

COMPANY REGISTRATION NUMBER 3906016

Reece Cycles plc
Financial Statements
For The Year Ended
30 June 2006



HAINES WATTS
Chartered Accountants & Registered Auditors
Sterling House
71 Francis Road
Edgbaston
Birmingham
B16 8SP

Reece Cycles plc

Financial Statements

Year Ended 30 June 2006

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Reece Cycles plc

Officers and Professional Advisers

The Board of Directors	Cheng Min Yeh Chen Yi Yeh Say Kar Chu
Company Secretary	Say Kar Chu
Registered Office	100 Alcester Street Birmingham West Midlands B12 0QB
Auditor	Haines Watts Chartered Accountants & Registered Auditors Sterling House 71 Francis Road Edgbaston Birmingham B16 8SP
Bankers	Lloyds Bank Plc PO Box 908 1 Cornwall Street Birmingham B3 2DS
Solicitors	Lee Crowder 39 Newhall Street Birmingham B3 3DY

Reece Cycles plc

The Directors' Report

Year Ended 30 June 2006

The directors present their report and the financial statements of the company for the year ended 30 June 2006.

Principal Activities and Business Review

The principal activity of the company during the year was the sale of bicycles and accessories.

Despite difficult trading conditions, we are pleased to report continuing improvement in trading profitability. Increase in our gross profit was attributed to the increase in selling prices and volume sold.

Higher costs in raw materials, distribution and administration costs remain major factors affecting our net profit, despite growth in this area.

The market conditions remain difficult despite the industry losing several distributors. We remain committed to our independent dealers and the close relationship we have with them has helped us to achieve our financial yardstick. We are optimistic that the company will continue to build on the relationship with our dealers and on the product range that will cater to our dealers' needs.

Results and Dividends

The profit for the year, after taxation, amounted to £175,457. The directors have not recommended a dividend.

The Directors and their Interests in the Shares of the Company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 30 June 2006	At 1 July 2005
Cheng Min Yeh	550,000	550,000
Chen Yi Yeh	350,000	350,000
Say Kar Chu	50,000	50,000

Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 9 to 10, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Reece Cycles plc

The Directors' Report *(continued)*

Year Ended 30 June 2006

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware; and

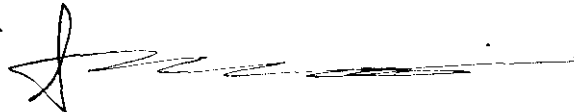
the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

A resolution to re-appoint Haines Watts as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
100 Alcester Street
Birmingham
West Midlands
B12 0QB

Signed on behalf of the directors



Cheng Min Yeh

Director

Approved by the directors on 8/1/07

Reece Cycles plc

Independent Auditor's Report to the Shareholders of Reece Cycles PLC *(continued)*

Year Ended 30 June 2006

We have audited the financial statements of Reece Cycles PLC for the year ended 30 June 2006 on pages 6 to 17 which have been prepared on the basis of the accounting policies set out on pages 9 to 10.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Reece Cycles plc

Independent Auditor's Report to the Shareholders of Reece Cycles PLC *(continued)*

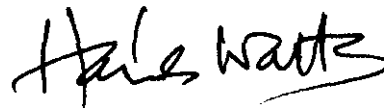
Year Ended 30 June 2006

Opinion

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the Directors' Report is consistent with the financial statements for the year ended 30 June 2006.



HAINES WATTS
Chartered Accountants
& Registered Auditors

Sterling House
71 Francis Road
Edgbaston
Birmingham
B16 8SP

8th January 2007

Reece Cycles plc

Profit and Loss Account

Year Ended 30 June 2006

	Note	2006 £	2005 £
Turnover	2	4,847,678	4,660,579
Cost of sales		<u>2,896,204</u>	<u>2,870,076</u>
Gross Profit		1,951,474	1,790,503
Distribution costs		298,196	314,349
Administrative expenses		<u>1,250,026</u>	<u>1,258,087</u>
Operating Profit	3	403,252	218,067
Interest receivable	6	1,816	1,905
Interest payable and similar charges	7	(81,551)	(97,635)
Profit on Ordinary Activities Before Taxation		323,517	122,337
Tax on profit on ordinary activities	8	148,060	25,906
Retained Profit for the Financial Year		175,457	96,431
Balance brought forward		<u>(601,025)</u>	<u>(697,456)</u>
Balance carried forward		<u>(425,568)</u>	<u>(601,025)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 9 to 17 form part of these financial statements.

