THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Carico Holdings Limited, you should at once hand this document to the purchaser(s) or transferee(s) or to the bank, licenced securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

CARICO HOLDINGS LIMITED
中汽資源投資有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

RESPONSE DOCUMENT RELATING TO MANDATORY CONDITIONAL CASH OFFERS BY SOMERLEY LIMITED AND TSC CAPITAL LIMITED ON BEHALF OF BEST EFFORT INTERNATIONAL LIMITED FOR ALL THE ISSUED SHARES IN AND OUTSTANDING SHARE OPTIONS OF CARICO HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY BEST EFFORT INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to Carico Holdings Limited

博大資本國際有限公司
Partners Capital International Limited

Independent Financial Adviser to the Independent Board Committee

第一上海
First Shanghai Group

FIRST SHANGHAI CAPITAL LIMITED

A letter from First Shanghai Capital Limited containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 18 to 36 of this document. A letter from the Independent Board Committee containing its recommendations in respect of the Offers is set out on pages 16 to 17 of this document.

14 May 2007

* *For identification purpose only*

CONTENTS

EXPECTED TIMETABLE

The following expected timetable for the Offers is extracted from the Offer Document.

	2007 *(Note 1)*
Offers commence *(Note 2)*	Monday, 30 April
Latest time for acceptance of the Offers on the First Closing Date *(Note 3)*	4:00 p.m. on Monday, 28 May
First Closing Date of the Offers *(Note 3)*	Monday, 28 May
Announcement of the results of the Offers and the level of acceptances as at the First Closing Date uploaded to the Stock Exchange's website	not later than 7:00 p.m. on Monday, 28 May
Announcement of the results of the Offers as at the First Closing Date appears on Stock Exchange's website and published in the newspaper	Tuesday, 29 May
Latest date for posting of remittance to the Carico Shareholders in respect of valid acceptances of the Offers lodged on or before the First Closing Date (if the Offers become unconditional on the First Closing Date) *(Note 4)*	Thursday, 7 June
Latest date by which the Offers can be declared unconditional *(Note 5)*	Friday, 29 June

Notes:

1. All times and dates refer to Hong Kong local times and dates.

2. The Offers are made on 30 April 2007, being the date of posting the Offer Document, and are capable of acceptance on and from that date.

3. In accordance with the Takeovers Code, the Offers must initially be opened for acceptance for at least 28 days following the date on which the Offer Document was posted. The latest time for acceptance of the Offers on the First Closing Date is 4:00 p.m. on Monday, 28 May 2007. The Offeror reserves its right to revise or extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue a press announcement in relation to any revision or extension of the Offers, which will state the next closing date or, if the Offers have become or are at that time unconditional as to acceptances, that the Offers will remain open until further notice. In any event, where the Offers become or are declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code.

4. Subject to the Share Offer becoming unconditional, the amounts due to each of the Carico Shareholders or the holders of Carico Options (as the case may be) who accepts the Offers shall be paid for by the Offeror as soon as possible but in any event within 10 days of the later of the date on which the Share Offer becomes, or is declared unconditional and the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.

5. Under Rule 15.5 of the Takeovers Code, except with the consent of the Executive, an offer (whether revised or not) may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the day the initial offer document was posted. Accordingly, unless the Offers have previously become or been declared unconditional as to acceptances, the Offers will lapse at 7:00 p.m. on Friday, 29 June 2007 unless the Offers are extended by the Offeror with the consent of the Executive.

In this document, the following expressions have the following meanings, unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Shares by the Offeror
"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Agreement"	the acquisition agreement entered into between the Vendor and Best Effort on 6 March 2007, pursuant to which Best Effort agreed to acquire the Sale Shares from the Vendor for a cash consideration of HK$43.46 million (as amended by the supplemental agreements dated 14 March 2007 and 19 March 2007)
"AMA"	Asset Managers (Asia) Company Limited, a company incorporated in Hong Kong with limited liability
"AMA Group"	AMA and its subsidiaries
"Best Effort"/"Offeror"	Best Effort International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of AMA
"Board"	the board of Directors
"Carico Group"	the Company and its subsidiaries
"Carico Options"	the outstanding options granted by Carico pursuant to the Share Option Scheme
"Carico Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"CIAM"	CITIC International Assets Management Limited which is owned as to 40% by CITIC International Financial Holdings Limited (the issued shares of which are listed on the Main Board of the Stock Exchange) and as to 25% by Asset Managers Co., Ltd.
"Company"/"Carico"	Carico Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Carico Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Agreement

"Credit Facility"	the credit facility of up to HK$115 million made available to the Offeror by Taiwan Securities (Hong Kong) Company Limited for financing the Offers pursuant to the facility letter dated 16 March 2007
"Directors"	directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
"First Closing Date"	28 May 2007, being the first closing day of the Offers (or such later date as may be determined and announced by the Offeror in accordance with the Takeovers Code)
"First Joint Announcement"	the first joint announcement dated 16 March 2007 made by Best Effort and the Company in relation to the Offers
"First Shanghai"	First Shanghai Capital Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO, who has been appointed as the independent financial adviser to give advice to the Independent Board Committee in respect of the Offers
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Board comprising the independent non-executive Directors, namely, Mr. Pang Chun Sing, Mr. Chan Chun Wai, Mr. Sit Fung Shuen, Victor and Mr. Chan Yuk Tong
"Independent Shareholders"	Shareholders other than the Vendor or the Offeror and parties acting in concert with it
"Last Trading Day"	6 March 2007, being the last trading day of the Carico Shares prior to its suspension in trading on the Stock Exchange on 7 March 2007
"Latest Practicable Date"	11 May 2007, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information for inclusion herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Offer Document"	the offer document dated 30 April 2007 issued by the Offeror to the Shareholders and the holders of the Carico Options setting out the terms and other particulars of the Offers and enclosing form(s) of acceptance
"Offeree Document"	this response document in respect of the Offers issued by the Company to the Shareholders and holders of the Carico Options in accordance with the Takeovers Code
"Offer Price"	the price at which the Share Offer will be made, at HK$0.265 per Offer Share
"Offer Shares"	the Carico Shares not beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it
"Offers"	the Share Offer and the Option Offer
"Option Offer"	the mandatory conditional cash offer to be made by Somerley and TSC on behalf of the Offeror for all outstanding Carico Options in accordance with the Takeovers Code
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Regulators' Consent"	all necessary consent from the SFC and Hong Kong Exchanges and Clearing Limited approving the change in ultimate control of Infast Brokerage Limited as a result of the Acquisition
"Relevant Period"	the period between 16 September 2006 (being the date falling six months immediately prior to 16 March 2007, the date of the First Joint Announcment) and the Latest Practicable Date
"Sale Shares"	the 164,000,000 Carico Shares to be acquired by the Offeror from the Vendor pursuant to the Agreement, representing approximately 9.569% of the existing issued share capital of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Offer"	the mandatory conditional cash offer to be made by Somerley and TSC on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code

"Share Option Scheme"	the share option scheme adopted by Carico on 30 March 2004 (as amended by the addendum to the Share Option Scheme adopted by the Company on 7 December 2005)
"Shareholders"/ "Carico Shareholders"	holders of Carico Shares
"Somerley"	Somerley Limited, a licensed corporation under the SFO permitted to engage in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities thereunder and the joint financial advisers to the Offeror
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TSC"	TSC Capital Limited, a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities and an overseas subsidiary of Taishin Financial Holding Co., Ltd. and the joint financial advisers to the Offeror
"Vendor"/"Star Metro"	Star Metro Investments Limited, a company incorporated in the British Virgin Islands which is owned as to 50% by Mr. Loo Chung Keung, Steve, the executive Director and Chief Operating Officer of the Company and as to 50% by Mr. Chan Wai Ming, the executive Director and Chief Executive Officer of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

CARICO HOLDINGS LIMITED
中汽資源投資有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

Directors:
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. So George Siu Ming**
Mr. Wong Kwok Kuen**
Mr. Chak Chi Man#
Mr. Ryuichi Tanabe#
Mr. Takehiko Wakayama#
Mr. Pang Chun Sing##
Mr. Chan Chun Wai##
Mr. Sit Fung Shuen, Victor##
Mr. Chan Yuk Tong##

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

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Suite 2401A
Great Eagle Centre
23 Harbour Road
Wan Chai
Hong Kong

14 May 2007

To the Independent Shareholders and the holders of the Carico Options

Dear Sir/Madam,

MANDATORY CONDITIONAL CASH OFFERS BY SOMERLEY LIMITED AND TSC CAPITAL LIMITED ON BEHALF OF BEST EFFORT INTERNATIONAL LIMITED FOR ALL THE ISSUED SHARES IN AND OUTSTANDING SHARE OPTIONS OF CARICO HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY BEST EFFORT INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 16 March 2007, the Offeror and the Company jointly announced that on 6 March 2007, Best Effort and the Vendor entered into the Agreement, pursuant to which Best Effort agreed to acquire

* *For identification purpose only*

164,000,000 Carico Shares from the Vendor at a purchase price of HK$0.265 each, representing approximately 9.569% of the existing issued share capital of the Company as at the Latest Practicable Date. As at the date of the Agreement, Best Effort, a wholly-owned subsidiary of AMA, beneficially held 113,020,000 Carico Shares, representing approximately 6.594% of the existing issued share capital of the Company as at the Latest Practicable Date. In addition, Asset Managers (China) Fund Co., Ltd., being 50% owned by AMA and 50% owned by Asset Investors Co., Ltd., holds 370,000,199 Carico Shares, representing approximately 21.589% of the existing entire issued share capital of the Company. Infast Brokerage Limited, a wholly-owned subsidiary of the Company, is a licensed corporation carrying type 1 regulated activity under the SFO and an Exchange Participant (as defined under the Rules of the Stock Exchange prescribed by the Stock Exchange board as from time to time in effect (the "Rules")) and a holder of the Stock Exchange Trading Right (as defined under the Rules). Applications for the Regulators' Consent have been made to the SFC and Hong Kong Exchanges and Clearing Limited in respect of the change in ultimate control of Infast Brokerage Limited as a result of the Acquisition. Completion took place on 27 April 2007 upon the receipt of the Regulators' Consent on the same date.

The aggregate shareholding of Best Effort and Asset Managers (China) Fund Co., Ltd. in the Company increased from 28.183% to 37.752% immediately upon Completion. CIAM is presumed to be acting in concert with the Offeror. As at the date of the Agreement, CIAM owned 166,400,000 Offer Shares, representing approximately 9.709% of the existing issued share capital of the Company as at the Latest Practicable Date. Taking into account Carico Shares held by CIAM, the aggregate shareholding of the Offeror and its parties acting in concert in the Company then increased from 37.892% to 47.461% immediately after the Completion. As a result of the Acquisition, the Offeror, through Somerley and TSC, has made the mandatory conditional cash offers for all the issued Carico Shares and all the outstanding Carico Options (other than those already owned and agreed to be acquired by the Offeror and parties acting in concert with it).

Partners Capital International Limited has been appointed as the financial adviser to the Company in respect of the Offers. In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee was formed, comprising Mr. Pang Chun Sing, Mr. Chan Chun Wai, Mr. Sit Fung Shuen, Victor and Mr. Chan Yuk Tong, who are all independent non-executive Directors, to advise the Independent Shareholders and the holders of the Carico Options in respect of the Offers. The non-executive Directors comprise Mr. Ryoji Furukawa, Mr. Chak Chi Man, Mr. Ryuichi Tanabe and Mr. Takehiko Wakayama. Mr. Ryoji Furukawa is currently the chairman of the board of Asset Managers Co., Ltd. and a director of AMA and Asset Managers (China) Fund Co., Ltd.. Mr. Chak Chi Man is the general manager of CIAM. Mr. Ryuichi Tanabe is currently the representative executive director and the chief investment officer of Asset Managers Co., Ltd.. He is also a director of AMA, Best Effort, Asset Managers (China) Fund Co., Ltd. and Red Rock Investment Co., Ltd., all being substantial Shareholders. Mr. Takehiko Wakayama was appointed as chief executive officer of Asset Investors Co., Ltd. in 2004. He is also a director of AI Properties Co., Ltd. (a wholly-owned subsidiary of Asset Investors Co., Ltd.), AMA and Best Effort. In view of such interests of these Directors, Mr. Ryoji Furukawa, Mr. Chak Chi Man, Mr. Ryuichi Tanabe and Mr. Takehiko Wakayama have not been appointed as members of the Independent Board Committee. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Offers.

THE OFFERS

The Offers, comprising the Share Offer and the Option Offer, are being made by Somerley and TSC on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share .... HK$0.265 in cash

For every Carico Option of exercise price of HK$0.11486 .... HK$0.15014 in cash
For every Carico Option of exercise price of HK$0.242 .... HK$0.023 in cash

Comparison of value

The offer price of HK$0.265 per Offer Share represents :

- a premium of approximately 23.3% over the closing price HK$0.215 per Carico Share as quoted on the Stock Exchange on the Last Trading Day;

- a premium of approximately 23.6% over the average closing price of approximately HK$0.2144 per Carico Share for the 5 trading days up to and including the Last Trading Day;

- a premium of approximately 15.1% over the average closing price of approximately HK$0.2303 per Carico Share for the 10 trading days up to and including the Last Trading Day;

- a premium of approximately 242.8% over the audited consolidated net tangible asset value of approximately HK$0.0773 per Carico Share as at 31 March 2006; and

- the closing price of Carico Share of HK$0.265 as quoted on the Stock Exchange on the Latest Practicable Date.

Undertaking

The information in this section has been extracted from the Offer Document.

CIAM has undertaken to the Offeror that it will not, and will procure parties acting in concert with it not to, (i) sell, transfer or otherwise dispose of or create any rights (including but not limited to the creation of any options, rights or interests or entering into any agreements or other arrangements that transfer or otherwise dispose of, in whole or in part, the ownership of any of the Offer Shares they held) in respect of any of such Offer Shares; or (ii) accept the offer for any of such Offer Shares to be extended by Best Effort pursuant to the Offers.

As at the latest practicable date of the Offer Document, save for the aforesaid, none of the Offeror, AMA, Asset Managers Co., Ltd. or parties acting in concert with them had received any irrevocable commitment to accept or reject the Offers.

Stamp duty

The information in this section has been extracted from the Offer Document.

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Carico Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable to the relevant Carico Shareholders on acceptance of the Share Offer. The Offeror will arrange for payment of the stamp duty on behalf of the accepting Carico Shareholders in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

Total consideration

The information in this section has been extracted from the Offer Document.

Based on the issued share capital of Carico of 1,713,875,160 Carico Shares as at the latest practicable date of the Offer Document, including the Offer Shares held by CIAM, there were 1,066,854,961 Offer Shares, representing approximately 62.248% of the existing issued share capital of Carico. As at the latest practicable date of the Offer Document, there were a total of 118,546,052 Carico Options outstanding entitling the holders to subscribe for an aggregate of 36,406,052 Carico Shares at an exercise price of HK$0.11486 per Carico Share and 82,140,000 Carico Shares at an exercise price of HK$0.242 per Carico Share under the Share Option Scheme. The Offers are valued at approximately HK$290.1 million.

Payment

The information in this section has been extracted from the Offer Document.

Subject to the Share Offer becoming unconditional, payment in cash in respect of acceptances of the Offers will be made within 10 days of the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid.

Conditional Offers

The information in this section has been extracted from the Offer Document.

The Offers will be conditional upon the Offeror having received acceptances of the Offers which, together with the Carico Shares already owned by the Offeror and parties acting in concert with it before or during the offer period of the Offers, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of Carico. If the Offeror does not receive acceptances of the Offers which, together with the Carico Shares already owned or agreed to be acquired by Offeror and parties acting in concert with it before or during the offer period of the Offers, will result in the Offeror and parties acting in concert with it holding 50% of the voting rights of Carico, the Offers cannot become unconditional and will lapse. CIAM is presumed to be acting in concert with the Offeror, therefore CIAM's shareholding in Carico will be aggregated with that of the Offeror and its concert parties in determining whether the acceptance condition has been fulfilled and thereby the Offers become unconditional.

INFORMATION ON CARICO GROUP

The Carico Group is principally engaged in the manufacturing and trading of automotive components; investments in securities; provision of securities brokerage services and provision of logistics services. A summary of the financial information on the Carico Group, comprising a summary of the financial results of the Carico Group for each of the three years ended 31 March 2004, 2005 and 2006 and the audited financial statements of the Carico Group for the year ended 31 March 2006 is set out in Appendix I to this Offeree Document.

Infast Brokerage Limited, a wholly-owned subsidiary of the Company, is a licensed corporation carrying on type 1 regulated activity under the SFO and an Exchange Participant (as defined under the Rules) and a holder of the Stock Exchange Trading Right (as defined under the Rules). Regulators' Consent in respect of the change in ultimate control of Infast Brokerage Limited as a result of the Acquisition has been obtained on 27 April 2007.

