

Company Registration No. 3906016 (England and Wales)

REECE CYCLES PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003



REECE CYCLES PLC

COMPANY INFORMATION

Directors	Cheng Min Yeh Chen Yi Yeh Say Kar Chu
Secretary	Say Kar Chu
Company number	3906016
Registered office	100 Alcester Street Birmingham West Midland B12 0QB
Auditors	Simmons Gainsford LLP 7/10 Chandos Street Cavendish Square London W1G 9DQ
Business address	100 Alcester Street Birmingham West Midland B12 0QB
Bankers	Lloyds TSB Commercial Birmingham City Centre P O Box 908 1 Cornwall Street Birmingham B3 2DS
Solicitors	Lee Crowder 39 Newhall Street Birmingham B3 3DY

REECE CYCLES PLC

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REECE CYCLES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

The directors present their report and financial statements for the year ended 30 June 2003.

Principal activities and review of the business

The principal activity of the company continued to be that of sales of bicycles and accessories

The past 12 months have been a busy time for Reece Cycles PLC. We have moved to a new and bigger premise whereby we now stored all our products in one location as opposed to several rented warehouses previously. We have lost a senior manager during the year. However we took the opportunity to restructure the management and it has paid off.

Growth has been satisfying at 28% from the previous year and we have also improved on our financial position with a net profit of £155,340 as opposed to a loss of £422,201 the previous year.

The improved performance is result of several decisions taken during the year. The improvement in our warranty services, better pricing and better delivery has resulted in improved sales volume all contributed to the improved performance.

We have successfully re-entered the market, we planned to build on the gains made. We will continue to work hand in hand our customers in the production of our products. Our reputation as a provider of good quality products at competitive prices is something which we are proud of and we will endeavour to continue in the same vein.

We foresee next year to be another big year for us as we planned to aggressively increase our share of the market. Having rebuilt the bicycles section reputation, we will now place more emphasis on the accessories section where the margins are better. We are reviewing our purchasing plans with better stocking levels and delivery plans and better range of accessories products.

With the measures already taken and to be taken, we foresee a bring year ahead.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 July 2002:

Cheng Min Yeh
Chen Yi Yeh
Say Kar Chu

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares of £ 1 each	
	30 June 2003	1 July 2002
Cheng Min Yeh	50,000	400,000
Chen Yi Yeh	350,000	50,000
Say Kar Chu	50,000	50,000

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Simmons Gainsford LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

REECE CYCLES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

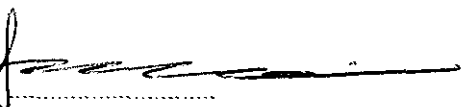
Directors' responsibilities

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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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. They 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.

On behalf of the board



Cheng Min Yeh

Director

20/11/2004

REECE CYCLES PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF REECE CYCLES PLC

We have audited the financial statements of Reece Cycles Plc on pages 4 to 14 for the year ended 30 June 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom Auditing Standards 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 considered the adequacy of the disclosure made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank loan facility. In view of the significance of this uncertainty we consider that it should be drawn to you attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Simmons Gainsford LLP

Chartered Accountants
Registered Auditor

26.01.2004

7/10 Chandos Street
Cavendish Square
London
W1G 9DQ

REECE CYCLES PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	2003 £	2002 £
Turnover	2	4,784,808	3,726,674
Cost of sales		(3,308,871)	(2,633,277)
Gross profit		1,475,937	1,093,397
Distribution costs		(285,324)	(301,954)
Administrative expenses		(864,818)	(1,178,216)
Operating profit/(loss)	3	325,795	(386,773)
Other interest receivable and similar income		853	532
Interest payable and similar charges	4	(171,308)	(35,960)
Profit/(loss) on ordinary activities before taxation		155,340	(422,201)
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(loss) on ordinary activities after taxation	12	155,340	(422,201)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

REECE CYCLES PLC

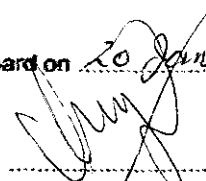
BALANCE SHEET AS AT 30 JUNE 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	6	1,067,340		980,096	
Current assets					
Stocks	7	668,617		727,390	
Debtors	8	1,261,018		1,089,927	
Cash at bank and in hand		39,249		1,332	
		<u>1,968,884</u>		<u>1,818,649</u>	
Creditors: amounts falling due within one year	9	<u>(2,412,318)</u>		<u>(2,744,685)</u>	
Net current liabilities			<u>(443,434)</u>		<u>(926,036)</u>
Total assets less current liabilities			<u>623,906</u>		<u>54,060</u>
Creditors: amounts falling due after more than one year	10		<u>(903,402)</u>		<u>(488,896)</u>
			<u>(279,496)</u>		<u>(434,836)</u>
Capital and reserves					
Called up share capital	11	500,000		500,000	
Other reserves	12	123,470		123,470	
Profit and loss account	12	(902,966)		(1,058,306)	
Shareholders' funds - equity interests	13	<u>(279,496)</u>		<u>(434,836)</u>	