Reece Cycles plc

Balance Sheet

30 June 2006

	Note	2006 £	£	2005 £	£
Fixed Assets					
Tangible assets	9		911,956		992,335
Current Assets					
Stocks	10	1,287,251		1,173,147	
Debtors	11	1,259,725		1,099,315	
Cash at bank and in hand		128,274		84,445	
		<u>2,675,250</u>		<u>2,356,907</u>	
Creditors: Amounts Falling due Within One Year	12	<u>2,188,495</u>		<u>2,311,028</u>	
Net Current Assets			<u>486,755</u>		<u>45,879</u>
Total Assets Less Current Liabilities			<u>1,398,711</u>		<u>1,038,214</u>
Creditors: Amounts Falling due after More than One Year	13		<u>552,835</u>		<u>515,769</u>
			<u>845,876</u>		<u>522,445</u>
Provisions for Liabilities					
Deferred taxation	15		<u>147,974</u>		<u>-</u>
			<u>697,902</u>		<u>522,445</u>
Capital and Reserves					
Called-up equity share capital	18		1,000,000		1,000,000
Share premium account	19		123,470		123,470
Profit and loss account			(425,568)		(601,025)
Shareholders' Funds	20		<u>697,902</u>		<u>522,445</u>

These financial statements were approved by the directors on the 8/1/07..... and are signed on their behalf by:

Cheng Min Yeh
Director

Chen Yi Yeh
Director

The notes on pages 9 to 17 form part of these financial statements.

Reece Cycles plc

Cash Flow Statement

Year Ended 30 June 2006

	Note	2006 £	£	2005 £	£
Net Cash Inflow From Operating Activities	21		222,343		319,898
Returns on Investments and Servicing of Finance	21		(79,735)		(95,730)
Taxation	21		—		(25,906)
Capital Expenditure and Financial Investment	21		(329)		(43,554)
Cash Inflow Before Financing			142,279		154,708
Financing	21		(128,771)		(109,028)
Increase/(Decrease) in Cash	21		13,508		45,680

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 4% Straight Line
Fixtures & Fittings	- 3-5 years Straight Line
Motor Vehicles	- 3 years Straight Line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

1. Accounting Policies *(continued)*

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2006 £	2005 £
United Kingdom	<u>4,847,678</u>	<u>4,660,579</u>

3. Operating Profit

Operating profit is stated after charging/(crediting):

	2006 £	2005 £
Depreciation of owned fixed assets	67,407	72,978
Depreciation of assets held under hire purchase agreements	13,321	24,528
Profit on disposal of fixed assets	(20)	(2,800)
Auditor's remuneration - as auditor	10,139	15,332
Net profit on foreign currency translation	<u>(73,298)</u>	<u>(119,811)</u>

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

4. Particulars of Employees

The average number of staff employed by the company during the financial year amounted to:

	2006	2005
	No	No
Number of production staff	13	10
Number of administrative staff	15	17
	<u>28</u>	<u>27</u>

The aggregate payroll costs of the above were:

	2006	2005
	£	£
Wages and salaries	506,955	510,403
Social security costs	51,578	52,034
	<u>558,533</u>	<u>562,437</u>

5. Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2006	2005
	£	£
Emoluments receivable	<u>40,046</u>	<u>36,416</u>

6. Interest Receivable

	2006	2005
	£	£
Bank interest receivable	<u>1,816</u>	<u>1,905</u>

7. Interest Payable and Similar Charges

	2006	2005
	£	£
Interest payable on bank borrowing	51,922	61,488
Factor interest payable	25,867	29,508
Finance charges	3,762	3,377
Other interest paid	-	3,262
	<u>81,551</u>	<u>97,635</u>