SHAREHOLDING STRUCTURE OF CARICO

Set out below are the respective shareholding structures of the Company prior to and after Completion:

Shareholder	**Shareholding structure**			
	Immediately before Completion		**Immediately after Completion**	
	No. of shares	**%**	**No. of shares**	**%**
AMA Group (excluding the Offeror) *(Note 1)*	370,000,199	21.589	370,000,199	21.589
Best Effort	113,020,000	6.594	277,020,000	16.163
	483,020,199	28.183	647,020,199	37.752
CITIC Group *(Note 2)*	166,400,000	9.709	166,400,000	9.709
	649,420,199	37.892	813,420,199	47.461
Vendor *(Note 3)*	286,520,000	16.718	122,520,000	7.149
Public	777,934,961	45.390	777,934,961	45.390
Total shares in issue	1,713,875,160	100.000	1,713,875,160	100.000

Notes:

1. The 370,000,199 Carico Shares are directly held by Asset Managers (China) Fund Co., Ltd., which is owned as to 50% by AMA and as to 50% by Asset Investors Co., Ltd. AMA is owned as to 70% by Red Rock Investment Co., Ltd. and as to 30% indirectly by Mr. Yip Chi Chiu, an executive Director and the Deputy Chairman of the Company. Asset Investors Co., Ltd. is owned as to 50.10% by Asset Managers Co., Ltd.

2. The 166,400,000 Carico Shares are directly held by CIAM which is owned as to 40% by CITIC International Financial Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange and as to 25% by Asset Managers Co., Ltd. CITIC International Financial Holdings Limited is owned as to 55% by CITIC Group.

3. As disclosed in the announcement of the Company dated 30 April 2007, Long Chart Investments Limited ("Long Chart") had on 27 April 2007 exercised a call option ("Long Chart Call Option") granted by the Vendor to Long Chart pursuant to which, the Vendor sold and Long Chart purchased 41,480,000 Carico Shares at approximately HK$0.1687 per Carico Share on 27 April 2007. Completion of the sale and purchase of 41,480,000 Carico Shares between Star Metro and Long Chart took place on 27 April 2007.

INFORMATION ON THE OFFEROR AND AMA GROUP

The information in this section has been extracted from the Offer Document.

The Offeror is an investment holding company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of AMA.

AMA is the direct investment arm in Asia (excluding Japan) of Asset Managers Co., Ltd. which is listed on the Hercules market on the Osaka Securities Exchange Co., Ltd. in Japan. AMA primarily focuses on private equity and real estate investment opportunities in Hong Kong and the PRC.

REASONS FOR THE ACQUISITION AND OFFEROR'S INTENTION REGARDING THE CARICO GROUP

Reasons for the Acquisition

The information in this section has been extracted from the Offer Document.

AMA is of the view that the trading of high-tech automobile-related products in Hong Kong and the PRC is with good potential and the automobile industry shows an uptrend growth in the PRC. AMA considers it to be commercially justifiable in the long run to make investment in Carico. AMA expects that it would be more efficient in managing Carico Group's operation if it holds a controlling stake in Carico.

Intention regarding the Carico Group

The information in this section has been extracted from the Offer Document.

The Offeror intends to leverage on the network of its holding company in Japan for developing the Carico Group's business. The Offeror plans to conduct a detailed review on the business operation and financial position of the Carico Group in order to formulate business and/or financing plans and strategies for the Carico Group's future business development with a view to strengthen the Carico Group's overall business performance. Subject to the results of the financial and operational review, the Offeror may consider to dispose of the non-core business of Carico Group.

Save as disclosed above, the Offeror has currently no intention to make any material changes to the employees or management of the Carico Group or to dispose of any material assets or businesses of the Carico Group other than in its ordinary course of business and has currently no intention to inject any material assets or businesses into the Carico Group as at the latest practicable date of the Offer Document.

Proposed change of composition of the board of directors of Carico

In the First Joint Announcement, the existing executive directors of Carico, namely Mr. Chan Wai Ming and Mr. Loo Chung Keung, Steve have expressed their intention to resign after the closing of the Offers. The existing independent non-executive directors of Carico, namely Mr. Pang Chun Sing, Mr. Chan Chun Wai and Mr. Sit Fung Shuen, Victor have also expressed their intention to resign with effect from the First Closing Day of the Offers or the date when the Offers become or are declared unconditional, whichever is the later in compliance with the Takeovers Code.

The Offeror nominated Mr. Wong Kwok Kuen and Mr. So George Siu Ming as executive directors of Carico. The new members to the board of directors of Carico, together with the existing directors of Carico representing AMA, being Mr. Ryoji Furukawa, Mr. Yip Chi Chiu, Mr. Leung Chung Tak, Barry, Mr. Ryuichi Tanabe and Mr. Takehiko Wakayama, will form the majority of the board of directors of Carico. It is expected that the other existing directors of Carico, namely Mr. Lo Wing Yat, Mr. Chak Chi Man and Mr. Chan Yuk Tong, will also remain on the board of directors of Carico. Announcement in relation to appointment of new directors will be made by Carico as and when appropriate. Save for the above, no other changes are contemplated to be made on the composition of the board of directors of Carico as at the latest practicable date of the Offer Document.

Set out below are biographical details of the proposed directors of Carico to be nominated by the Offeror:

Mr. Wong Kwok Kuen ("Mr. Wong"), aged 51, obtained a Master of Business Administration degree from the University College of North Wales / Manchester Business School and a Higher Diploma in Company Secretaryship & Administration from Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). Mr. Wong is an associate member of the Chartered Institute of Bankers, the United Kingdom, Hong Kong Institute of Bankers, Institute of Chartered Secretaries & Administrators, the United Kingdom and the Hong Kong Institute of Chartered Secretaries. Mr. Wong has extensive experience in the banking sector with major local and international banks specialising in the credit and marketing functions in lending activities. He was the General Manager of Seng Heng Development Co. Ltd., Hong Kong / Seng Heng Bank Ltd., Macau in Macau until October 2006 and presently he is a Principal Consultant of Transformations Consultancy. He had acted as an adviser of ASC Capital Limited, a subsidiary of AMA, until 20 April 2007.

Mr. So George Siu Ming ("Mr. So"), aged 49, obtained a Bachelor of Arts degree from the University of Toronto in Canada and a Master of Science degree in Finance from the Chinese University of Hong Kong. He is an associate member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. So has extensive experience in auditing, accounting and finance areas. He is currently the chief financial officer of Asset Managers (Asia) Company Limited. He is an independent non-executive director of Jessica Publications Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He has been an executive director from 1 January 1997 to 19 May 1998 and an independent non-executive director from 1 November 2002 to 12 May 2006 of Wah Shing International Holdings Limited, the shares of which have been listed on The Singapore Exchange Securities Trading Limited. He has been an executive director of Forefront International Holdings Limited from 26 February 2001 to 15 June 2004, the shares of which are listed on the main board of the Stock Exchange.

Save as disclosed above, none of the above proposed directors of Carico held any interests in the Carico Shares or other securities of Carico within the meaning of Part XV of the SFO as at the latest practicable date of the Offer Document, nor had they had any relationship with any directors, chief executives, senior management, substantial shareholders or controlling shareholders of Carico. At present, there is neither any service contract between Carico and any of the above proposed directors nor any proposed length of service with Carico in respect of their directorship. The amount of directors' emoluments of the above proposed directors will be determined by the board of directors of Carico with reference to their relevant duties and responsibilities in Carico and prevailing market conditions.

Compulsory acquisition

The information in this section has been extracted from the Offer Document.

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available under the provisions of the Companies Act 1981 of Bermuda to acquire compulsorily any outstanding issued Carico Shares or Carico Options not acquired under the Offers after the Offers are closed.

Financial resources for the Offers

The information in this section has been extracted from the Offer Document.

The Offers will be financed by as to approximately HK$133 million by internal resources of AMA Group and as to HK$115 million by the Credit Facility. The repayment of any amount due under the Credit Facility will not depend on the business of Carico.

Interest for the Credit Facility shall be charged in the principal amount draw down and outstanding under the Credit Facility from time to time at the rate equals to the interest rate applied to margin accounts maintained by the AMA Group with Taiwan Securities (Hong Kong) Limited. Somerley and TSC are satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offers.

Maintaining the listing status of Carico

The information in this section has been extracted from the Offer Document.

The Offeror intends to maintain the listing of the Carico Shares on the Stock Exchange after the close of the Offers. The Offeror and Taiwan Securities (Hong Kong) Company Limited ("Placing Agent") entered into a placing agreement on 6 March 2007 (as amended by a letter agreement dated 9 March 2007). Pursuant to the aforesaid agreements, the Placing Agent has agreed to act as the agent for the Offeror to procure placees for or failing which, itself to purchase up to 428,468,790 Offer Shares at HK$0.265, such that no less than 25% of the issued share capital of Carico will be held by the public under Rule 8.08 of the Listing Rules immediately upon the close of the Offers.

The Stock Exchange has stated that if, upon closing of the Offers, less than 25% of the total issued Carico Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Carico Shares; or (ii) there are insufficient Carico Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Carico Shares until a level of sufficient public float is attained.

So long as Carico remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets of Carico. The Stock Exchange has the discretion to require Carico to issue an announcement and a circular to the Carico Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of Carico. The Stock Exchange also has the power to aggregate a series of acquisitions or disposals of assets by Carico and any such transactions may result in Carico being treated as if it were a new listing applicant and subject to the requirements for new listing applicants as set out in the Listing Rules.

RECOMMENDATIONS

Your attention is drawn to the respective letters from the Independent Board Committee and First Shanghai. The letter from the Independent Board Committee is set out on pages 16 to 17 which contains its recommendation to the Independent Shareholders and the holders of the Carico Options in respect of the Offers. The letter from First Shanghai is set out on pages 18 to 36, which contains their advice to the Independent Board Committee in respect of the Offers and the principal factors they have considered in forming their advice. The Independent Shareholders and the holders of the Carico Options are recommended to read this document and information set out in the appendices to this document. The Independent Shareholders and the holders of the Carico Options are further recommended to read the Offer Document and the related forms of acceptance regarding particulars of the terms and conditions of the Offers, acceptance procedures and settlement.

Yours faithfully,
For and on behalf of the Board
Carico Holdings Limited
Yip Chi Chiu
Deputy Chairman

CARICO HOLDINGS LIMITED
中汽資源投資有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 729)

14 May 2007

To the Independent Shareholders and the holders of the Carico Options

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFERS BY SOMERLEY LIMITED AND TSC CAPITAL LIMITED ON BEHALF OF BEST EFFORT INTERNATIONAL LIMITED FOR ALL THE ISSUED SHARES IN AND OUTSTANDING SHARE OPTIONS OF CARICO HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY BEST EFFORT INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to this offeree document dated 14 May 2007 issued by the Company (the "Offeree Document") of which this letter forms part. Terms defined in the Offeree Document shall have the same meanings in this letter unless the context otherwise requires.

As the Directors who are independent of the parties to the Offers, we have been appointed as members of the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the holders of the Carico Options are concerned. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Offers. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from First Shanghai on pages 18 to 36 of the Offeree Document.

** For identification purpose only*

The Offers will be conditional upon the Offeror having received acceptances of the Offers which, together with the Carico Shares already owned by the Offeror and parties acting in concert with it before or during the offer period of the Offers, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. If the Offeror does not receive acceptances of the Offers which, together with the Carico Shares already owned or agreed to be acquired by Offeror and parties acting in concert with it before or during the offer period of the Offers, will result in the Offeror and parties acting in concert with it holding 50% of the voting rights of Carico, the Offers cannot become unconditional and will lapse. CIAM is presumed to be acting in concert with the Offeror, therefore CIAM's shareholding in the Company will be aggregated with that of the Offeror and its concert parties in determining whether the acceptance condition has been fulfilled and thereby the Offers become unconditional.

We also wish to draw your attention to (i) the letter from the Board and (ii) the additional information set out in the appendices to the Offeree Document.

RECOMMENDATION

Having taking into account the terms of the Offers and the advice of First Shanghai, we consider that (i) the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned and accordingly, we recommend the Independent Shareholders to accept the Share Offer; (ii) the basis of determining the offer prices for the Option Offer are acceptable and accordingly the offer prices for the Option Offer are fair and reasonable so far as the holders of the Carico Options are concerned. On such basis, we recommend the holders of the Carico Options to consider accepting the Option Offer.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Pang Chun Sing   Chan Chun Wai   Sit Fung Shuen, Victor   Chan Yuk Tong
Independent non-executive Directors

The following is the text of a letter of advice to the Independent Board Committee from First Shanghai in respect of the Offers prepared for the purpose of incorporation in the Offeree Document.

第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

14 May 2007

To the Independent Board Committee

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFERS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee in respect of the fairness and reasonableness of the terms of the Offers. Details of the Offers are set out in the "Letter from the Offeror" contained in the Offer Document issued by the Offeror and the "Letter from the Board" contained in the Offeree Document issued by the Company to the Independent Shareholders and the holders of the Carico Options, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as in the Offeree Document.

The Independent Board Committee, comprising the independent non-executive Directors, namely, Mr. Pang Chun Sing, Mr. Chan Chun Wai, Mr. Sit Fung Shuen, Victor and Mr. Chan Yuk Tong, has been appointed to advise the Independent Shareholders and the holders of the Carico Options in relation to the Offers. Our role, as the independent financial adviser to the Independent Board Committee is to give an independent opinion as to whether the Offers are fair and reasonable so far as the Independent Shareholders and the holders of the Carico Options are concerned.

In formulating our opinion and recommendations, we have relied on the accuracy of the information and representations contained in the Offeree Document and information provided to us by the Company and the Directors. We have assumed that all information and representations made or referred to in the Offeree Document were true at the time they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Company and the Directors in the Offeree Document were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and the Directors and have been advised by the Company and the Directors that no material facts have been omitted from the information provided and referred to in the Offeree Document. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Offeree Document and to provide a reasonable basis for our advice. We have not, however, conducted an independent investigation into the businesses, affairs or prospects of the Carico Group.

We have also relied upon the accuracy of the information and representations contained in the Offer Document and assumed that all statements contained therein and representations make or referred to therein were true at the time they were made and contained to be true at the date of the Offer Document.

We have not considered the tax consequences on the Independent Shareholders and the holders of the Carico Options of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders and the holders of the Carico Options who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

BACKGROUND TO AND THE TERMS OF THE OFFERS

According to the First Joint Announcement, on 6 March 2007, Best Effort and the Vendor entered into the Agreement, pursuant to which Best Effort agreed to acquire 164,000,000 Carico Shares from the Vendor at a purchase price of HK$0.265 each, representing approximately 9.569% of the existing issued share capital of the Company as at the Latest Practicable Date.

As at the date of the Agreement, Best Effort, a wholly-owned subsidiary of AMA, beneficially held 113,020,000 Carico Shares, representing approximately 6.594% of the existing issued share capital of the Company as at the Latest Practicable Date. In addition, Asset Managers (China) Fund Co., Ltd., being 50% owned by AMA and 50% owned by Asset Investors Co., Ltd., holds 370,000,199 Carico Shares, representing approximately 21.589% of the existing entire issued share capital of the Company. Immediately after Completion, the aggregate interest of Best Effort and Asset Managers (China) Fund Co., Ltd in the Company would then increase from 28.183% to 37.752%. CIAM is presumed to be acting in concert with the Offeror. As at the date of the Agreement, CIAM owned 166,400,000 Offer Shares, representing approximately 9.709% of the existing issued share capital of the Company as at the Latest Practicable Date. Taking into account the Carico Shares held by CIAM, the aggregate interests of the Offeror and its concert parties in Carico would then increase from 37.892% to 47.461% immediately after the Completion.

As a result, the Offeror is required to make mandatory conditional general offers for all the issued Carico Shares and outstanding Carico Options other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it under Rule 26 and Rule 13 of the Takeovers Code.

Somerley and TSC, together as the Offeror's joint financial advisers, are making the Offers on behalf of the Offeror for all the Carico Shares and Carico Options not already owned by the Offeror and parties acting in concert with it on the following basis:

For each Offer Share .... HK$0.265 in cash

For every Carico Option of exercise price of HK$0.11486 .... HK$0.15014 in cash

For every Carico Option of exercise price of HK$0.242 .... HK$0.023 in cash

Based on the issued share capital of the Company of 1,713,875,160 Carico Shares as at the latest practicable date of the Offer Document, including the Offer Shares held by CIAM, there were 1,066,854,961 Offer Shares, representing approximately 62.248% of the existing issued share capital of the Company, and there were a total of 118,546,052 Carico Options outstanding entitling the holders thereof to subscribe for an aggregate of 36,406,052 Carico Shares at an exercise price of HK$0.11486 per Carico Share and 82,140,000 Carico Shares at an exercise price of HK$0.242 per Carico Share under the Share Option Scheme. The Offers are valued at approximately HK$290.1 million. The Offers will be conditional upon the Offeror having received acceptances of the Offers which, together with the Carico Shares already owned by the Offeror and parties acting in concert with it before or during the offer period of the Offers, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. If the Offeror does not receive acceptances of the Offers which, together with the Carico Shares already owned or agreed to be acquired by Offeror and parties acting in concert with it before or during the offer period of the Offers, will result in the Offeror and parties acting in concert with it holding 50% of the voting rights of the Company, the Offers cannot become unconditional and will lapse. CIAM is presumed to be acting in concert with the Offeror, therefore CIAM's shareholding in the Company will be aggregated with that of the Offeror and its concert parties in determining whether the acceptance condition has been fulfilled and thereby the Offers become unconditional.