The financial statements were approved by the Board on

20 January 2004


Cheng Min Yeh
Director


Chen Yi Yeh
Director

REECE CYCLES PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	2003		2002	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		278,508		(281,335)
Returns on investments and servicing of finance				
Interest received	853		532	
Interest paid	(171,308)		(35,960)	
Net cash outflow for returns on investments and servicing of finance		(170,455)		(35,428)
Capital expenditure				
Payments to acquire tangible assets	(212,811)		(930,132)	
Receipts from sales of tangible assets	37,574		5,000	
Net cash outflow for capital expenditure		(175,237)		(925,132)
Net cash outflow before management of liquid resources and financing		(67,184)		(1,241,895)
Financing				
Issue of ordinary share capital	-		400,000	
New long term bank loan	900,000		810,000	
Repayment of long term bank loan	(810,000)		-	
Capital element of finance lease contracts	21,064		(44,114)	
Net cash inflow from financing		111,064		1,165,886
Increase/(decrease) in cash in the year		43,880		(76,009)

REECE CYCLES PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

1	Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	2003	2002
		£	£
	Operating profit/(loss)	325,795	(386,773)
	Depreciation of tangible assets	116,272	78,449
	(Profit)/loss on disposal of tangible assets	(28,278)	2,640
	Decrease/(increase) in stocks	58,773	(121,986)
	Increase in debtors	(171,091)	(376,109)
	(Decrease)/Increase in creditors within one year	(22,963)	522,443
	Net cash inflow/(outflow) from operating activities	278,508	(281,336)

2	Analysis of net debt	1 July 2002	Cash flow	Other non-cash changes	30 June 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,332	37,917	-	39,249
	Bank overdrafts	(5,963)	5,963	-	-
		<u>(4,631)</u>	<u>43,880</u>	<u>-</u>	<u>39,249</u>
	Debt:				
	Finance leases	(17,172)	29,284	(50,349)	(38,237)
	Debts falling due within one year	(321,104)	308,882	-	(12,222)
	Debts falling due after one year	(488,896)	(398,882)	-	(887,778)
		<u>(827,172)</u>	<u>(60,716)</u>	<u>(50,349)</u>	<u>(938,237)</u>
	Net debt	(831,803)	(16,836)	(50,349)	(898,988)

3	Reconciliation of net cash flow to movement in net debt	2003	2002
		£	£
	Increase/(decrease) in cash in the year	43,880	(76,009)
	Cash inflow from increase in debt and lease financing	(60,716)	(765,886)
	Change in net debt resulting from cash flows	(16,836)	(841,895)
	New finance lease	(50,349)	-
	Movement in net debt in the year	(67,185)	(841,895)
	Opening net (debt)/funds	(831,803)	10,092
	Closing net debt	(898,988)	(831,803)

REECE CYCLES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis on the assumption that the banking facilities will continue to be made available in the foreseeable future.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	4% straight line on building
Fixtures, fittings & equipment	Straight line over 3 to 5 years
Motor vehicles	Straight over 3 years

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

Geographical market

	Turnover	
	2003	2002
	£	£
United Kingdom	4,784,809	3,724,942
Europe	-	1,733
	<u>4,784,809</u>	<u>3,726,675</u>

REECE CYCLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

3	Operating profit/(loss)	2003	2002
		£	£
	Operating profit/(loss) is stated after charging:		
	Depreciation of tangible assets	116,272	78,449
	Loss on disposal of tangible assets	-	2,640
	Auditors' remuneration	12,227	15,470
	and after crediting:		
	Profit on disposal of tangible assets	(28,278)	-
	Profit on foreign exchange transactions	(405,596)	(14,153)
		<u> </u>	<u> </u>
4	Interest payable	2003	2002
		£	£
	On bank loans and overdrafts	50,854	11,850
	Hire purchase interest	5,135	5,945
	On amounts payable to factors	35,362	17,049
	Other interest	79,957	1,116
		<u> </u>	<u> </u>
		<u>171,308</u>	<u>35,960</u>

5 Taxation

On the basis of these financial statements no provision has been made for corporation tax.