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

8. Taxation on Ordinary Activities

	2006 £	2005 £
Current tax:		
UK Taxation		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2005 - 19%)	86	-
Foreign tax		
Current tax on income for the year	-	25,906
Total current tax	86	25,906
Deferred tax:		
Origination and reversal of timing differences	147,974	-
Tax on profit on ordinary activities	148,060	25,906

9. Tangible Fixed Assets

	Freehold Property £	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
At 1 July 2005	942,278	301,196	86,015	1,329,489
Additions	-	349	-	349
Disposals	-	(20,641)	-	(20,641)
At 30 June 2006	<u>942,278</u>	<u>280,904</u>	<u>86,015</u>	<u>1,309,197</u>
Depreciation				
At 1 July 2005	75,033	212,955	49,166	337,154
Charge for the year	24,492	33,111	23,125	80,728
On disposals	-	(20,641)	-	(20,641)
At 30 June 2006	<u>99,525</u>	<u>225,425</u>	<u>72,291</u>	<u>397,241</u>
Net Book Value				
At 30 June 2006	<u>842,753</u>	<u>55,479</u>	<u>13,724</u>	<u>911,956</u>
At 30 June 2005	<u>867,245</u>	<u>88,241</u>	<u>36,849</u>	<u>992,335</u>

Hire purchase agreements

Included within the net book value of £911,956 is £13,196 (2005 - £33,155) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £13,321 (2005 - £24,528).

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

10. Stocks

	2006 £	2005 £
Stock	<u>1,287,251</u>	<u>1,173,147</u>

11. Debtors

	2006 £	2005 £
Trade debtors	1,230,171	1,068,090
Other debtors	5,000	5,000
Prepayments and accrued income	24,554	26,225
	<u>1,259,725</u>	<u>1,099,315</u>

12. Creditors: Amounts Falling due Within One Year

	2006 £	2005 £
Bank loans and overdrafts	211,916	341,595
Trade creditors	383,929	343,103
Amounts owed to related undertakings	601,845	700,867
Other creditors including taxation and social security:		
Corporation tax	86	—
Other taxation and social security	28,036	38,336
Hire purchase agreements	25,206	31,043
Other creditors	596,179	478,267
Directors current accounts	316,200	359,797
	<u>2,163,397</u>	<u>2,293,008</u>
Accruals and deferred income	25,098	18,020
	<u>2,188,495</u>	<u>2,311,028</u>

Amounts due under hire purchase agreements are secured on the individual assets concerned.

Other creditors comprise amounts owed to the company's factoring agents, GMAC Commercial Finance. The amounts owed to GMAC are secured by a fixed charge on all purchased debts.

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

13. Creditors: Amounts Falling due after More than One Year

	2006 £	2005 £
Bank loans and overdrafts	547,778	501,111
Other creditors:		
Hire purchase agreements	5,057	14,658
	<u>552,835</u>	<u>515,769</u>

Medium term bank loans of £200,000 from Chang Hwa Commercial Bank Limited are repayable by quarterly installments of £10,000 from April 2004.

Long term bank loans of £574,444 from Chang Hwa Commercial Bank Limited are repayable by 108 equal installments of £6,111 per month until 15 April 2013.

The loans bear an interest rate of 2% p.a above inter bank base rate. The bank loan is secured by way of the following collaterals-

- 1) A debenture over all assets and undertakings;
- 2) First legal charges over company's freehold property;
- 3) Personal guarantee provided by company director Cheng Min Yeh;
- 4) A cross company guarantee by Jen Min Manufacturing Co. Limited.