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in the Offer Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations relating to the terms of the Offers, we have taken into consideration the following principal factors and reasons:

I. The Share Offer

1. Business and financial performance and future prospects

The Carico Group is principally engaged in the manufacturing and trading of automotive components; investments in securities; provision of securities brokerage services and provision of logistics services.

Detailed consolidated financial information of the Carico Group is set out in Appendix I to the Offeree Document and a summary of the financial information of the Carico Group is set out below:

	For the six months ended 30 September	For the year ended 31 March		
	2006	**2006**	**2005**	**2004**
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	17,967	16,398	16,038	29,738
Gross profit/(loss)	(2,678)	(6,453)	843	4,266
Loss for the year/period	(18,463)	(78,596)	(37,157)	(18,237)
Dividend	—	—	—	—
Total assets	166,214	79,933	90,950	78,095
Net current assets	129,948	63,712	28,667	28,206
Net assets	156,046	74,881	64,464	65,736

Financial performance for the year ended 31 March 2004

According to the annual report for the year ended 31 March 2004 ("Annual Report 2004"), the Carico Group's business was divided into three divisions, namely, automotive components, automotive telemetics and electronic components. Amongst those three businesses, automotive telemetrics and electronic components were the new businesses developed during the year.

The Carico Group's turnover for the year ended 31 March 2004 increased by approximately 159.7% to approximately HK$29.7 million as compared with that for the previous year. The growth was mainly driven by the contribution of the electronics components division, which was formed in June 2003 and generated approximately 68.6% of the total turnover in 2004. However, as stated in the Annual Report 2004, the financial performance of those new businesses had not yet been reflected to much an extent during the year. The gross profit margin of the Carico Group had decreased significantly from approximately 31.1% for the year ended 31 March 2003 to approximately 14.3% for the year ended 31 March 2004.

The Carico Group incurred a loss from operations of approximately HK$16.8 million for the year ended 31 March 2004, as compared with approximately HK$3.1 million in the previous year. The deepened loss was due to the increased administrative expenses, which was mainly attributable to the increased directors' emoluments, staff costs and provision for bad and doubtful debt during the period. Overall, the Carico Group incurred a loss of approximately HK$18.2 million for the year ended 31 March 2004 while the Carico Group generated a net profit of approximately HK$711.2 million in the previous year. The change was mainly due to the worsened gross profit margin and increased administrative expenses for the year ended 31 March 2004 as mentioned above and the waiver of debt by creditors of approximately HK$651.7 million in 2003.

As at 31 March 2004, total assets of the Carico Group amounted to approximately HK$78.1 million, with net current assets of approximately HK$28.2 million. The net assets of the Carico Group amounted to approximately HK$65.7 million.

Financial performance for the year ended 31 March 2005

According to the annual report for the year ended 31 March 2005 ("Annual Report 2005"), the Carico Group recorded a turnover of approximately HK$16.0 million for the year ended 31 March 2005, represented a decrease of approximately 46.1% from approximately HK$29.7 million for the year ended 31 March 2004. The Carico Group's gross profit margin also recorded a drop from approximately 14.3% to approximately 5.3%. As explained in the Annual Report 2005, the decrease in both turnover and gross profit margin was due to the keen and intensive market competition during the period under review.

Loss from operation for the year ended 31 March 2005 has increased to approximately HK$36.3 million because of the increased administrative expenses. The Carico Group recorded a loss of approximately HK$37.2 million for the year ended 31 March 2005, represented a deepened loss of approximately 103.7% as compared to that for the year ended 31 March 2004. The deepened loss incurred was mainly due to decline in business volume and increase of administrative expenses due to search for projects, however, many of those projects turned out to be not suitable for the Carico Group. During the period under review, the Carico Group incurred higher directors' emoluments, staff costs and provision for impairment and write-offs of certain assets as compared with the previous year.

The Carico Group's net current assets increased slightly by approximately 1.6% to approximately HK$28.7 million as at 31 March 2005. The total assets of Carico Group increased by approximately 16.5% from approximately HK$78.1 million as at 31 March 2004 to approximately HK$91.0 million as at 31 March 2005, which was mainly attributable to the increase in inventories held during the period. However, the net assets of the Carico Group decreased by 1.9% to approximately HK$64.5 million, which was due to a shareholder loan of HK$4.4 million and issue of convertible bonds of HK$16.0 million.

Financial performance for the year ended 31 March 2006

According to the annual report of the Company for the year ended 31 March 2006 ("Annual Report 2006"), the Carico Group's turnover amounted to approximately HK$16.4 million, representing a 2.5% increase from approximately HK$16.0 million for the year ended 31 March 2005. However, the Carico Group suffered a gross loss of approximately HK$6.5 million for the year ended 31 March 2006 as compared to a gross profit of approximately HK$0.8 million for the year ended 31 March 2005. Loss for the year had further deepened by approximately 111.5% to approximately HK$78.6 million. With reference to Annual Report 2006, the loss was resulted from poor market condition faced by the Carico Group's electronic component business, where the Carico Group had adopted aggressive price reduction strategy to try to clear out the slow moving stock, which was obsolete due to the rapid changes in technology. The loss was also attributable to the provisions made to the obsolete machinery and disputed balance receivables from customers in respect of the unsatisfactory quality of goods sold by the Carico Group.

The total assets of the Carico Group amounted to approximately HK$79.9 million as at 31 March 2006, decreased by approximately 12.2% from approximately HK$91.0 million as at 31 March 2005. The decrease in total assets was mainly due to the write off of investment in an associate. Net current assets of the Carico Group amounted to approximately HK$63.7 million, representing an increase of 122.0% as compared to HK$28.7 million as at 31 March 2005. The increase was mainly owing to the issue of new shares, repayment of shareholders loan and convertible bonds during the period. Accordingly, the net assets of Carico Group also increased by approximately 16.2% to approximately HK$74.9 million.

Financial performance for the six months ended 30 September 2006

According to the interim report of the Company for the six months ended 30 September 2006 ("Interim Report 2006"), the Carico Group's turnover from continuing operations, including manufacturing and trading of automotive components, securities investment, securities brokerage, and logistics, amounted to approximately HK$18.0 million. No turnover was generated from the electronic components business, which was discontinued during the period. Loss for the period from continuing and discontinued operations amounted to approximately HK$18.4 million, representing an improvement of approximately 39.9% from approximately HK$30.6 million as compared with the corresponding period in the previous year. The improvement was mainly due to the combination effect of revenue contributed from new business segments and discontinued the loss making electronic components trading business.

The Carico Group's total assets increased by approximately 108.0% from approximately HK$79.9 million as at 30 March 2006 to approximately HK$166.2 million as at 30 September 2006. The increment was due to increase in cash and bank balance as a result of an open offer completed and available-for-sale financial assets. Accordingly, net assets increased by 108.4% to approximately HK$156.0 million as at 30 September 2006.

Future prospects

As mentioned in the Interim Report 2006, the Carico Group has been developing its business units in areas of manufacturing and trading of auto parts, logistics, securities brokerage and securities investment.

Based on our review of the annual reports of the Company for the three financial years ended 31 March 2006 and the interim report for the six months ended 30 September 2006, we have noticed that the automotive parts business has been one of the Carico Group's principal activities throughout the years, which accounted for approximately 31.4%, 4.7%, 8.4% and 22.1% of the total turnover of each of the respective period. According to the Interim Report 2006, we have also noticed that the Carico Group has been actively seeking investment opportunities. However, many of these investments turned out to be not suitable for the Carico Group.

Furthermore, as stated in the section headed "Reasons for the Acquisition and Offeror's intention regarding the Carico Group" in the Offeree Document, the Offeror plans to conduct a detailed review on the business operation and financial position of the Carico Group in order to formulate business and/or financing plans and strategies for the Carico Group's future business development with a view to strengthen the Carico Group's overall business performance. Subject to the results of the financial and operational review, the Offeror may consider to dispose of the non-core businesses of Carico Group. The Carico Group's logistics, securities brokerage and securities investment business, are yet to demonstrate a stable track record of profitable results. While the Carico Group has recorded revenue for the six months ended 30 September 2006 from those new business segments, the Carico Group still incurred net loss for the period. It is uncertain as to whether the Carico Group can achieve positive results in the future.

Conclusion

In summary of the financial performance for the three financial years ended 31 March 2006, and the six months ended 30 September 2006 and the future prospects of the Group, we noted that:—

1. the Carico Group has been suffering from continuous substantial losses in the past three financial years ended 31 March 2006 and the six months ended 30 September 2006;

2. the Carico Group has been actively seeking investment opportunities in order to diversify business. However, many of those investments turned out to be not suitable for the Carico Group; and

3. the future prospects of the Carico Group is uncertain as to whether the Carico Group can achieve positive results in the future.

Having taken into account the above, we consider that uncertainty exists in the future development and prospects of the Carico Group's business.

2. Valuation of the Offer Price

2.1 Historical price performance of the Carico Shares

The offer price of HK$0.265 per Offer Share represents:

		Price *HK$*	**Premium/ (Discount)** *%*
(i)	closing price on 6 March 2007, being the Last Trading Day	0.2150	23.3
(ii)	average closing price for the 5 trading days up to and including the Last Trading Day	0.2144	23.6
(iii)	average closing price for the 10 trading days up to and including the Last Trading Day	0.2303	15.1
(iv)	the audited consolidated net tangible asset value ("NTAV") per Carico Share as at 31 March 2006	0.0773	242.8
(v)	closing price on the Latest Practicable Date	0.265	—

As stated above, the Offer Price generally represents a premium to the closing prices of the Carico Shares as quoted from the Stock Exchange up to and including the Last Trading Day and the audited NTAV per Carico Share as at 31 March 2006.

The chart below shows the daily closing price of the Carico Shares during the period from 1 March 2006 up to the Latest Practicable Date (the "Review Period"):

Source: www.hkex.com.hk

We summarise below the highest and the lowest closing prices of the Carico Shares during Review Period:

Month/period	**Highest closing price during the month/period** *HK$*	**Lowest closing price during the month/period** *HK$*	**Closing price at the end of the month/period** *HK$*
2006			
March	0.151	0.141	0.144
April	0.188	0.146	0.188
May	0.195	0.177	0.184
June	0.184	0.135	0.138
July	0.140	0.135	0.139
August	0.156	0.135	0.141
September	0.208	0.132	0.183
October	0.255	0.188	0.242
November	0.250	0.232	0.242
December	0.245	0.197	0.197
2007			
January	0.210	0.189	0.190
February	0.260	0.180	0.228
March *(Note 1)*	0.255	0.196	0.243
April *(Note 2)*	0.290	0.233	0.290
May (up to the Latest Practicable Date)	0.270	0.260	0.265

Source: www.hkex.com.hk

Notes:

1. Trading of Carico Shares was suspended from 7 March 2007 to 16 March 2007 (both days inclusive) and 20 March 2007, pending the release of the First Joint Announcement and the announcement in relation to the supplemental agreement of the Agreement.

2. Trading of Cairco Shares was suspended on 30 April 2007, pending the release of the announcement in relation to the disposal of Carico Shares by the Vendor. The closing price at the end of the month is the price stated at the trading day before suspension.

During the Review Period and up to the Last Trading Day, the closing prices of the Carico Shares fluctuated within a range between HK$0.260 to HK$0.132 per Carico Share. The Offer Price of HK$0.265 stands above, and represents a premium of approximately 1.9% to the highest closing price of the Carico Shares quoted on the Stock Exchange of HK$0.260 on 22 February 2007 and approximately 100.8% to the lowest closing price of the Carico Shares quoted on the Stock Exchange of HK$0.132 on 5 September 2006 and 6 September 2006 prior to the Last Trading Day.

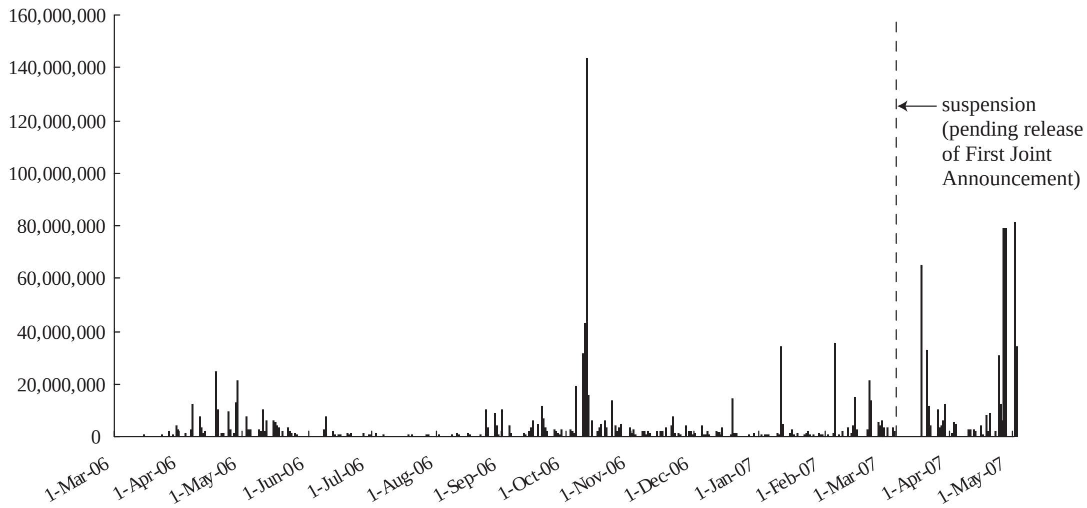
We noted from the above table that the closing price of the Carico Shares are particularly higher at the end of October and November 2006, during which, the Company had made a series of announcements in relation to, among other things, (1) increase in shareholding of the substantial shareholders; (2) changes in directorship; (3) changes in board composition of senior management and remuneration committee and audit committee. The Directors advised that, save for the aforesaid, they are not aware of any other reasons for the increase in Carico Share price.

We also noticed that the Offer Price generally represents a premium to the closing prices of the Carico Shares as quoted from the Stock Exchange from 1 March 2006 up to and including the Last Trading Day. Given the historical price performance of Carico Shares and the premium of the Offer Price offered over the closing prices of Carico Shares during the Review Period, we are of the view that the Offer Price is fair and reasonable and is in the interest of the Independent Shareholders.

The trading of the Carico Shares resumed on 19 March 2007, after which and up to the Latest Practicable Date, the closing prices of the Carico Shares were within a range of HK$0.233 and HK$0.290. The highest closing price of the Carico Shares after the resumption of trading of the Shares was HK$0.290 on 27 April 2007, which was approximately 34.9% higher than the closing price of the Carico Shares of HK$0.215 on the Last Trading Day. The upsurge might reflect the market response on the Offers but it is uncertain that the trading prices of the Carico Shares can be sustainable at such level. Independent Shareholders should note that if the net proceeds of sale of Carico Shares in the open market would exceed the amount receivable under the Share Offer prior to the close of the Share Offer, Independent Shareholders who wish to realise all or part of their holdings of the Carico Shares may sell such shares in the open market.

2.2 Liquidity of the Carico Shares

The following chart sets out the daily turnover of the Carico Shares on the Stock Exchange during the Review Period:



Source: www.hkex.com.hk

The highest, lowest and average daily turnover of the Carico Shares during the Review Period and the percentage of average daily turnover as compared with the total number of Carico Shares in issue and the total number of Carico Shares in public hands as at the Latest Practicable Date were tabulated below:

Month/period	**Highest daily turnover** *(number of Carico Shares)*	**Lowest daily turnover** *(number of Carico Shares)*	**Average daily turnover** *(number of Carico Shares)*	**Percentage of average daily turnover to total number of Carico Shares in issue** *(%)* *(Note 1)*	**Percentage of average daily turnover to number of Carico Shares held by the public** *(%)* *(Note 2)*
2006					
March	4,140,000	0	544,175	0.0318	0.0700
April	24,684,000	48,041	6,807,102	0.3972	0.8750
May	10,552,000	0	3,377,408	0.1971	0.4342
June	7,508,600	0	972,211	0.0567	0.1250
July	1,230,000	0	252,289	0.0147	0.0324
August	9,996,000	0	1,477,186	0.0862	0.1899
September *(Note 3)*	11,910,004	0	3,273,653	0.1910	0.4208
October	143,354,115	1,560,000	15,762,034	0.9197	2.0261
November	7,760,000	327,757	2,152,662	0.1256	0.2767
December	14,552,000	0	1,996,483	0.1165	0.2566
2007					
January	34,040,000	80,000	2,645,671	0.1544	0.3401
February	35,760,000	0	6,748,557	0.3938	0.8675
March *(Note 4)*	64,676,284	0	7,346,493	0.4286	0.9444
April *(Note 5)*	78,692,966	0	9,753,075	0.5691	1.2537
May (up to the Latest Practicable Date)	81,414,295	6,064,000	28,627,387	1.6703	3.6799

Source: www.hkex.com.hk

Notes:

1. Based on 1,713,875,160 Carico Shares in issue as at the Latest Practicable Date
2. Based on 777,934,961 Carico Shares held by the Independent Shareholders as at the Latest Practicable Date
3. Issue of 829,550,864 new Carico Shares pursuant to open offer on 13 September 2006
4. Trading of Carico Shares was suspended from 7 March 2007 to 16 March 2007 (both days inclusive) and 20 March 2007, pending the release of the First Joint Announcement and the announcement in relation to the supplemental agreement of the Agreement.
5. Trading of Cairco Shares was suspended on 30 April 2007, pending the release of the announcement in relation to the disposal of Carico Shares by the Vendor.

