

Opportunities Arisen From the PRC Macro-Economic Policy

Setting out in the 11th Five-Year Guideline issued in 2005, the PRC government’s focus on exploring domestic demand will be another driving force of China’s economic growth. Consumption industries like automobile, auto parts, property, retail and finance hence are expected to become the sunrise industries during 2006-2010. Therefore, the Group will put more effort to identify investments in the aforementioned areas.

Prospects of the Group

Incorporating with strong background of strategic shareholders, strengthened balance sheet and cash inflow as well as management’s talent, the Board believes that the Group is on the right track to realise its business objective and will provide solid return in the coming few years. The prospects of the businesses of the Group are described in the following paragraphs.

(1) *Auto Parts*

"Unicla" is a renowned brand of automotive air conditioning compressor in Japan. Certain renowned multinational automobile manufacturers expressed interests in "Unicla" compressors after the site visits to the Plant. Given the premier quality of UIL's products and its internationally renowned brand name, it is expected that the number of automobile producers using UIL's products as components of their air conditioning systems will increase.

In order to further procure orders from international sizable customers, the Plant is planning to apply for the international quality certification such as ISO9000 and TS 16949. In addition, the Plant is installing Enterprise Resources Planning (ERP) system for facilitation of information exchange and hence promoting the production efficiency.

(2) *Securities Brokerage*

Infast is installing an internet trading platform for clients to purchase or sell stocks through internet which is available for computer network and wireless network. The system is stepping in the testing stage. In addition, Infast is also developing a trading system which can be used as an auxiliary analytical tool for stock and futures trading. The management believes that the launch of these two new services can provide added value to clients' decision-making. In the future, the Group will leverage on its professional strengths in securities industry and its extensive business network which gives the Group an opportunity to develop asset management business.

(3) *Other New Businesses in Research*

(i) *Biodiesel*

The PRC government introduced the Renewable Energy Law in January 2006, which encourages and supports the development of biodiesel as a renewable form of alternative energy and aims to generate 15% of total energy in the PRC from renewable sources by 2020. As a result, it is expected to see a significant growth in the demand for biodiesel in the PRC in the coming years. In the PRC, the biodiesel market is still in its infancy, and this presents the Group an opportunity to exploit the projected industry growth.

(ii) *PRC Property Development and Investments*

According to the National Bureau of Statistics of China, the PRC's urbanisation rate, i.e. the proportion of the population residing in urban areas, rose from approximately 29.0% in 1995 to approximately 43.0% in 2005. Increases in the urban population of the PRC will likely result in increases in demand for residential properties. The Board anticipated that sustainable high economic growth, emergence of the mortgage lending market and urbanisation, together with other government housing reform measures would continue to encourage private housing ownership in the PRC. Hence the PRC property development and investment sectors will provide enormous profitable opportunities for the Group to participate in.

Liquidity and Financial Resources

As at 30 September 2006, the Group had non-current assets of approximately HK\$26 million which mainly comprised fixed assets and available-for-sale financial assets, as compared with approximately HK\$11 million as at 31 March 2006 and current assets of approximately HK\$140 million (31 March 2006: approximately HK\$69 million) which mainly comprised inventories, receivables and cash and bank balances. In addition, the Group has no borrowings and is currently free from debts.

Foreign Exchange Exposure

The Group's sale transactions were mainly denominated in Hong Kong dollars and US dollars. Given that the exchange rate of Hong Kong dollars against US dollars has been and is likely to remain stable, the Board considers that the Group's risk on foreign exchange will remain minimal. However, as certain purchase transactions were denominated in Renminbi and Japanese Yen, the Group will closely monitor the currency exposures. When considered appropriate, the Group will hedge against currency exposure. The Group had no foreign exchange rate hedging arrangement during the period.

Charges on Group Assets and Contingent Liabilities

There was no charge on the Group's assets and the Group had no material contingent liabilities outstanding as at 30 September 2006 (31 March 2006: Nil). The Group had capital commitments amounting to approximately HK\$1.5 million as at 30 September 2006 (31 March 2006: approximately HK\$8.9 million).

Employees and Remuneration Policies

As at 30 September 2006, the Group had 43 employees in Hong Kong, 118 employees in the PRC and 4 employees in Japan respectively. The remuneration policies are subject to review by the Board with reference to market conditions and performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. It also provides provident fund scheme and labour insurance for employees in Japan. The Group has a share option scheme for the benefit of its directors and eligible employees of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the interests and short positions of the Directors and chief executive of the Company or their associates in the shares, the underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Notes	Capacity	Number of Shares interested	Number of underlying shares in respect of the options granted under the Share Option Scheme	Approximate percentage of issued share capital of the Company
Mr. Loo Chung Keung, Steve	1	Interest of a controlled corporation	328,000,000 (L) 246,960,000 (S)	Nil	19.77% (L) 14.89% (S)
Mr. Chan Wai Ming	1	Interest of a controlled corporation	328,000,000 (L) 246,960,000 (S)	Nil	19.77% (L) 14.89% (S)
Mr. Sun Yeung Yeung	2	Beneficial owner	Nil	4,613,579 (L)	0.28% (L)
Mr. Tung Tat Chiu, Michael	3	Beneficial owner	Nil	1,114,391 (L)	0.07% (L)