14. Commitments under Hire Purchase Agreements

Future commitments under hire purchase agreements are as follows:

	2006 £	2005 £
Amounts payable within 1 year	25,206	31,043
Amounts payable between 1 and 2 years	5,057	14,658
	<u>30,263</u>	<u>45,701</u>

15. Deferred Taxation

The movement in the deferred taxation provision during the year was:

	2006 £	2005 £
Profit and loss account movement arising during the year	147,974	-
Provision carried forward	<u>147,974</u>	<u>-</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2006 £	2005 £
Excess of taxation allowances over depreciation on fixed assets	147,974	-
	<u>147,974</u>	<u>-</u>

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

16. Contingencies

Under the terms of the factoring agreement a debenture has been entered into by the company to identify any losses, liabilities, costs and expenses.

No further liabilities regarding the early termination of the contract are applicable.

17. Related Party Transactions

The company was under the control of Mr Cheng Min Yeh throughout the current and previous year. Mr Cheng Min Yeh is the chairman and majority shareholder.

During the year the company has entered into the following transactions with companies under the control of Mr Cheng Min Yeh -

- 1) Total purchases of goods for resale in the year amount to £2,092,082 (2005 - £2,013,748)
- 2) Total sales of goods for resale in the year amount to £575 (2005 - £Nil)

18. Share Capital

Authorised share capital:

	2006 £	2005 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2006 No	£	2005 No	£
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Equity shares				
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

19. Share Premium Account

There was no movement on the share premium account during the financial year.

20. Reconciliation of Movements in Shareholders' Funds

	2006 £	2005 £
Profit for the financial year	<u>175,457</u>	96,431
Opening shareholders' funds	<u>522,445</u>	<u>426,014</u>
Closing shareholders' funds	<u>697,902</u>	<u>522,445</u>

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

21. Notes to the Statement of Cash Flows

Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities

	2006 £	2005 £
Operating profit	403,252	218,067
Depreciation	80,728	97,506
Profit on disposal of fixed assets	(20)	(2,800)
(Increase)/decrease in stocks	(114,104)	124,854
(Increase)/decrease in debtors	(160,410)	254,210
Increase/(decrease) in creditors	12,897	(371,939)
Net cash inflow from operating activities	<u>222,343</u>	<u>319,898</u>

Returns on Investments and Servicing of Finance

	2006 £	2005 £
Interest received	1,816	1,905
Interest paid	(77,789)	(94,258)
Interest element of hire purchase	(3,762)	(3,377)
Net cash outflow from returns on investments and servicing of finance	<u>(79,735)</u>	<u>(95,730)</u>

Taxation

	2006 £	2005 £
Taxation	<u>-</u>	<u>(25,906)</u>

Capital Expenditure

	2006 £	2005 £
Payments to acquire tangible fixed assets	(349)	(46,654)
Receipts from sale of fixed assets	20	3,100
Net cash outflow from capital expenditure	<u>(329)</u>	<u>(43,554)</u>

Financing

	2006 £	2005 £
Repayment of bank loans	(113,333)	(113,333)
Capital element of hire purchase	(15,438)	4,305
Net cash outflow from financing	<u>(128,771)</u>	<u>(109,028)</u>

Reece Cycles plc

Notes to the Financial Statements

Year Ended 30 June 2006

21. Notes to the Statement of Cash Flows (continued)

Reconciliation of Net Cash Flow to Movement in Net Debt

	2006		2005	
	£	£	£	£
Increase/(decrease) in cash in the period	13,508		(39,552)	
Net cash outflow from bank loans	113,333		198,566	
Cash outflow in respect of hire purchase	15,438		(4,304)	
		142,279		154,710
Change in net debt		142,279		154,710
Net debt at 1 July 2005		(803,962)		(958,672)
Net debt at 30 June 2006		(661,683)		(803,962)

Analysis of Changes in Net Debt

	At 1 Jul 2005 £	Cash flows £	At 30 Jun 2006 £
Net cash:			
Cash in hand and at bank	84,445	43,829	128,274
Overdrafts	(68,262)	(30,321)	(98,583)
	16,183	13,508	29,691
Debt:			
Debt due within 1 year	(273,333)	160,000	(113,333)
Debt due after 1 year	(501,111)	(46,667)	(547,778)
Hire purchase agreements	(45,701)	15,438	(30,263)
	(820,145)	128,771	(691,374)
Net debt	(803,962)	142,279	(661,683)