We noticed from the above table that the average daily turnover of the Carico Shares was exceptionally higher in October 2006, during which the Company made announcements on 10 October 2006 and 11 October 2006 that Best Effort acquired on-market 7,000,000, 2,800,000 and 99,200,000 Carico Shares on 9 October 2006, 10 October 2006 and 11 October 2006 respectively, representing approximately 0.42%, 0.17% and 5.98% of the existing share capital of the Company. The Directors advised in the respective announcement that, save as the aforesaid, they are not aware of any reasons for the increase in price and trading volume of the Carico Shares. If we exclude the month of October 2006 and the period from 19 March 2007 to the Latest Practicable Date, being the period subsequent to the First Joint Announcement was made for our analysis purpose, the average daily turnover of the Carico Shares in each month during the Review Period was extremely thin with the highest average daily turnover, representing (i) only approximately 0.397% of the total Carico Shares in issue as at the Latest Practicable Date and (ii) only approximately 0.875% of Carico Shares held by the public as at the Latest Practicable Date. We have noted a high trading volume of the Carico Shares after the resumption of trading of the Carico Shares on 19 March 2007, which might reflect the market's response on the Offers after they were announced. We have also noticed that the trading volume was exceptionally high on 27 April 2007, as disclosed in the announcement of the Company dated 30 April 2007, Long Chart Investment Limited ("Long Chart") had on 27 April 2007 exercised a call option granted by the Vendor to Long Chart pursuant to which, the Vendor sold and Long Chart purchased 41,480,000 Carico Shares at approximately HK$0.1687 per Carico Share on 27 April 2007. However, it is uncertain that whether such high level of trading volume is sustainable in long term.

2.3 Price earnings multiple

Price earnings multiple is one of the most commonly used benchmarks in evaluating a listed company based on its historical earnings. However, given that the Carico Group has recorded loss for the financial year ended 31 March 2006, the use of price earnings multiple may not be applicable for evaluation purpose.

2.4 NTAV

The audited consolidated NTAV of the Carico Group as at 31 March 2006 was approximately HK$64.1 million (equivalent to approximately HK$0.0773 per Carico Share based on 828,870,864 Carico Shares in issue as at 31 March 2006). The Offer Price represents a premium of approximately 242.8% over the audited consolidated NTAV of the Carico Group as at 31 March 2006.

2.5 Dividend yield

The Carico Group did not declare dividends for the last three financial years ended 31 March 2006. In addition, given the loss making position of the Carico Group, the basis for making any future dividend is uncertain. As such, it is impracticable to make an assessment of the valuation of the Carico Group and the Offer Price on dividend yield basis.

2.6 Comparison with other general offers

In order to further assess the Offer Price, we have identified, to the best of our knowledge, all the recent general offers announced by the companies that are listed on the Main Board of Stock Exchange ("Comparable Offers") since 16 March 2006, being the first day of the 12-month period prior to the day of the First Joint Announcement, to the Latest Practicable Date, details of which are set out as follows:

Name	**Stock code**	**Announcement date**	**Offer price per share** *HK$*	**Closing price on the last trading day prior to the date of announcement in relation to the general offer** *HK$*	**(Discount)/ premium of offer price over/to closing price on the last trading day prior to the date of announcement** *(%)* *(Note 1)*	**(Discount)/ premium of the relevant offer price over/to net tangible asset value or net asset value per share** *(%)*
Magnum International Holdings Limited	305	30 Mar 2006	0.03155	0.08	(60.56%)	(9.73%)
Nority International Group Limited	660	4 Apr 2006	0.47	0.41	14.63%	(11.32%)
The Cross-Harbour (Holdings) Limited	32	10 Apr 2006	4.083	6.75	(39.51%)	(42.00%) *(Note 2)*
First Pacific Company Limited	142	28 Apr 2006	2.20	3.25	(32.31%)	(47.74%)
CSMCTechnologies Corporation	597	12 May 2006	0.42	0.40	5.00%	(8.10%)
Shun Cheong Holdings Limited	650	16 May 2006	0.30	0.37	(18.92%)	(40.80%)
China Paradise Electronics Retail Limited	503	25 Jul 2006	2.2354	2.05	9.04%	137.80%

Name	Stock code	Announcement date	Offer price per share *HK$*	Closing price on the last trading day prior to the date of announcement in relation to the general offer *HK$*	(Discount)/ premium of offer price over/to closing price on the last trading day prior to the date of announcement *(%)* *(Note 1)*	(Discount)/ premium of the relevant offer price over/to net tangible asset value or net asset value per share *(%)*
Golden Resorts Group Limited	1031	25 Jul 2006	1.94	2.00	(3.00%)	(2.50%)
Asia Financial Holdings Limited	662	9 Aug 2006	3.50	4.24	(17.45%)	(40.50%) *(Note 2)*
Senyuan International Holdings Limited	3333	22 Aug 2006	1.49	1.43	4.20%	132.80%
Cash Retail Management Group Limited	996	28 Aug 2006	0.36	0.41	(11.11%)	44.00%
Hanny Holdings Limited	275	1 Sep 2006	3.80	3.53	7.65%	(51.78%)
China Motion Telecom International Limited	989	8 & 18 Sep 2006	0.055	0.11	(50.00%)	(45.11%)
Cosmopolitan International Holdings Limited	120	4 Oct 2006	0.05	0.086	(41.86%)	(64.03%)
Quality HealthCare Asia Limited	593	5 Oct 2006	3.25	3.90	(16.67%)	322.63%
AV Concepts Holdings Limited	595	9 Oct 2006	0.53	0.49	8.16%	(48.50%)

Name	Stock code	Announcement date	Offer price per share	Closing price on the last trading day prior to the date of announcement in relation to the general offer	(Discount)/ premium of offer price over/to closing price on the last trading day prior to the date of announcement	(Discount)/ premium of the relevant offer price over/to net tangible asset value or net asset value per share
			HK$	*HK$*	*(%)* *(Note 1)*	*(%)*
Asia Commercial Holdings Limited	104	27 Oct 2006	0.68	0.91	(25.27%)	33.33%
Apex Capital Limited	905	31 Oct 2006	0.0695	0.074	(6.08%)	75.75%
Fulbond Holdings Limited	1041	20 Nov 2006	0.0078	0.076	(89.74%)	(26.42%)
New World Mobile Holdings Limited	862	22 Nov 2006	0.65	0.43	51.16%	163.73%
Nority International Group Limited	660	24 Nov 2006	0.412	0.47	(12.34%)	20.47% *(Note 2)*
Linmark Group Limited	915	12 Dec 2006	1.05	0.93	12.90%	19.30%
Foundation Group Limited	1182	27 Dec 2006	0.51	0.63	(19.05%)	24.70%
Climax International Company Limited	439	9 Jan 2007	0.1	0.13	(23.08%)	(72.22%) *(Note 2)*
Zhongtian International Limited	2379	13 Feb 2007	0.1	0.175	(42.86%)	(73.12%)
Mexan Limited	22	16 Feb 2007	0.47535	0.495	(3.97%)	(49.30%)
Pacific Century Insurance Holdings Limited	65	1 Mar 2007	8.18	5.17	58.22%	177.78%
Mean					(12.70)%	19.23%
Median					(12.34)%	(9.73)%
Maximum					58.22%	322.63%
Minimum					(89.74)%	(73.12)%
The Company	729	16 Mar 2007	0.265	0.215	23.26%	242.80%

Source: www.hkex.com.hk and annual report of respective companies

Notes:

1. Quoted from the relevant announcement/circular of respective companyies

2. Net tangible asset per share

As shown on the above table, the premium/discount of the offer price of the Comparable Offers over/to the closing price on the last trading day prior to the relevant announcement ranged from a premium of approximately 58.22% to a discount of approximately 89.74%. The mean and median of the range set by the Comparable Offers were at a discount of approximately 12.7% and 12.34% respectively. We have noted that the premium of the Offer Price to the closing price of the Carico Share on the Last Trading Day of approximately 23.26% is above the mean and the median and at the high end of the range set by the Comparable Offers.

The premium/discount of relevant offer price over/to net asset value (or net tangible asset value as appropriate) per share of respective Comparable Offers ranged from a premium of approximately 322.63% to a discount of approximately 73.12%. The mean and median of the Comparable Offers were at a premium of approximately 19.23% and a discount of 9.73% respectively. The Offer Price is at a premium of at a premium of approximately 242.80% over NTAV per Carico Share as at 31 March 2006, which is significantly above the mean and the median and at the high end within such range.

It should however be noted that (1) the nature of business of the companies in the Comparable Offers are different from the business of the Carico Group; (2) the fundamental factors of each company in the Comparable Offers are different, which might result in different extent of premium or discount over/to the relevant closing share price and net asset value per share (or net tangible asset value as appropriate), we consider that the above comparison table can only provide a general reference to the Shareholders of the offer prices of the general offers announced recently but should not be used in isolation in determining the fairness and reasonableness of the Offer Price.

3. Intentions of the Offeror regarding the Carico Group

As stated in the section headed “Reasons for the Acquisition and Offeror’s intention regarding the Carico Group” in the Offeree Document, the Offeror intends to leverage on the network of its holding company in Japan for developing the Carico Group’s business. The Offeror plans to conduct a detailed review on the business operation and financial position of the Carico Group in order to formulate business and/or financing plans and strategies for the Carico Group’s future business development with a view to strengthen the Carico Group’s overall business performance. Subject to the results of the financial and operational review, the Offeror may consider to dispose the non-core business of Carico Group.

The Offeror has currently no intention to make any material changes to the employees or management of the Carico Group or to dispose of any material assets or businesses of the Carico Group other than in its ordinary course of business and has currently no intention to inject any material assets or businesses into the Carico Group as at the latest practicable date of the Offer Document. As mentioned in the "Letter from the Broad" of the Offeree Document, the existing executive directors of Carico, namely Mr. Chan Wai Ming and Mr. Loo Chung Keung, Steve have expressed their intention to resign after the closing of the Offers. The existing independent non-executive directors of Carico, namely Mr. Pang Chun Sing, Mr. Chan Chun Wai and Mr. Sit Fung Shuen, Victor have also expressed their intention to resign with effect from the First Closing Day of the Offers or the date when the Offers become or are declared unconditional, whichever is the later in compliance with the Takeovers Code. The Offeror nominated Mr. Wong Kwok Kuen and Mr. So George Siu Ming as executive directors of Carico with effect from the date immediately after the posting of the Offer Document as required by the Takeovers Code. Biographical details of the proposed directors of Carico to be nominated by the Offeror are set out in the "Letter from the Board" of the Office Document. The new members to the Board of Carico, together with the existing Directors representing AMA, being Messrs. Ryoji Furukawa, Yip Chi Chiu, Leung Chung Tak, Barry, Ryuichi Tanabe and Takehiko Wakayama will form the majority of the board of directors of Carico.

4. Maintaining of the listing status of the Company

The Offeror intends to maintain the listing of the Carico Shares on the Stock Exchange after the close of the Offers. The Offeror and Taiwan Securities (Hong Kong) Company Limited ("Placing Agent") entered in a placing agreement on 6 March 2007 (as amended by a letter agreement dated 9 March 2007). Pursuant to the aforesaid agreements, the Placing Agent agreed to act as the agent for the Offeror to procure placees for or failing which, itself to purchase up to 428,468,790 Offer Shares at HK$0.265, such that no less than 25% of the issued share capital of Carico will be held by the public under Rule 8.08 of the Listing Rules immediately upon the close of the Offer.

5. Recommendation on the Share offer

Having considered the principal factors and reasons as discussed above in particular:—

- the Carico Group has been suffering from continuous substantial losses for the three years ended 31 March 2006 and the six months ended 30 September 2006, it is uncertain as to whether the Carico Group's profitability would be improved after the close of the Offers;

- the Offeror plans to conduct a detailed review on the business operation and financial position of the Carico Group in order to formulate business and/or financing plans and strategies for the Carico Group's future business development with a view to strengthen the Carico Group's overall business performance. Subject to the results of the financial and operational review, the Offeror may consider to dispose the non-core business of Carico Group. Given that the Offeror currently does not have a concrete plan on the future development of the Carico Group, the future prospects of the Carico Group is uncertain as to whether the Carico Group can achieve positive results in the future;

- the Offer Price represents a premium of approximately 23.3% to the closing price of the Carico Share on the Last Trading Day, which stood at the high end within the range of Comparable Offers and is above the mean and median of the range of offer prices of the Comparable Offers to closing prices of the respective last trading days;

- the Offer Price is at a premium of 242.80% over NTAV per Carico Share as at 31 March 2006, which is significantly above the mean and median, and at the high end of the range of the Comparable Offers.

- the extremely thin trading volume of the Carico Shares prior to the First Joint Announcement may hinder the Independent Shareholders from disposing of their Carico Shares in the market without exerting downward pressure on the price of the Carico Shares; and

- the Company did not distribute any dividend in the past three financial years and it is not certain whether it is able to distribute any dividend in foreseeable future,

we are of the opinion that under such circumstances of the Carico Group, the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned.

Independent Shareholders should note that the Carico Shares had traded above the Offer Price after the First Joint Announcement was made and if the net proceeds of sale of Carico Shares in the open market would exceed the amount receivable under the Share Offer prior to the close of the Share Offer, Independent Shareholders who wish to realise all or part of their holdings of the Carico Shares should sell such shares in the open market rather than accepting the Share Offer.

However, those Independent Shareholders who wish to retain part or all of their shareholding in the Company should note that the Carico Group's financial performance had been loss making over the three years ended 31 March 2006 and the six months ended 30 September 2006. There is still an uncertainty as to whether the future prospects of the Carico Group will eventually be improved after the close of the Offers. Those Independent Shareholders should carefully consider the future intentions of the Offeror regarding the Carico Group after the close of the Offers, details of which are set out in the "Letter from the Offeror" contained in the Offer Document.

Independent Shareholders should also note the possibility that the consistently extremely thin trading volume of the Carico Shares prior to the First Joint Announcement (as recorded during the Review Period) may render the Independent Shareholders difficulty to dispose of their Carico Shares in the market after the close of the Share Offer without exerting downward pressure on the price of the Carico Shares. We have noted a high trading volume of the Carico Shares after the resumption of trading of the Carico Shares on 19 March 2007, which might reflect the market's response on the Offers. However, it is uncertain that whether such high level of trading volume is sustainable in long term. For the Independent Shareholders who believe that they will be unable to sell the Carico Shares in the market at a price higher than the Offer Price because of the size of their shareholdings, the Share Offer provides an exit opportunity for the Independent Shareholders to realise their investments in the Carico Shares if they so wish.

In case so applicable, Independent Shareholders should read carefully the procedures for accepting the Share Offer as detailed in the section headed "Letter from the Offeror" in the Offer Document, Appendix I to the Offer Document and the accompanying form of acceptance. Independent Shareholders are strongly advised that the decision to realise or to hold their investment in the Carico Shares is subject to individual circumstances and investment objectives.

II. The Option Offer

As at the Latest Practicable Date, the Company has a total of 118,546,052 Carico Options outstanding entitling the holders of thereof to subscribe for an aggregate of 36,406,052 Carico Shares at an exercise price of HK$0.11486 per Carico Share and 82,140,000 Carico Shares at an exercise price of HK$0.242 per Carico Share under the Share Option Scheme. Based on the closing price of Carico Share on the Last Trading Day of HK$0.215, the Carico Options with exercise price of HK$0.11486 were in-the-money with an intrinsic value of HK$0.10014 while the Carico Options with exercise price of HK$0.242 were out-of-money. By accepting the Option Offer, the holders of the Carico Options will be better off than exercising the Carico Options. Furthermore, given that the offer prices of Carico Options are equivalent to the difference between the Offer Price and the respective exercise price, having considered that the Offer Price is fair and reasonable and is in the interest of the Independent Shareholders based on our analysis in this letter, we are of the view that the offer prices of Carico Options are fair and reasonable.