(L) denotes a long position

(S) denotes a short position

Notes:

- Star Metro Investments Limited is a company incorporated in the British Virgin Islands and owned as to 50% by Mr. Loo Chung Keung, Steve and as to 50% by Mr. Chan Wai Ming, both are executive Directors. Therefore, Mr. Loo Chung Keung, Steve and Mr. Chan Wai Ming are deemed to be interested in 328,000,000 shares in the Company (the "Shares") and short position in 246,960,000 Shares held by Star Metro Investments Limited.
- The options were granted to Mr. Sun Yeung Yeung to subscribe for Shares. The options were exercisable at HK\$0.11486 per share and will expire on 20 December 2015.
- The options were granted to Mr. Tung Tat Chiu, Michael to subscribe for Shares. The options were exercisable at HK\$0.11486 per share and will expire on 20 December 2015.

Save as disclosed above, as at 30 September 2006, none of the Directors or chief executive or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Other than the share option scheme adopted by the Company on 30 March 2004 (as amended by the addendum to the share option scheme adopted by the Company on 7 December 2005) (the "Share Option Scheme"), at no time during the six months ended 30 September 2006 has the Company or any of its subsidiaries, a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 September 2006, so far as is known to the Directors, the following persons, other than a Director or chief executive of the Company who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Note	Capacity	Number of Shares interested	Approximate percentage of issued share capital of the Company
Asset Managers Co., Ltd.	1	Interest of a controlled corporation	370,000,199 (L)	22.30% (L)
Star Metro Investments Limited		Beneficial owner	328,000,000 (L) 246,960,000 (S)	19.77% (L) 14.89% (S)
CITIC Group	2	Interest of a controlled corporation	166,400,000 (L)	10.03% (L)
Long Chart Investments Limited	3	Beneficial owner	246,960,000 (L)	14.89% (L)

(L) denotes a long position

(S) denotes a short position

Notes:

- The 370,000,199 Shares are directly held by Asset Managers (China) Fund Co., Ltd.. Asset Managers (China) Fund Co., Ltd. is owned as to 50% by Asset Managers (Asia) Company Limited and as to 50% by Asset Investors Co., Ltd.. Asset Managers (Asia) Company Limited is owned as to 70% by Red Rock Investment Co., Ltd. and as to 30% indirectly by Mr. Yip Chi Chiu, an executive Director. Asset Investors Co., Ltd. is owned as to 57.69% by Asset Managers Co., Ltd.

2. The 166,400,000 Shares are directly held by CITIC International Assets Management Limited which is a wholly owned subsidiary of CITIC International Financial Holdings Limited, the shares of which are listed on the Stock Exchange. CITIC International Financial Holdings Limited is owned as to 56% by CITIC Group.
3. Long Chart Investments Limited is owned as to 75% by Bi Xiaoqiong and as to 25% by Wang Yong.

Save as disclosed above, as at 30 September 2006, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

On 30 March 2004, the Share Option Scheme was approved and adopted by the shareholders of the Company with the purpose to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group, which will be effective for ten years until 29 March 2014.

There are no changes in any terms of the Share Option Scheme during the six months ended 30 September 2006. Detailed terms of the Share Option Scheme were disclosed in the 2006 annual report.

Details of the options and movements in such holdings during the six months ended 30 September 2006 are as follows:

Category of participants	Date of grant	Outstanding at 1 April 2006	Exercised during the period	Reclassified during the period (Note 2)	Effect of Open Offer (Note 3)	Lapsed during the period	Outstanding at 30 September 2006	Exercise period	Exercise price (Note 5) HK\$	Weighted average closing price of the Shares immediately before the exercise date	Market price of the Shares immediately before the dates on which the options were granted
										HK\$	HK\$
Directors	21/12/2005	13,420,000	—	(8,280,000)	587,970	—	5,727,970	21/12/2005-20/12/2015	0.11486	N/A (Note 9)	N/A
Employees	21/12/2005	23,040,000	(680,000) (Note 4)	—	2,557,785	(334,317) (Note 3)	24,583,468	21/12/2005-20/12/2015	0.11486	0.177	N/A
Suppliers	21/12/2005	21,500,000	—	—	2,459,410	—	23,959,410	21/12/2005-20/12/2015	0.11486	N/A (Note 9)	N/A
Others	21/12/2005	24,840,000	—	8,280,000	3,788,636	—	36,908,636	21/12/2005-20/12/2015	0.11486	N/A (Note 9)	N/A
Others	15/4/2004-31/12/2004	6,464,410	—	—	— (Note 6)	(6,464,410) (Note 6)	—	15/4/2004-24/6/2014	N/A	N/A	N/A
		89,264,410	(680,000)	—	9,393,801	(6,798,727)	91,179,484				