REECE CYCLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

6 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2002	855,232	138,661	140,358	1,134,251
Additions	87,346	98,914	26,551	212,811
Disposals	-	-	(88,550)	(88,550)
At 30 June 2003	942,578	237,575	78,359	1,258,512
Depreciation				
At 1 July 2002	1,751	55,646	96,758	154,155
On disposals	-	-	(79,254)	(79,254)
Charge for the year	24,311	58,772	33,188	116,271
At 30 June 2003	26,062	114,418	50,692	191,172
Net book value				
At 30 June 2003	916,516	123,157	27,667	1,067,340
At 30 June 2002	853,481	83,015	43,600	980,096

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Net book values			
At 30 June 2003	-	24,338	24,338
At 30 June 2002	13,691	-	13,691
Depreciation charge for the year			
30 June 2003	-	2,213	2,213
30 June 2002	16,429	-	16,429

REECE CYCLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

7	Stocks	2003	2002
		£	£
	Finished goods and goods for resale	<u>668,617</u>	<u>727,390</u>
8	Debtors	2003	2002
		£	£
	Trade debtors	1,176,827	863,362
	Other debtors	35,208	216,785
	Prepayments and accrued income	<u>48,983</u>	<u>9,780</u>
		<u>1,261,018</u>	<u>1,089,927</u>
9	Creditors: amounts falling due within one year	2003	2002
		£	£
	Bank loans and overdrafts	12,222	327,067
	Net obligations under hire purchase contracts	22,613	17,172
	Trade creditors	172,386	149,925
	Taxes and social security costs	46,302	18,483
	Directors' current accounts	300,852	-
	Other creditors	<u>1,343,194</u>	<u>2,183,788</u>
	Accruals and deferred income	<u>14,749</u>	<u>48,250</u>
		<u>2,412,318</u>	<u>2,744,685</u>

REECE CYCLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

10 Creditors: amounts falling due after more than one year	2003 £	2002 £
Bank loans	887,778	488,896
Net obligations under hire purchase contracts	15,624	-
	<u>903,402</u>	<u>488,896</u>
Analysis of loans		
Not wholly repayable within five years by instalments:		
Mortgage	294,445	244,480
Wholly repayable within five years	605,555	565,520
	<u>900,000</u>	<u>810,000</u>
Included in current liabilities	(12,222)	(321,104)
	<u>887,778</u>	<u>488,896</u>
Instalments not due within five years	<u>294,445</u>	<u>244,480</u>
Loan maturity analysis		
In more than one year but not more than two years	12,222	48,896
In more than two years but not more than five years	533,333	195,520
In more than five years	<u>294,445</u>	<u>244,480</u>

Medium term bank loans of £240,000 from Chang Hwa Commercial Bank Limited are repayable by 7 quarterly instalment of £10,000 from 14 April 2005. The remaining balance of £170,000 to be repaid on maturity. Long term bank loans of £660,000 from Chang Hwa Commercial Bank Limited is repayable by 108 equal instalment at £6,111 per month till 15 April 2003.

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 charge 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. Ltd.

REECE CYCLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

10 Creditors: amounts falling due after more than one year

(continued)

Net obligations under hire purchase contracts	2003	2002
	£	£
Repayable within one year	25,137	22,528
Repayable between one and five years	15,624	-
	<hr/>	<hr/>
	40,761	22,528
Finance charges and interest allocated to future accounting periods	(2,524)	(5,356)
	<hr/>	<hr/>
	38,237	17,172
Included in liabilities falling due within one year	(22,613)	(17,172)
	<hr/>	<hr/>
	15,624	-
	<hr/>	<hr/>

11 Share capital

	2003	2002
	£	£
Authorised		
5,000,000 Ordinary Shares of £1 each	5,000,000	5,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
500,000 Ordinary Shares of £1 each	500,000	500,000
	<hr/>	<hr/>

12 Statement of movements on reserves

	Other reserves (see below)	Profit and loss account
	£	£
Balance at 1 July 2002	123,470	(1,058,306)
Retained profit for the year	-	155,340
	<hr/>	<hr/>
Balance at 30 June 2003	123,470	(902,966)
	<hr/>	<hr/>
Other reserves		
Reserves provided for by the Articles of Association		
Balance at 1 July 2002 & at 30 June 2003	123,470	
	<hr/>	

REECE CYCLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

13 Reconciliation of movements in shareholders' funds	2003 £	2002 £
Profit/(Loss) for the financial year	155,340	(422,201)
Proceeds from issue of shares	-	400,000
Net addition to/(depletion in) shareholders' funds	155,340	(22,201)
Opening shareholders' funds	(434,836)	(412,635)
Closing shareholders' funds	(279,496)	(434,836)

14 Contingent liabilities

The company is negotiating a new factoring agreement with GMAC. Details of the new agreement will be confirm later.

15 Directors' emoluments	2003 £	2002 £
Emoluments for qualifying services	42,675	20,683

16 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Sales and administration	16	17
Warehouse	7	4
	23	21

Employment costs

	£	£
Wages and salaries	495,812	453,177
Social security costs	41,109	44,446
	536,921	497,623