Holders of the Carico Options should note that the Carico Shares had traded above the Offer Price after the First Joint Announcement was made and if the net proceeds from exercising the Carico Options would exceed the amount receivable under the Option Offer prior to the close of the Option Offer, holders of the Carico Options who wish to realise all or part of their holdings of Cairco Options should exercise such options rather than accepting the Option Offer.

In light of the above, we are of the view that the Option Offer are fair and reasonable so far as the holders of the Carico Options are concerned and accordingly advise the Independent Board Committee to recommend the holders of the Carico Options to accept the Option Offer.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee	**Fanny Lee**
Managing Director	*Director*

1. FINANCIAL SUMMARY

The following is a summary of the financial results of the Carico Group for each of the three years ended 31 March 2006 as extracted from its annual reports. The reports of the auditors, namely CCIF CPA Limited for 2006 and 2005 and Moore Stephens for 2004, in respect of the Company's audited accounts for the three years ended 31 March 2006 did not contain any qualification.

	For the year ended 31 March		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	16,398	16,038	29,738
Cost of sales	(22,851)	(15,195)	(25,472)
Gross (loss)/profit	(6,453)	843	4,266
Other net loss	(473)	(1,324)	(480)
Distribution costs	(30)	(28)	(363)
Administrative expenses	(28,944)	(25,714)	(15,761)
Impairment on trade and other receivables	(6,664)	(2,499)	(5,615)
Reverse of Impairment/(Impairment) on equipment, inventories and others	(3,614)	(7,638)	730
Gain on disposal of subsidiaries	45	82	24
Loss from operations	(46,133)	(36,278)	(17,199)
Finance costs	(600)	(1,406)	(950)
Impairment on goodwill of associates	(25,479)	—	—
Impairment on loans to associates	(4,667)	—	—
Share of (loss)/profit of associates	(1,717)	527	(88)
Loss before taxation	(78,596)	(37,157)	(18,237)
Taxation	—	—	—
Loss for the year	(78,596)	(37,157)	(18,237)
Attributable to:			
Equity holders of the Company	(77,136)	(37,157)	(18,439)
Minority interests	(1,460)	—	202
	(78,596)	(37,157)	(18,237)
		(Restated)	(Restated)
Loss per Share	HK$(0.165)	HK$(0.26)	HK$(0.21)

Note: For the three years ended 31 March 2006, there were no extraordinary items or exceptional items and no dividends had been paid.

2. AUDITED FINANCIAL STATEMENTS

The following is the unqualified audited financial statements of the Group for the year ended 31 March, 2006 as extracted from the annual report of the Company for the year ended 31 March, 2006.

CONSOLIDATED INCOME STATEMENT

	Note	**2006** *HK$'000*	**2005** *HK$'000*
Turnover	*5*	16,398	16,038
Cost of sales		(22,851)	(15,195)
Gross (loss)/profit		(6,453)	843
Other net loss	*6*	(473)	(1,324)
Distribution costs		(30)	(28)
Administrative expenses		(28,944)	(25,714)
Impairment on trade and other receivables	*7*	(6,664)	(2,499)
Impairment on equipment, inventories and others	*7*	(3,614)	(7,638)
Gain on disposal of subsidiaries		45	82
Loss from operations	*7*	(46,133)	(36,278)
Finance costs	*8*	(600)	(1,406)
Impairment on goodwill of associates	*17*	(25,479)	—
Impairment on loans to associates	*17*	(4,667)	—
Share of (loss)/profit of associates		(1,717)	527
Loss before taxation		(78,596)	(37,157)
Taxation	*9*	—	—
Loss for the year		(78,596)	(37,157)
Attributable to:			
Equity holders of the Company	*10*	(77,136)	(37,157)
Minority interests		(1,460)	—
		(78,596)	(37,157)
		HK$	HK$ (Restated)
Loss per share	*12*		
— Basic		(0.165)	(0.26)
— Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	9,960	4,097
Goodwill	15	816	—
Interests in associates	17	393	31,194
Available-for-sale financial assets	18	—	506
		11,169	35,797
Current assets			
Inventories	19	10,039	20,605
Amounts due from related companies	20	48	960
Trade and other receivables	21	26,134	21,615
Other financial assets	22	—	8,468
Cash and cash equivalents	23	32,543	3,505
		68,764	55,153
LIABILITIES			
Current liabilities			
Trade and other payables	24	5,052	6,106
Shareholder's loan	25	—	4,380
Convertible bonds	26	—	16,000
		5,052	26,486
Net current assets		63,712	28,667
ASSETS LESS LIABILITIES		74,881	64,464
CAPITAL AND RESERVES			
Share capital	27	8,289	17,272
Reserves	28	56,606	45,831
Equity attributable to equity holders of the Company		64,895	63,103
Minority interests		9,986	1,361
TOTAL EQUITY		74,881	64,464

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	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*
At 1 April 2004	125,813	31,109	235	—	1,868	803	—	(95,453)	64,375	1,361	65,736
Capital reduction	(120,915)	—	—	120,915	—	—	—	—	—	—	—
Cancellation of share premium	—	(32,185)	—	32,185	—	—	—	—	—	—	—
Transfers	—	—	—	(94,415)	—	—	—	94,415	—	—	—
Issue of new shares	12,374	23,511	—	—	—	—	—	—	35,885	—	35,885
Loss for the year	—	—	—	—	—	—	—	(37,157)	(37,157)	—	(37,157)
At 31 March 2005 and 1 April 2005	17,272	22,435	235	58,685	1,868	803	—	(38,195)	63,103	1,361	64,464
Capital reduction	(18,650)	—	—	18,650	—	—	—	—	—	—	—
Cancellation of share premium	—	(22,435)	—	22,435	—	—	—	—	—	—	—
Transfers	—	—	—	(84,264)	—	—	—	84,264	—	—	—
Issue of new shares	9,667	66,299	—	—	—	—	—	—	75,966	—	75,966
Issue of share options	—	—	—	—	—	—	2,956	—	2,956	—	2,956
Exchange difference on translation of the financial statements of foreign subsidiaries	—	—	6	—	—	—	—	—	6	—	6
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	10,085	10,085
Loss for the year	—	—	—	—	—	—	—	(77,136)	(77,136)	(1,460)	(78,596)
At 31 March 2006	8,289	66,299	241	15,506	1,868	803	2,956	(31,067)	64,895	9,986	74,881

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
Operating activities			
Loss before taxation		(78,596)	(37,157)
Adjustments for:			
Finance costs		600	1,406
Interest income		(432)	(2)
Loss on disposal of property, plant and equipment		370	—
Amortisation of intangible assets		—	50
Amortisation of goodwill		—	2,115
Depreciation		1,136	1,256
Equity-settled share-based payments		2,956	—
Impairment on trade and other receivables		6,664	2,499
Impairment on equipment, inventories and others		3,614	7,638
Impairment on goodwill of associates		25,479	—
Impairment on loans to associates		4,667	—
Loss on disposal of other financial assets		1,076	—
Share of loss/(profit) of associates		1,717	(527)
Gain on disposal of subsidiaries	*29(a)*	(45)	(82)
Operating loss before changes in working capital		(30,794)	(22,804)
Decrease/(increase) in inventories		20,721	(23,606)
Decrease/(increase) in amounts due from related companies		912	(23)
(Increase)/decrease in trade and other receivables		(9,299)	3,385
(Decrease)/increase in trade and other payables		(2,408)	85
Net cash used in operations		(20,868)	(42,963)
Interest paid		—	(1)
Interest received		429	2
Profit tax paid		—	—
Net cash used in operating activities		(20,439)	(42,962)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*
For the year ended 31 March 2006

	Note	**2006** *HK$'000*	**2005** *HK$'000*
Investing activities			
Acquisition of property, plant and equipment		(3,083)	(4,710)
Proceeds from disposal of subsidiaries	*29(a)*	—	2
Acquisition of a subsidiary	*29(b)*	(9,839)	—
Acquisition of associates		—	(1,750)
Acquisition of long term investments		—	(500)
Acquisition of other investments		—	(657)
Proceeds from disposal of other financial assets		7,392	—
Proceeds from disposal of property plant and equipment		21	—
Net cash used in investing activities		(5,509)	(7,615)
Financing activities			
Issue of new shares		75,966	33,885
Issue of convertible bonds		—	18,000
Repayment of convertible bonds		(16,000)	—
Repayment of interest on convertible bonds		(5)	(1,241)
Proceeds from shareholders' loan		15,000	4,380
Repayment of shareholders' loan		(19,380)	—
Repayment of interest on shareholders' loan		(595)	—
Repayment of short-term borrowings		—	(4,500)
Repayment of interest on short-term borrowings		—	(128)
Repayment of interest elements of finance lease		—	(36)
Repayment of capital elements of finance lease		—	(344)
Net cash generated from financing activities		54,986	50,016
Net increase/(decrease) in cash and cash equivalents		29,038	(561)
Cash and cash equivalents at beginning of the year		3,505	4,066
Cash and cash equivalents at end of the year		32,543	3,505

BALANCE SHEET
As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	16	—	35,503
Current assets			
Amount due from a related company	20	—	2
Other receivables	21	14	—
Cash and cash equivalents	23	25,343	3,461
		25,357	3,463
LIABILITIES			
Current liabilities			
Other payables and accruals	24	576	2,590
Shareholder's loan	25	—	4,380
Convertible bonds	26	—	16,000
		576	22,970
Net current assets/(liabilities)		24,781	(19,507)
ASSETS LESS LIABILITIES		24,781	15,996
CAPITAL AND RESERVES			
Share capital	27	8,289	17,272
Reserves	28	16,492	(1,276)
TOTAL EQUITY		24,781	15,996

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in trading and manufacturing of hightech automobile-related products, trading of electronic components and investment holding as referred to Notes 16 and 17.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and other financial assets at fair value through profit or loss which are carried at fair value.

The adoption of new/revised HKFRS

In the year, the Group adopted the new/revised standards and interpretations of HKFRS below, which were relevant to its operations. The comparatives were amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowings Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRS (Continued)

HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Labilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 15	Operating Leases — Incentives
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 33, 37 and HKAS-Ints 15 and 21 did not result in substantial change to the accounting policies of the Group. In summary:

— HKAS 1 affected the presentation of minority interest, share of net after tax results of the associates and other disclosures.

— HKASs 2, 8, 16, 21, 28 affect certain disclosures of the financial statements.

— HKASs 7, 10, 14, 17, 18, 19, 23, 27, 33, 37 and HKAS-Ints 15 and 21 had no material effect on the policies of the Group.

— HKAS 24 affected the identification of related parties and some other related-party disclosures.

The adoption of HKASs 32, 39 and its Amendment resulted in a change in the accounting policies relating to the classification of financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. It also resulted in the recognition of derivative financial instruments at fair value.

The adoption of HKFRS 2 resulted in a change in accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense to the income statement. Effective from 1 April 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 April 2005 was expensed retrospectively in the income statement of the respective periods. The Group took advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies were not applied to all share options or shares granted to employees or directors after 7 November 2002 but were vested before 1 January 2005.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRS (Continued)

The adoption of new/revised HKFRS (Continued) The adoption of HKFRS 3, HKASs 36 and 38 resulted in change in accounting policy for goodwill. Until 31 March 2005, goodwill was:

— Amortised on a straight-line basis over a period not exceeding ten years; and

— Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

— The Group ceased amortization of goodwill from 1 April 2005;

— Accumulated amortization as at 31 March 2005 was eliminated with a corresponding decrease in the cost of goodwill; and

— From the year ended 31 March 2006 onwards, goodwill will be tested annually for impairment, as well as when there is indication of impairment.

The Group reassessed the useful lives of its tangible assets in accordance with the provision of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies were made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group required retrospective application other than:

— HKAS 39 did not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 were determined and recognised as at 1 April 2005.

— HKFRS 2 only retrospective application for all equity instruments granted after 7 November 2002 and not vested as at 1 April 2005.

— HKFRS 3 prospectively after 1 April 2005.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(a) **Basis of preparation** *(Continued)*

The adoption of new/revised HKFRS (Continued)

Certain new standards, amendments and interpretations to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, are as follows:

— HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures (effective from 1 January 2006)
— HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)
— HKAS 39 (Amendment)	The Fair Value Option (effective from 1 January 2006)
— HKAS 39 and HKFRS 4	Financial Guarantee Contracts (Amendment) (effective from 1 January 2006)
— HKFRS 7	Financial Instruments Disclosure and a complementary amendment to HKAS 1 Presentation of Financial Statements — Capital Disclosures (effective from 1 January 2007)
— HKFRS-Int 4	Determining whether an Arrangement contains a Lease (effective from 1 January 2006)

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to quantify the impact of these new standards, amendments and interpretations on its results of operations and financial position.

(b) **Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

(i) Subsidiaries

Subsidiaries are all entities over which the Group had the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control was transferred to the Group. They are de-consolidated from the date that control ceases.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(b) **Consolidation** *(Continued)*

(i) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group during the year. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group was recorded as goodwill. If the cost of acquisition was less than the fair value of the net assets of the subsidiary acquired, the difference was recognised directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

(ii) Transactions with minority interests

The Group applies policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interest result gains and losses of the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(b) **Consolidation** *(Continued)*

(iii) Associated companies (Continued)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted by the Company on the basis of dividends received and receivable.

(c) **Segment reporting**

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) **Foreign currency translation**

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured by using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Change in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(d) **Foreign currency translation** *(Continued)*

(iii) Group companies

The results and financial position of the Group entities (one of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) **Property, plant and equipment**

All property, plant and equipment are stated at historic cost less depreciation and impairment losses. Historic cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation is provided on the straight-line method, based on the estimated economic useful lives of the individual assets, at the following rates of depreciation are used:

Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	20%
Plant and machinery	9% to 18%

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset was greater than its estimated recoverable amount.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill on acquisitions of associated companies is included in investments in associated companies. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(g) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss deceases. Impairment losses for equity securities are not reversed.

— For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

— For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date of identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts);

— pre-paid interests in leasehold land classified as bein held under an operating lease;

— intangible assets;

— investments in subsidiaries, associates and joint ventures (except for those classified as held for sale (or included in a disposal group that is classified as held for sale); and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cashgenerating unit).

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(g) **Impairment of assets** *(Continued)*

(ii) Impairment of other assets (Continued)

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cashgenerating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) **Investments**

From 1 April 2004 to 31 March 2005:

The Group classified its investments in securities, other than subsidiaries and associated companies, as non-trading securities and trading securities.

(i) Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Change in fair value of individual securities were credited or debited to the investment revaluation reserve until securities were sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sale proceeds and the carrying amounts of the relevant security, together with any surplus or deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

Where there was objective evidence that individual investments were impaired, the cumulative loss recorded in the revaluation reserve was taken to the income statement.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(h) **Investments** *(Continued)*

(ii) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arose.

From 1 April 2005 onwards:

The Group classified its financial assets in the following categories: other financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and reevaluated this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives were categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as long-term receivables and account receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designed in this category or not classified in any of the other categories. They are included in non-current assets unless the management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(h) Investments *(Continued)*

(iii) Available-for-sale financial assets (Continued)

The fair values of quoted investment are based on current bid prices. For unlisted securities are determined by using valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model refined to reflect the issuer's specific circumstances.

The Group reassesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case equity securities classified as available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(i) Inventories

Inventories are stated at the lowest of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials and subcontracting charges. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Cash and cash equivalents

Cash and cash equivalent include cash in hand, deposits held at call with banks and fixed deposits with maturity within 3 months or less.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue of disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at lease 12 months after the balance sheet date.

(n) Deferred income tax

Deferred income tax was provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arose from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affected neither accounting nor taxable profit or loss. Deferred income tax was determined using tax rates that are enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset was realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit would be available against which the temporary differences could be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference would not reverse in the foreseeable future.

(o) Employee benefits

The Group's subsidiary in the PRC participates in the provincial/ municipal defined contribution retirement benefit schemes managed by the respective provincial/municipal bureau. Pursuant to the relevant provisions, the subsidiary is required to make monthly contributions at rates prevailing in the relevant province on the employees' monthly salaries. The retirement benefit costs are charged to the income statement.

The Hong Kong subsidiaries operate defined contribution retirement benefit schemes under the Mandatory Provident Fund ("MPF") Scheme Ordinance. The MPF Scheme Ordinance requires both the company and the employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK$1,000 per month. The assets of the MPF Scheme are held separately from those of the company in independently administered funds. The contributions payable to the scheme are charged to the income statement as incurred.

The retirement benefits costs charged to the income statement represent contributions payable by the Group to retirement benefits schemes.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(p) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option-Pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meeting vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit/loss for the year of the review, unless the original employee expenses qualify for recognition of an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

(r) Revenue recognition

(i) Revenue from sales of goods is recognised when the Group delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(ii) Interest income is recognised on a time proportion basis, using the effective interest method.