Notes:

- (1) The options granted must be taken up within 21 days from the date of grant, upon payment of the consideration of HK\$1 for each grant of option. The exercise period of the options is determinable by the Directors and may not expire later than ten years from the date of grant. The Share Option Scheme does not specify the requirement as to minimum period for which an option must be held.
- (2) Option to subscribe for 8,280,000 Shares were granted to Mr. Zu Yuan, a former executive Director. Mr. Zu Yuan resigned as an executive Director on 9 May 2006 but remained as a director of a subsidiary of the Company. His option to subscribe for Shares was categorised as "Others" from 9 May 2006.
- (3) Adjustment was made on 12 September 2006 to the exercise price and the number of options (the "Adjustment") upon completion of the Open Offer, further details of which are set out as below:

Adjustments to Option

Upon completion of the Open Offer on 12 September 2006, the number and the exercise price per Share of the option granted were adjusted as follows: —

Number of options before the Open Offer	Adjusted number of options after the Open Offer	Exercise price per Share before the Open Offer	Adjusted exercise price per Share after the Open Offer
82,120,000	91,513,801	HK\$0.128	HK\$0.11486

Option to subscribe for 334,317 Shares lapsed after the Adjustment. Therefore, as at 30 September 2006, option to subscribe for 91,179,484 Shares was outstanding.

- (4) Option to subscribe for 680,000 Shares was exercised before the Adjustment at the exercise price of HK\$0.128.
- (5) The exercise price represented the adjusted exercise price after the Open Offer.
- (6) Option to subscribe for 6,464,410 Shares lapsed before the Adjustment. Therefore, there is no effect of Open Offer.
- (7) There is no vesting period for the options.
- (8) No option was granted or cancelled during the period.
- (9) As the relevant options granted have not been exercised during the period, no price disclosure is applicable.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company is committed to maintain a high standard of corporate governance. The Board believes that sound corporate governance principles, increased transparency and independency of corporate operation and an effective shareholder communication mechanism will promote the growth of the Company and be in the best interest of its shareholders as a whole.

The Company applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. Save as disclosed below and after the amendment to the bye-laws of the Company (the "Bye-laws"), in the opinion of the Directors, the Company has fully complied with the Code throughout the six months ended 30 September 2006.

Code Provision A.4.1

This Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive Director Mr. Gouw Kar Yiu, Carl is not appointed on specific terms. Mr. Gouw Kar Yiu, Carl resigned on 9 May 2006.

Code Provision A.4.2

This Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In addition, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to original bye-law 99 of the Bye-laws, the Chairman and Managing Director of the Company are not subject to retirement by rotation.

According to original bye-law 102(B) of the Bye-laws, any director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting.

At the special general meeting of the Company held on 29 May 2006, a resolution was passed to amend the Bye-laws. Pursuant to the amended bye-law 99 of the Bye-laws, the Chairman and Managing Director of the Company are also subject to retirement by rotation and pursuant to the amended bye-law 102(B) of the Bye-laws, a director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and shall be eligible for re-election at that meeting.

Directors' Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions.

Following specific enquiry made with the Directors, the Company confirmed that each of the Directors has complied with the required standard set out in the Model Code regarding securities transactions during the six months ended 30 September 2006.

Audit Committee

Written terms of reference of the Audit Committee has been adopted by the Board.

The principal roles and functions of the Audit Committee include making recommendations to the Board on the appointment and removal of external auditors and approval of their terms of engagement, reviewing and monitoring external auditors' independence and effectiveness of audit process, reviewing the financial information of the Company and overseeing the Company's financial reporting system and internal control procedures. The Audit Committee presently comprises four independent non-executive Directors.

The unaudited consolidated results of the Group for the six months ended 30 September 2006 and the interim report have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

By Order of the Board
Yip Chi Chiu
Deputy Chairman

Hong Kong, 15 December 2006

*As at the date of this report, the Board comprises Mr. Ryoji Furukawa# (Chairman), Mr. Yip Chi Chiu** (Deputy Chairman), Mr. Lo Wing Yat**, Mr. Chan Wai Ming** (Chief Executive Officer), Mr. Loo Chung Keung, Steve** (Chief Operating Officer), Mr. Leung Chung Tak, Barry** (Chief Project Officer), Mr. Chak Chi Man#, Mr. Ryuichi Tanabe#, Mr. Takehiko Wakayama#, Mr. Pang Chun Sing##, Mr. Chan Chun Wai##, Mr. Sit Fung Shuen, Victor## and Mr. Chan Yuk Tong##.*

** executive Directors
non-executive Directors
independent non-executive Directors