(iii) Dividend income is recognised when the right to receive payment is established.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(s) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are expenses in the income statement on a straight-line basis over the period of the lease.

(ii) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payments is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(t) Borrowing costs

Borrowing costs are recognised in the income statement in which they are incurred.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(v) Intangible assets (other than goodwill)

On initial recognition, intangible asses acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with indefinite useful lives are carried at cost less subsequent accumulated impairment losses. Intangible assets with finite useful lives are stated at cost and are amortised on the straight line method over their useful lives with amortisation commences when the asset is available for use.

The intangible assets are assessed for impairment at each balance sheet date by comparing their carrying amounts with their recoverable amounts. Where indication of impairment exists, an impairment loss is charged to profit and loss to reduce the assets to its recoverable amount.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(w) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entry that is a related party of the Group.

3. **FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value, interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(a) Market risks

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

(ii) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the available of funding through an adequate amount of committed credit facilities and the ability to close our market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Fair value estimation

The fair value of financial assets through profit or loss is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group used a variety of methods and made assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation *(Continued)*

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposed is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group made estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2(f). The recoverable amounts of cash generating units are determined based on value-in-use calculation. These calculations require the use of estimates.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Equity compensation

In determining the total expenses for the Group's equity compensation plans, the Group estimates the number of options/ shares that are expected to become exercisable/vested at the date of grant. At each balance sheet date before the options/shares that are become exercisable/vested, the Group will revise the total expenses where the number of options/shares that are expected to become exercisable/vested are different to previously estimated.

5. TURNOVER AND SEGMENTAL INFORMATION

(a) Primary reporting format - business segment

For the year ended 31 March 2006, the Group has been organized into two business segments: manufacturing and trading of automotive components and trading of electronic components.

Turnover consisted of sales from these two segments amounted to HK$15,030,000 (2005: HK$16,038,000).

Other operations of the Group mainly comprised investments in securities, provision of logistics services and production and distribution of TV programmes.

The analysis of the business segments of operations of the Group are as follows:

	2006			
	Manufacturing and trading of automotive components	**Trading of electronic components**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,381	13,649	1,368	16,398
Segment results	(3,109)	(17,475)	(9,397)	(29,981)
Unallocated group expenses				(16,152)
Loss from operations				(46,133)
Finance costs				(600)
Impairment on goodwill of associates				(25,479)
Impairment on loans to associates				(4,667)
Share of loss of associates				(1,717)
Loss before taxation				(78,596)
Taxation				—
Loss before minority interests				(78,596)
Minority interests				1,460
Loss for the year attributable to equity holders of the Company				(77,136)
Segment assets	23,494	12,167	3,278	38,939
Investment in associates				393
Unallocated				40,601
Total assets				79,933
Segment liabilities	(3,950)	—	(312)	(4,262)
Unallocated				(790)
Total liabilities				(5,052)
Capital expenditure	843	—	1,043	1,886
Unallocated capital expenditure				1,197
				3,083
Depreciation	192	142	450	784
Unallocated depreciation				352
				1,136

5. **TURNOVER AND SEGMENTAL INFORMATION** *(Continued)*

(a) **Primary reporting format - business segment** *(Continued)*

	2005			
	Manufacturing and trading of automotive components *HK$'000*	**Trading of electronic components** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Turnover	749	15,289	—	16,038
Segment results	(2,737)	(4,906)	(1,326)	(8,969)
Unallocated group expenses				(27,309)
Loss from operations				(36,278)
Finance costs				(1,406)
Share of profit of associates				527
Loss before taxation				(37,157)
Taxation				—
Loss before minority interests				(37,157)
Minority interests				—
Loss for the year attributable to equity holders of the Company				(37,157)
Segment assets	—	39,706	9,932	49,638
Investment in associates				31,194
Unallocated				10,118
Total assets				90,950
Segment liabilities	—	(1,945)	(3,431)	(5,376)
Unallocated				(21,110)
Total liabilities				(26,486)
Capital expenditure	—	4,500	110	4,610
Unallocated capital expenditure				100
				4,710
Depreciation	—	900	157	1,057
Unallocated depreciation				199
				1,256

5. **TURNOVER AND SEGMENTAL INFORMATION** *(Continued)*

(b) **Secondary reporting format - geographical segments**

The analysis of the geographical segments of operations of the Group for the year ended 31 March 2006 are as follows:

	2006			
	Hong Kong	**PRC**	**Overseas**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,177	14,779	442	16,398
Segment assets	4,460	34,479	—	38,939
Investment in associates				393
Unallocated				40,601
Total assets				79,933
Segment liabilities	(312)	(3,950)	—	(4,262)
Unallocated				(790)
Total liabilities				(5,052)
Capital expenditure	1,034	843	—	1,877
Unallocated capital expenditure				1,206
				3,083
Depreciation	78	865	—	943
Unallocated depreciation				193
				1,136

For the year ended 31 March 2005, the Group had been operating in one single geographical segment and sales were made mainly to customers in the PRC.

6. **OTHER NET LOSS**

	2006	**2005**
	HK$'000	*HK$'000*
Net loss realised from disposal of investment in securities	(1,076)	(1,349)
Unrealised holding losses on investment in securities	—	(140)
Exchange gain on investment in foreign currency warrants	—	163
Interest income	432	2
Others	171	—
	(473)	(1,324)

7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2006	2005
	HK$'000	*HK$'000*
Auditors' remuneration		
— for the current year	300	300
— underprovision in prior year	—	80
Amortisation of intangible assets	—	50
Amortisation of goodwill	—	2,115
Cost of inventories sold	21,550	15,195
Directors' emoluments	8,204	5,580
Depreciation of property, plant and equipment	1,136	1,256
Loss on disposal of property, plant and equipment	370	—
Operating lease charges in respect of rented premises	827	549
Impairment on		
— Trade receivable	6,664	—
— Others	—	2,499
	6,664	2,499
Impairment on		
— Plant and machinery	3,053	1,451
— Available-for-sale financial assets	506	2,087
— Inventories	—	3,750
— Intangible assets	55	350
	3,614	7,638
Staff costs (excluding directors' emoluments)		
— salaries and allowances	4,837	2,959
— equity-settled share-based payments	823	—
— contributions to retirement benefits schemes (Note)	300	135

Note: At 31 March 2006, the Group had no forfeited contributions available to reduce its contributions to its retirement benefits schemes in future years (2005: HK$Nil).

8. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on convertible bonds	5	1,241
Interest on bank overdrafts	—	1
Interest on short term loan	—	128
Interest on shareholder's loan	595	—
Finance charges on leases	—	36
	600	1,406

9. 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 profits derived from Hong Kong or any jurisdictions for both years.

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

The taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the loss per income statement as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Loss before taxation	(78,596)	(37,157)
Tax at the domestic income tax rate at 17.5% (2005: 17.5%)	(13,755)	(6,503)
Tax effect of expenses that are not deductible in determining taxable profit	7,907	3,024
Tax effect of income that are not assessable in determining taxable profit	(106)	—
Tax effect of accelerated tax depreciation not previously recognised	(480)	(452)
Deferred tax assets not recognised	6,434	4,109
Effect of different tax rate of subsidiaries operating in other jurisdictions	—	(178)
	—	—

No share of tax of associates for both years.

At 31 March 2006, the Group has unprovided deferred tax assets of approximately HK$6,434,000 (2005: HK$4,109,000), primarily representing the tax effect of cumulative tax losses (subject to agreement by relevant tax authorities). The deferred tax assets have not been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS

The consolidated loss attributable to equity holders of the Company includes a loss of approximately HK$70,137,000 (2005: HK$84,264,000) dealt with in the financial statements of the Company.

11. DIVIDENDS

No dividends were paid or declared by the Company during the year (2005: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on the consolidated loss attributable to equity holders of the Company of HK$77,136,000 (2005: HK$37,157,000) and the weighted average number of 467,394,970 (2005: 143,870,674 as restated due to a share consolidation of every ten shares of the Company into one share which was completed on 26 September 2005) ordinary shares in issue during the year.

(b) Diluted loss per share

As there is no dilutive potential ordinary share as at 31 March 2006 and 2005 and accordingly, no diluted loss per share has been presented for both years.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMUNERATION

(a) Directors' remuneration

The remuneration of the directors of the Company (the "Directors") for the year ended 31 March 2006 is set out below:

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share-based payments	Retirement benefits schemes contributions	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Loo Chung Keung Steve	—	780	—	12	792
Mr. Chan Wai Ming	—	780	—	12	792
Mr. Sun Yeung Yeung	—	—	148	—	148
Ms. Tin Yuen Sin Carol	—	—	—	—	—
Mr. Zu Yuan	—	18	295	—	313
Non-executive Directors					
Mr. Gouw Kar Yiu Carl	—	40	—	1	41
Ms. Gouw San Bo Elizabeth	—	5,843	—	5	5,848
Mr. Tung Tat Chiu Michael	—	60	36	—	96
Mr. Chak Chi Man	—	—	—	—	—
Independent non-executive Directors					
Mr. Pang Chun Sing	—	60	—	—	60
Mr. Chan Chun Wai	—	60	—	—	60
Mr. Tsang Pak Chung Eddy	—	—	—	—	—
Mr. Wong Miu Sung	—	54	—	—	54
	—	7,695	479	30	8,204

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

The remuneration of the Directors for the year ended 31 March 2005 is set out below:

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share-based payments	Retirement benefits schemes contributions	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Loo Chung Keung Steve	—	—	—	—	—
Mr. Chan Wai Ming	—	—	—	—	—
Mr. Sun Yeung Yeung	—	—	—	—	—
Mr. Gouw Hiap Kian	—	1,598	—	—	1,598
Non-executive Directors					
Mr. Gouw Kar Yiu Carl	—	2,098	—	12	2,110
Ms. Gouw San Bo Elizabeth	—	1,780	—	12	1,792
Mr. Tung Tat Chiu Michael	—	—	—	—	—
Mr. Chow Yeung Tuen Richard	—	—	—	—	—
Mr. Ha Kee Choy Eugene	—	80	—	—	80
Mr. Lo Mun Lam Raymond	—	—	—	—	—
Independent non-executive Directors					
Mr. Pang Chun Sing	—	—	—	—	—
Mr. Chan Chun Wai	—	—	—	—	—
Mr. Tsang Pak Chung Eddy	—	—	—	—	—
Mr. Law Hung Wai Sam	—	—	—	—	—
Mr. Ko Sai Kit Larry	—	—	—	—	—
	—	5,556	—	24	5,580

The aggregate amounts of emoluments payable to the Directors during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Fees		
Executive Directors	—	—
Non-executive Directors	—	—
Independent non-executive Directors	—	—
	—	—
Other emoluments for Directors		
Salaries and other benefits	7,695	5,556
Equity-settled share-based payments	479	—
Retirement benefits schemes contributions	30	24
	8,204	5,580
	8,204	5,580

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

The emoluments of the Directors fell within the following bands:

	Number of Directors	
	2006	**2005**
HK$Nil — HK$1,000,000	12	12
HK$1,000,001 — HK$1,500,000	—	—
HK$1,500,001 — HK$2,000,000	—	2
HK$2,000,001 — HK$2,500,000	—	1
HK$2,500,001 — HK$3,000,000	—	—
HK$3,000,001 — HK$3,500,000	—	—
HK$3,500,001 — HK$4,000,000	—	—
HK$4,000,001 — HK$4,500,000	—	—
HK$4,500,001 — HK$5,000,000	—	—
HK$5,000,001 — HK$5,500,000	—	—
HK$5,500,001 — HK$6,000,000	1	—

The above emoluments included the value of share options granted to certain Directors under the Company's share option scheme as estimated at the date of grant. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" in the Directors' Report and Note 30.

During the year, no Directors waived remuneration and no emoluments of the Directors were incurred as an inducement to join or upon joining the Company or as compensation for loss of office.

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year ended 31 March 2006 included two (2005: one) executive Directors, one (2005: two) non-executive Director details of whose emoluments are set out above. The emoluments of the remaining two (2005: two) employees for the year ended 31 March 2006 were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other benefits	711	517
Retirement benefits schemes contributions	9	23
	720	540

The emoluments were within the following bands:

	Number of Employees	
	2006	**2005**
HK$Nil — HK$1,000,000	2	2
HK$1,000,001 — HK$1,500,000	—	—
HK$1,500,001 — HK$2,000,000	—	—
HK$2,000,001 — HK$2,500,000	—	—

14. PROPERTY, PLANT AND EQUIPMENT

Group — 2006

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 April 2005	375	4,459	4,718	198	9,750
Additions	573	223	1,004	1,283	3,083
Acquisition of a subsidiary	850	6,251	72	187	7,360
Disposals	(380)	—	(227)	(198)	(805)
At 31 March 2006	1,418	10,933	5,567	1,470	19,388
Accumulated depreciation and impairment					
At 1 April 2005	148	4,459	967	79	5,653
Charge for the year	128	328	596	84	1,136
Impairment	—	—	3,053	—	3,053
Disposals	(205)	—	(100)	(109)	(414)
At 31 March 2006	71	4,787	4,516	54	9,428
Net book value					
At 31 March 2006	1,347	6,146	1,051	1,416	9,960

Group — 2005

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 April 2004	364	4,459	119	2,089	7,031
Additions	11	—	4,599	100	4,710
Disposal of a subsidiary	—	—	—	(1,991)	(1,991)
At 31 March 2005	375	4,459	4,718	198	9,750
Accumulated depreciation and impairment					
At 1 April 2004	73	3,008	24	418	3,523
Charge for the year	75	—	943	238	1,256
Impairment	—	1,451	—	—	1,451
Disposal of a subsidiary	—	—	—	(577)	(577)
At 31 March 2005	148	4,459	967	79	5,653
Net book value					
At 31 March 2005	227	—	3,751	119	4,097

15. GOODWILL

Goodwill recoginsed in the consolidated balance sheet, arising from th acquisition of Unicla International Limited is as follow:

Group

	HK$'000
Cost	
At 1 April 2004, 31 March 2005 and 1 April 2005	—
Arising on acquisition of a subsidiary	816
At 31 March 2006	816
Impairment	
At 1 April 2004, 31 March 2005 and 1 April 2005	—
Impairment loss recognized for the year	—
At 31 March 2006	—
Carrying value	
At 31 March 2006	816
At 31 March 2005	—

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segments.

A segment-level summary of the goodwill allocation is presented below:

	2006 *HK$'000*	**2005** *HK$'000*
Manufacturing and trading of automotive components	816	—

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

Key assumptions used for value-in-use calculations

Gross Profit Margin	10-25%
Growth Rate	25%
Discount Rate	25%

15. GOODWILL *(Continued)*

Impairment tests for goodwill *(Continued)*

These assumptions have been used for the analysis of the CGU within the business segment.

Management determined budgeted gross profit margin and growth rate based on past performance and its expectations of the market development. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	21	99
Amounts due from subsidiaries	126,790	121,135
Less: Provision for impairment	(126,811)	(85,731)
	—	35,503

The amounts due from subsidiaries are unsecured, interest free and have no terms for repayment.

Particulars of the subsidiaries as at 31 March 2006 are as follows:

Name	**Place of incorporation/ operation**	**Nominal value of issued and fully paid/ registered capital**	**Percentage held by the Company**	**Percentage held by the Group**	**Principal activities**
Basland Enterprises Ltd.	British Virgin Islands	100 ordinary shares of US$1 each	100%	100%	Investment holding
Carico (Hong Kong) Limited (Formerly known as Carico Holdings Limited)	Hong Kong	1 ordinary share of HK$1 each	—	100%	Investment holding
Carico Logistics Limited	Hong Kong	1 ordinary share	—	100%	Logistics
Carico Strategic Investment Ltd.	British Virgin Islands	1 ordinary share of US$1 each	100%	100%	Dormant
Cheer Asia Investment Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	100%	Investment holding
China Automotive Resources Limited (Formerly known as China Automobile Resources Limited)	Hong Kong	1 ordinary share of HK$1 each	100%	100%	Dormant

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Nominal value of issued and fully paid/ registered capital	Percentage held by the Company	Percentage held by the Group	Principal activities
China Automotive Resources (Canada) Inc.	Canada	CAD1	—	100%	Dormant
China Automotive Resources (USA) Inc.	USA	100 shares common stock of US$0.01 each	—	100%	Dormant
Crown Wealth Development Limited	Hong Kong	2 ordinary shares of HK$1 each	50%	100%	Investment holding
Fullbelief International Limited	British Virgin Islands	1 ordinary share of US$1 each	—	100%	Investment holding
Gorient (Hong Kong) Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	100%	Investment holding
Glory Era Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%	Cost centre
Lucky Metro Trading Ltd.	British Virgin Islands	100 ordinary shares of US$1 each	—	100%	Investment holding
Prime Year Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	100%	Investment holding
Sky Cheer Corporation Limited	Hong Kong	1 ordinary share of HK$1 each	—	100%	Production and distribution of TV programmes
Sky Era Limited	Hong Kong	1 ordinary share	—	100%	General trading
Tianjin Guangying Automotive Mirror Company Limited (Note)	People's Republic of China	US$500,000	—	50%	Dormant
Unicla International Limited	Hong Kong	25,000,000 ordinary shares of HK$1 each	—	53%	Trading and Manufacturing of compressor
Unicla International (Japan) Limited	Japan	60 shares of Yen50,000 each	—	53%	Trading of compressor
Yinshau Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%	Investment holding and trading of electronic components

Note:

Tianjin Guangying Automotive Mirror Company Limited is a Sino-foreign owned joint venture enterprise under the laws of the People's Republic of China. It has been regarded as a subsidiary and its accounts have been consolidated since in the opinion of the directors, the Group has the power to govern its financial and operating policies.

17. INTERESTS IN ASSOCIATES

Group

	2006	**2005**
	HK$'000	*HK$'000*
Share of net liabilities	(3,080)	(2,425)
Unamortised goodwill on acquisition *(Note a)*	25,479	25,479
Impairment on goodwill of associates *(Note a)*	(25,479)	—
	(3,080)	23,054
Loans to associates *(Note b)*	9,890	9,890
Less: Impairment on loans to associates	(6,417)	(1,750)
	3,473	8,140
	393	31,194

(a) Goodwill on acquisition

	HK$'000
Cost	
At 1 April 2004, 31 March and 31 March 2006	27,812
Accumulated amortisation	
At 1 April 2004	218
Charge for the year	2,115
At 31 March 2005	2,333
Charge for the year	—
At 31 March 2006	2,333
Impairment	
At 1 April 2004	—
Impairment for the year	—
At 31 March 2005	—
Impairment for the year	25,479
At 31 March 2006	25,479
Net book value	
At 31 March 2006	—
At 31 March 2005	25,479

17. INTERESTS IN ASSOCIATES *(Continued)*

(b) The loans are unsecured, interest free and have no fixed terms for repayment. In the opinion of the Directors, the carrying value of the loans to associates approximate to their fair value at the balance sheet date.

(c) The summarised financial information in respect of the Group's associates is set out below:

	2006 *HK$'000*	**2005** *HK$'000*
Total assets	4,945	7,303
Total liabilities	(10,586)	(11,755)
Revenue	14,574	9,818
(Loss)/profit for the year	(4,722)	1,451

Details of the associates are as follows:

Name of company	**Place of incorporation**	**Percentage of equity shares held by the Group**		**Principal activities**
		Directly	**Indirectly**	
Intelligent Transport System Holdings Limited*	British Virgin Islands	—	50%	Investment holding
ITS Car Alarm Limited*	Hong Kong	—	50%	Trading of motor car alarm systems
Intelligent Transport System (Telematics) Limited*	Hong Kong	-	50%	Dormant
Intelligent Transport System Asia Limited*	British Virgin Islands	—	50%	Provision of consultancy service
Wide and Bright Limited*	British Virgin Islands	—	30%	Distribution, sale and sublicensing of distributorship right

** Not audited by CCIF CPA Limited*

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2006 *HK$'000*	**2005** *HK$'000*
Investments in securities, at cost	1,450	1,450
Less: Impairment loss	(1,450)	(1,450)
	—	—
Other investment	1,680	1,680
Less: Impairment loss	(1,680)	(1,174)
	—	506
	—	506

Investments in securities made for the long-term with an identified strategy purpose represent:

Name of company	**Place of incorporation**	**Percentage of equity shares held by the Group**	**Principal activity**
Icered.com Limited	Hong Kong	10%	Community Web Site
Media Savvy Limited	Hong Kong	15%	Provision of outdoor advertising service

Other investment held for long-term capital gain only represents:

Name of company	**Place of incorporation**	**Percentage of equity shares held by the Group**	**Principal activity**
Bangkok Mass Transit System Public Company Limited	Thailand	0.05%	Operation of the elevated Mass Transit Railway in Bangkok

19. INVENTORIES

Group

	2006	**2005**
	HK$'000	*HK$'000*
At cost:		
Raw materials		
— for manufacturing of compressor	5,607	—
Finished goods		
— electronics components	—	20,605
— compressors	4,432	—
	10,039	20,605

20. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest free and have no fixed terms for repayment.

21. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$$'000*
Trade receivable (Note a)	13,856	13,613	—	—
Advances to suppliers	64	—	—	—
Other receivables (Note b)	12,214	8,002	14	—
	26,134	21,615	14	—

(a) The ageing analysis of the trade receivable was as follows:

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$$'000*
Within 3 months	1,786	7,203	—	—
4 to 6 months	—	6,410	—	—
Over 6 months	12,070	—	—	—
	13,856	13,613	—	—

The normal credit period granted to trade debtors is 30 to 90 days.

(b) Other receivables in 2005 included the amount of HK$4,040,000 (2005: HK$8,000,000) as deposit paid by a subsidiary for a proposed investment. A termination agreement signed on 7 February 2005 for the termination of the proposed investment. HK$3,960,000 was refunded during the year and the remaining balance of HK$4,040,000 was settled subsequent to the balance sheet date.

22. OTHER FINANCIAL ASSETS

Group

	2006	**2005**
	HK$'000	*HK$'000*
Listed securities:		
Equity securities — Hong Kong	—	8,468
Market value of listed securities	—	8,468

23. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$$'000*
Cash at bank and in hand	17,443	3,505	10,243	3,461
Short-term bank deposits	15,100	—	15,100	—
	32,543	3,505	25,343	3,461

The effective interest rate on short-term bank deposits is 4% per annum (2005: Nil), these deposits have an average maturity of less than 7 days.

24. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$$'000*
Trade payable	193	—	—	—
Other payables and accruals	4,859	6,106	576	2,590
	5,052	6,106	576	2,590

The ageing analysis of the trade payable was as follows:

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$$'000*
Within 3 months	193	—	—	—

The normal credit period granted by trade creditors is 30 to 90 days.

25. SHAREHOLDER'S LOAN

The shareholder's loan was unsecured, bore interest rate of 8% per annum (2005: interest free) and had no fixed terms of repayment and was repaid in full during the year.

26. CONVERTIBLE BONDS

On 20 April 2004, the Company issued convertible bonds of HK$18,000,000 bore interest rate of 8% per annum which entitle the bondholders to subscribe for 100,000,000 shares at a conversion price of HK$0.18 per share. During the year ended 31 March 2005, 11,111,111 shares of HK$0.10 each were issued on conversion of the subscription rights of HK$2,000,000 convertible bonds. The outstanding HK$16,000,000 convertible bonds subsequently matured on 19 April 2005 and the Company repaid the outstanding amount in full to the bondholders.

27. SHARE CAPITAL

		2005	
	Note	*'000*	*HK$'000*
Authorised:			
At the beginning of year			
Ordinary shares of HK$0.10 each		3,000,000	300,000
Capital reorganisation	*(a)*	27,000,000	—
Increase in authorised share capital	*(b)*	20,000,000	200,000
At the end of year			
Ordinary shares of HK$0.01 each		50,000,000	500,000
Issued and fully paid:			
At the beginning of year			
Ordinary shares of HK$0.10 each		1,258,127	125,813
Capital reorganisation	*(a)*	—	(120,915)
Shares issued on:			
— conversion of convertible bonds	*(c)*	11,111	1,111
— exercise of warrants	*(d)*	4,379	438
— subscriptions of new shares	*(e)*	260,000	2,600
— exercise of share options	*(f)*	193,560	8,225
At the end of year			
Ordinary shares of HK$0.01 each		1,727,177	17,272

27. **SHARE CAPITAL** *(Continued)*

		2005	
	Note	*'000*	*HK$'000*
Authorised:			
At the beginning of year			
Ordinary shares of HK$0.01 each		50,000,000	500,000
Consolidation of every 10 shares into 1 share	*(g)*	(45,000,000)	(450,000)
		5,000,000	50,000
Cancellation of unissued shares	*(h)*	(4,792,782)	(47,927)
Increase in authorised share capital	*(i)*	49,792,782	497,927
At the end of year			
Ordinary shares of HK$0.01 each		50,000,000	500,000
Issued and fully paid:			
At the beginning of year			
Ordinary shares of HK$0.01 each		1,727,177	17,272
Issue of new shares pursuant to share placements	*(j)*	345,000	3,450
Consolidation of every 10 shares into 1 share	*(g)*	(1,864,959)	—
Capital reduction	*(h)*	—	(18,650)
Issue of new shares pursuant to an open offer	*(j)*	621,653	6,217
At the end of year			
Ordinary shares of HK$0.01 each		828,871	8,289

(a) Capital reorganization

By a resolution passed at the annual general meeting of the Company held on 23 August 2004, it was resolved that with effect from 24 August 2004:

(1) the nominal value of the 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 shares ("Capital Reduction");

(2) all the authorised but unissued share capital of the Company was cancelled and subsequently the authorised share capital was increased to the original authorised share capital of HK$300,000,000 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;

27. SHARE CAPITAL *(Continued)*

(a) Capital reorganization *(Continued)*

(4) the entire amount standing to the credit of the share premium account of the Company as at 30 June 2004 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 2004 was applied from the contributed surplus account against such accumulated losses in full.

(b) Increase in authorised share capital

On 24 August 2004, the Company's authorised share capital was increased to HK$500,000,000 by the creation of an additional 20,000,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the then existing shares of the Company.

(c) Conversion of convertible bonds

On 3 June 2004 to 17 June 2004, the Company issued 11,111,111 ordinary shares of HK$0.10 each to two convertible bondholders at a conversion price of HK$0.18 per share. Upon the Capital Reduction, the par value of the shares became HK$0.01 each.

(d) Exercise of warrants

On 24 May 2004, the Company issued 4,379,039 ordinary shares of HK$0.10 each at par value to the holders of the Company's warrants. Upon the Capital Reduction, the par value of the shares became HK$0.01 each.

(e) Subscriptions of new shares

On 19 January 2005, the Company issued 260,000,000 ordinary shares of HK$0.01 each at a price of HK$0.08 to the investor, Power Assets Enterprises Limited.

(f) Exercise of share options

During the year ended 31 March 2005, options were exercised to subscribe for 193,560,000 ordinary shares in the Company. The net consideration was HK$12,647,000, of which HK$8,225,000 was credited to share capital and the balance of HK$4,422,000 was credited to the share premium account.

All the new ordinary shares issued during the year ended 31 March 2005 ranked pari passu in all respects with the then existing ordinary shares of the Company.

(g) Share consolidation

By a resolution passed at the special general meeting of the Company held on 23 September 2005, the 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").

27. **SHARE CAPITAL** *(Continued)*

(h) Capital reorganization

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 ("2005 Capital Reduction");

(2) all the authorised but unissued share capital of the Company was cancelled and subsequently the authorised share capital was 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 2005 Capital Reduction was entirely transferred to the contributed surplus account of the Company;

(4) the entire amount standing to the credit of the share premium account of the Company as at 31 March 2005 was cancelled ("2005 Share Premium Reduction") and the credit arising from the 2005 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.

(i) Increase in authorised share capital

On 26 September 2005, the Company's authorised share capital was 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.

(j) 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.

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

28. RESERVES

Group

	Share premium	Exchange reserve	Contributed surplus	Capital redemption reserve	Enterprises development reserve	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	31,109	235	—	1,868	803	—	(95,453)	(61,438)
Capital reduction	—	—	120,915	—	—	—	—	120,915
Cancellation of share premium	(32,185)	—	32,185	—	—	—	—	—
Transfers	—	—	(94,415)	—	—	—	94,415	—
Issue of new shares	23,511	—	—	—	—	—	—	23,511
Loss for the year	—	—	—	—	—	—	(37,157)	(37,157)
At 31 March 2005 and 1 April 2005	22,435	235	58,685	1,868	803	—	(38,195)	45,831
Capital reduction	—	—	18,650	—	—	—	—	18,650
Cancellation of share premium	(22,435)	—	22,435	—	—	—	—	—
Transfers	—	—	(84,264)	—	—	—	84,264	—
Issue of new shares	66,299	—	—	—	—	—	—	66,299
Issue of share options	—	—	—	—	—	2,956	—	2,956
Exchange difference on translation of the financial statements of foreign subsidiaries	—	6	—	—	—	—	—	6
Loss for the year	—	—	—	—	—	—	(77,136)	(77,136)
At 31 March 2006	66,299	241	15,506	1,868	803	2,956	(31,067)	56,606

28. RESERVES *(Continued)*

Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2004	31,109	—	1,868	—	(94,415)	(61,438)
Capital reduction	—	120,915	—	—	—	120,915
Share premium reduction	(32,185)	32,185	—	—	—	—
Transfer	—	(94,415)	—	—	94,415	—
Issue of new shares	23,511	—	—	—	—	23,511
Loss for the year	—	—	—	—	(84,264)	(84,264)
At 31 March 2005 and 1 April 2005	22,435	58,685	1,868	—	(84,264)	(1,276)
Capital reduction	—	18,650	—	—	—	18,650
Share premium reduction	(22,435)	22,435	—	—	—	—
Transfer	—	(84,264)	—	—	84,264	—
Issue of new shares	66,299	—	—	—	—	66,299
Issue of share option	—	—	—	2,956	—	2,956
Loss for the year	—	—	—	—	(70,137)	(70,137)
At 31 March 2006	66,299	15,506	1,868	2,956	(70,137)	16,492

The Company has no reserves available for distribution as at 31 March 2006 (2005: HK$Nil).

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2006	**2005**
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Property, plant and equipment	—	1,414
Trade and other payables	(45)	(209)
Obligation under finance lease	—	(1,285)
	(45)	(80)
Satisfied by:		
Cash consideration	—	(2)
Gain on disposal of subsidiaries	(45)	(82)

(b) Acquisition of a subsidiary

On 28 July 2005, the Group acquired 30% of the issued share capital of Unicla International Limited ("UIL"), which was accounted for as interest in an associate using equity method during the period from 28 July 2005 to 14 December 2005. On 15 December 2005, additional 23% of the issued share capital of UIL was acquired. UIL has been consolidated as a subsidiary of the Group when control was acquired effectively on 15 December 2005.

UIL contributed turnover of HK$757,000 and a loss after tax of HK$3,106,000 to the Group since the date of acquisition of its control.

	2006	**2005**
	HK$'000	*HK$'000*
Fair value of net assets acquired:		
Property, plant and equipment	7,360	—
Trade and other receivables	1,881	—
Inventories	10,155	—
Goodwill on acquisition	816	—
Intangible assets	55	—
Cash and cash equivalents	3,411	—
Trade and other payables	(1,405)	—
Minority interests	(10,085)	—
	12,188	—
Satisfied by:		
Cash considerations	13,250	—
Share of equity results before taking control	(1,062)	—
	12,188	—
Net cash outflow arising on acquisition:		
Cash considerations paid	(13,250)	—
Cash and cash equivalents acquired	3,411	—
	(9,839)	—

30. SHARE OPTION SCHEMES

On 30 March 2004, a share option scheme (as amended by the addendum adopted by the Company on 7 December 2005) (the "Scheme") was approved and adopted by the shareholders of the Company with the purpose to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, which will be effective for ten years until 29 March 2014.

Pursuant to the Scheme, the board of Directors may at any time within ten years from the adoption date, offer any eligible participant (including any executive director of the Company or any of its subsidiaries) options to subscribe for shares in the Company at a price not less than the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for trades in one or more board lots of shares on the offer date;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of the shares of the Company on the date of grant.

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and not yet exercised under the Scheme and any other share option scheme of the Group shall not exceed 30% of the shares capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme. The maximum entitlement of each participant in any twelve month period under the Scheme shall not exceed 1% of the issued share capital of the Company for the time being.

Each grant of options to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors. In addition, any grant of options to a substantial shareholder or an independent nonexecutive Director, or any of their respective associates, would result in the shares issuable upon exercise of all options granted and to be granted to such person in the twelve month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares quoted on the Stock Exchange on the date of grant) in excess of HK$5 million, such further grant of options shall be subject to approval by the shareholders in general meeting.

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 shall expire not later than ten years from the date of grant. The Scheme does not specify the requirement as to minimum period for which an option must be held.

(a) Share options granted before 1 April 2005

The following table discloses the details of the share options granted before 1 April 2005 and movements in such holdings during the year ended 31 March 2006:

Catergory of participants	Date of grant	Outstanding at 1/4/2005	Granted/ Exercised/ Lapsed during the year	Effect on consolidation of shares (Note 1)	Effect on open offer (Note 2)	Outstanding at 31/3/2006	Exercise period	Exercise price granted (Note 2)	Weighted range market price of securities immediately before the exercise date	Market price of the securities immediately before dates on which the options were granted
Advisors and Consultants	15/4/2004 - 23/8/2004	34,380,000	—	(30,942,000)	1,498,615	4,936,615	15/4/2004 - 22/6/2014	0.7 - 0.73	N/A	0.055 - 0.11
	24/8/2004 - 31/12/2004	10,640,000	—	(9,576,000)	463,795	1,527,795	24/8/2004 - 24/6/2014	0.54	N/A	0.027-0.076
		45,020,000	—	(40,518,000)	1,962,410	6,464,410				

30. SHARE OPTION SCHEME *(Continued)*

(a) Share options granted before 1 April 2005 *(Continued)*

The following table discloses the details of the share options granted before 1 April 2005 and movements in such holdings during the year ended 31 March 2005:

Catergory of participants	Date of price grant	Outstanding at 1/4/2004	Granted during the year	Exercised during the year	Lapsed during the year*	Outstanding at 31/3/2005	Exercise period	Exercise price	Weighted range market price of securities immediately before the exercise date	Market price of the securities immediately before the dates on which granted
Directors	28/4/2004	—	12,000,000	(2,400,000)	(9,600,000)	—	28/4/2004 - 23/8/2004	0.10	0.1090	0.1050
Employees	15/4/2004 - 23/8/2004	—	16,760,000	(14,760,000)	(2,000,000)	—	15/4/2004 - 22/6/2014	0.10 - 0.105	0.0495	0.074 - 0.11
	24/8/2004 - 17/11/2004	—	24,440,000	(24,440,000)	—	—	24/8/2004 - 24/6/2014	0.03 - 0.073	0.0344	0.03 - 0.07
		—	41,200,000	(39,200,000)	(2,000,000)	—				
Advisers and Consultants	15/4/2004 - 23/8/2004	—	87,100,000	(52,720,000)	—	34,380,000	15/4/2004 - 22/6/2014	0.10 - 0.105	0.0751	0.055 - 0.11
	24/8/2004 - 31/12/2004	—	109,880,000	(99,240,000)	—	10,640,000	24/8/2004- 24/6/2014	0.027 - 0.078	0.0433	0.027 - 0.076
		—	196,980,000	(151,960,000)	—	45,020,000				
		—	250,180,000	(193,560,000)	(11,600,000)	45,020,000				

* The share options lapsed during the year as a result of the resignation of the relevant director and employees.

30. SHARE OPTION SCHEME *(Continued)*

(a) Share options granted before 1 April 2005 *(Continued)*

Notes:

(1) Upon the share consolidation became effective on 26 September 2005, every 10 ordinary shares of HK$0.01 each was consolidated into 1 ordinary share of HK$0.1 each.

(2) Upon completion of the open offer on 18 October 2005, the number of share options and exercise price were adjusted as follows:

	No. of share option		Exercise price	
	Before adjustment	After adjustment	Before adjustment HK$	After adjustment HK$
Advisors & Consultants	4,502,000	6,464,410	0.078 - 0.105	0.54 - 0.73

(3) The financial impact of share options granted before 1 April 2005 is not recorded in the Company's or Group's financial statements as the Group took advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies were not applied to share options granted after 7 November 2002 but were vested before 1 January 2005.

(b) Share options granted after 1 April 2005

Details of share options granted on 21 December 2005 at the exercise price of HK$0.128 are as follows:

Number of options	Vesting period	Exercise period
82,800,000	N/A	21 December 2005 to 20 December 2015

The closing price of the shares of the Company immediately before the date on which the options granted was HK$0.128.

The following table discloses the details of the share options granted on 21 December 2005:

	Number of options granted during the year and outstanding at 31 March 2006
Directors	13,420,000
Employees	23,040,000
Suppliers	21,500,000
Others	24,840,000
	82,800,000

No option was exercised, cancelled or lapsed during the year.

30. SHARE OPTION SCHEME *(Continued)*

(b) Share options granted after 1 April 2005 *(Continued)*

The estimated fair values of the options granted on those dates are HK$0.0357.

The fair values were calculated using The Black-Scholes Option-Pricing Model. The inputs into the model were as follows:

Exercise price	HK$0.128
Expected volatility	44.67%
Expected life	2 years
Risk-free rate	3.98%
Expected dividend yield	0%

Expected volatility was estimated by the annualized standard deviations of the continuously compounded rates of return on the comparable listed auto-parts companies in Hong Kong due to the change of the core business operation of the Company.

The Group recognized the total expenses of HK$2,956,000 (2005: HK$Nil) for the year ended 31 March 2006 in relation to share options granted after 1 April 2005 by the Company.

31. COMMITMENTS

(a) Capital commitments

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of a subsidiary contracted for but not provided in the financial statements	8,860	—

(b) Commitments under operating leases

At the balance sheet date, the Group had outstanding minimum commitments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Operating leases which expire:		
Within one year	1,292	318
Two to five years	1,891	—
	3,183	318

The Company had no significant commitments at both balance sheet ates.

32. RELATED PARTY TRANSACTIONS

(a) Related party transactions

The following is a summary of significant related party transactions during the year.

		Group	
		2006	**2005**
	Note	*HK$'000*	*HK$'000*
Consultancy and professional fees paid to a related company	*(i)*	—	166
Disposal of subsidiary to a related company	*(ii)*	—	2
Operating expenses paid to a related company	*(iii)*	—	200
Rental expenses paid to a related company	*(iv)*	7	100
Salaries and MPF paid to connected persons	*(v)*	138	248
Fixed assets purchased from a connected company	*(vi)*	250	—
Management fee income received from a related company	*(vii)*	150	—

Notes:

(i) Fees paid for consultancy and company secretarial services rendered by a related company.

(ii) Sold a subsidiary to a related party at a cash consideration of HK$2,000.

(iii) Operating expenses paid to a related company represents administrative services provided to the Group and were reimbursed at cost.

(iv) Rental expenses paid to a related company on normal commercial terms.

(v) Salaries paid to connected persons for his/her employment with subsidiaries.

(vi) Fixed assets were purchased from a connected person on normal commercial terms.

(vii) Fee paid for general operation service provided by a related company.

(b) Key management compensation

Emoluments of key management are disclosed in Note 13 to the financial statements.

33. EVENTS AFTER THE BALANCE SHEET DATE

(a) Acquisition of a subsidiary

On 24 January 2006, Fullbelief International Limited, a subsidiary of the Company entered into a sale and purchase agreement with independent third parties to acquire the entire issued share capital of Infast Brokerage Limited. The acquisition was completed in June 2006 at a consideration of HK$8.9 million.

(b) Proposed open offer of new shares

On 30 May 2006, the Company entered into an underwriting agreement with the underwriters in respect of the open offer to issue not less than 829,550,864 but not more than 911,670,864 offer shares at a price of HK$0.12 per offer share payable in full on application, details of which are set out in the Company's announcement dated 7 June 2006.

(c) Cessation of an operation

On 14 July 2006, the Group resolved to discontinue the business of trading of electronic components.

During the year, the electronic components trading business incurred a loss of approximately HK$17.5 million (2005: HK$14.3 million) and contributed HK$27,000 (2005: used up HK$23.5 million) to the Group's net operating cash flows, paid HK$Nil (2005: HK$4.5 million) in respect of investing activities, and paid HK$Nil (2005: HK$Nil) in respect of financing activities.

The major classes of assets and liabilities of the business of trading of electronic components as included in the balance sheet at 31 March 2006 are as follows:

	2006
	HK$'000
Furniture and equipment, net of impairment	97
Trade receivable, net of impairment	12,070
	12,167

(d) Proposed investment

On 24 May 2006, a non-legally binding memorandum of understanding was 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 subscription of approximately 39.4% of the total registered capital of Jiangsu Songlin as enlarged by such subscription at a consideration of RMB65 million (equivalent to approximately HK$63 million).

34. COMPARATIVE FIGURES

With a review of financial statements' presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

3. UNAUDITED INTERIM ERPORT

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The following is extracted from the unaudited interim report of the Carico Group for the six months ended 30 September 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2006

		Six months ended	
		30.9.2006	**30.9.2005**
	Note	(unaudited)	(unaudited)
		HK$'000	*HK$'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 *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Enterprises development reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *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	**30.9.2005**
	(unaudited)	(unaudited)
	HK$'000	*HK$'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	
	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	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)

2. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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	**30.9.2005**
	(unaudited)	(unaudited)
	HK$'000	*HK$'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):

	Six months ended					
	30.9.2006 (unaudited) *HK$'000*	30.9.2005 (unaudited) *HK$'000* (Restated)	**30.9.2006 (unaudited) *HK$'000***	30.9.2005 (unaudited) *HK$'000* (Restated)	**30.9.2006 (unaudited) *HK$'000***	30.9.2005 (unaudited) *HK$'000* (Restated)
	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	**30.9.2005**
	(unaudited)	(unaudited)
	HK$'000	*HK$'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	31.3.2006
	(unaudited)	(audited)
	HK$'000	*HK$'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	30.9.2005
	(unaudited)	(unaudited)
	HK$'000	*HK$'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	30.9.2005
	(unaudited)	(unaudited)
	HK$'000	*HK$'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 (unaudited) No. of shares '000	30.9.2006 (unaudited) Value HK$'000	31.3.2006 (audited) No. of shares '000	31.3.2006 (audited) Value HK$'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").

15. SHARE CAPITAL *(CONTINUED)*

Notes: (Continued)

(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.

4. INDEBTEDNESS

At the close of business on 28 February 2007, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this Offeree Document, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee.

5. MATERIAL CHANGE

Save as disclosed in the interim report of the Company for the six months ended 30 September 2006, the Directors confirm that they are not aware that there has been any material change in the financial or trading position or outlook of the Group since 31 March 2006, being the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Offeree Document (other than that relating to the AMA Group, the Offeror and CIAM) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Offeree Document (other than those expressed by the AMA Group, the Offeror and CIAM) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the AMA Group, the Offeror and CIAM) not contained in this Offeree Document, the omission of which would make any statement (other than that relating to the AMA Group, the Offeror and CIAM) in this Offeree Document misleading.

The information contained herein relating to the AMA Group, the Offeror and CIAM and parties acting in concert with the AMA Group, the Offeror and CIAM and the Offeror's intention to the Carico Group has been extracted from the Offer Document. Save for the correction of errors and typos, the Directors accept responsibility for the correctness and fairness of the reproduction or presentation of such information as corrected and confirm that to the best of their knowledge, there are no other facts as contained in this Offeree Document, the omission of which would make any such information as corrected misleading but accept no further responsibility in respect of such information.

2. SHARE CAPITAL OF THE COMPANY

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Carico Shares		**HK$**
Authorised:		
50,000,000,000	Authorised share capital of HK$500,000,000 divided into 50,000,000,000 Carico Shares	500,000,000.00
Issued and fully paid:		
1,713,875,160	Paid up share capital of HK$17,138,751.60 divided into 1,713,875,160 Carico Shares	17,138,751.60

As at the Latest Practicable Date, 885,004,296 new Carico Shares have been issued by the Company since 31 March 2006 (being the date to which its latest published audited accounts were prepared), of which 55,453,432 were issued as a result of exercise of options granted by the Company pursuant to the Share Option Scheme by the option holders and 829,550,864 were issued as a result of completion of open offer in September 2006. All of the Carico Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital.

Save for the 118,546,052 Carico Options involving 118,546,052 Carico Shares, as at the Latest Practicable Date, the Company did not have any outstanding warrants or options or other securities carrying rights of conversion into or exchangeable or subscription for Carico Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of SFO; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules; or (iv) to be disclosed in this Offeree Document pursuant to the requirements of the Takeovers Code, were as follows:

Name of Director	*Note*	Capacity	Number of Carico Shares interested	Approximate percentage of total issued share capital of the Company
Mr. Loo Chung Keung, Steve	*1*	Interest of a controlled corporation	122,520,000 (L)	7.15% (L)
Mr. Chan Wai Ming	*1*	Interest of a controlled corporation	122,520,000 (L)	7.15% (L)
Mr. Sit Fung Shuen, Victor		Beneficial owner	800,000 (L)	0.04% (L)

(L) denotes a long position

Notes:

1. Star Metro 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 122,520,000 Carico Shares held by Star Metro.

(b) Substantial Shareholders' interests in shares and underlying shares of the Company

As at the Latest Practicable Date, so far as is known to any Director, the following substantial Shareholders, other than Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register to be kept under section 336 of the SFO:

Name of shareholder	Note	Capacity	Number of Carico Shares interested	Approximate percentage of issued share capital of the Company
Best Effort	1	Beneficial owner	277,020,000 (L)	16.16% (L)
Asset Managers Co., Ltd.	1	Interest of a controlled corporation	647,020,199 (L)	37.75% (L)
Star Metro		Beneficial owner	122,520,000 (L)	7.15% (L)
CITIC Group	2	Interest of a controlled corporation	166,400,000 (L)	9.71% (L)

(L) denotes a long position

Notes:

1. The 647,020,199 Carico Shares are held (i) as to 370,000,199 Carico Shares by Asset Managers (China) Fund Co., Ltd.. Asset Managers (China) Fund Co., Ltd. is owned as to 50% by AMA and as to 50% by Asset Investors Co., Ltd.. AMA is owned as to 70% by Red Rock Investment Co., Ltd. and as to 30% indirectly by Mr. Yip Chi Chiu, an executive Director and the Deputy Chairman of the Company. Asset Investors Co., Ltd. is owned as to 50.10% by Asset Managers Co., Ltd., and (ii) as to 277,020,000 Carico Shares by Best Effort which is a wholly owned subsidiary of AMA.

2. The 166,400,000 Carico Shares are directly held by CIAM which is owned as to 40% by CITIC International Financial Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange and as to 25% by Asset Managers Co., Ltd. CITIC International Financial Holdings Limited is owned as to 55% by CITIC Group.

Save as disclosed above, and as far as the Directors are aware, as at the Latest Practicable Date, no other substantial Shareholders, other than Directors or chief executive of the Company, had any interest or short position in the shares or underlying shares of the Company which are recorded in the register of the Company to be kept under section 336 of the SFO.

(c) Other persons having interests or short positions in the shares and underlying shares of the Company

So far as is known to any Director, as at the Latest Practicable Date, no other persons (other than those interests of Directors, the chief executive and substantial Shareholders disclosed above and interests of persons as recorded in the registered to be kept under section 336 of the SFO) had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(d) Other interests

As at the Latest Practicable Date,

(i) (1) the Offeror was a wholly-owned subsidiary of AMA, the ordinary issued share capital of which was owned as to 70% by Red Rock Investment Co., Ltd and as to 30% indirectly by Mr. Yip Chi Chiu, an executive Director and the Deputy Chairman of the Company;

(2) Red Rock Investment Co., Ltd. was, in turn, a wholly owned subsidiary of Asset Managers Co., Ltd., a company whose shares are listed on the Hercurles market on the Osaka Securities Exchange Co., Ltd. in Japan, of which Mr. Ryoji Furukawa, a non-executive Director and the Chairman of the Company and Mr. Ryuichi Tanabe, a non-executive Director were interested in 14.67% and 0.0075% of its issued share capital respectively;

(3) save as disclosed in subparagraphs (1) and (2) above, neither the Company nor any of the Directors held any interest in the securities of the Offeror;

(ii) no subsidiary or associate of the Company, or any pension fund of the Company or of any member of the Group owned or controlled any securities in the Company;

(iii) Mr. Tung Tat Chiu, Michael ("Mr. Tung"), a former non-executive Director who resigned from his directorship on 22 November 2006, was interested in Carico Options to subscribe for 2,114,391 Carico Shares representing approximately 0.123% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Tung is the principal of Messrs. Tung & Co., the legal advisers to the Company as to the laws of Hong Kong in respect of the Offers, which firm will receive normal professional fees in connection with services provided to the Company in respect of the Offers. Mr. Fung Chi Ming, Alan ("Mr. Fung") was interested in Carico Options to subscribe for 2,000,000 Carico Shares representing approximately 0.117% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Fung is the Managing Director of Partners Capital International Limited, the financial adviser to the Company in respect of the Offers, which firm will receive normal professional fees in connection with services provided to the Company in respect of the Offers. Save as disclosed herein, none of the professional adviser named under the section headed "Consent and Qualification" in this Appendix or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any securities of the Company;

(iv) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associates had any interest in any securities of the Company and there was no such arrangement between any parties listed above;

(v) no shareholdings in the Company were managed on discretionary basis by fund managers connected with the Company;

(vi) no Directors indicated any intention, in respect of their own beneficial interest in the Carico Shares or Carico Options, to accept or reject the Offers;

(vii) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;

(viii) there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and

(ix) there is no material contract to which the Offeror is a party in which any Director has a material personal interest save for the Agreement.

4. DEALINGS IN SECURITIES

During the Relevant Period,

(a) save for (i) the entering into the share mortgage by Star Metro in favour of Long Chart on 16 September 2006 in respect of the mortgage of 164,000,000 Carico Shares beneficially owned by Star Metro to Long Chart as security for a loan granted by Long Chart to Star Metro (which share mortagage was released on 27 April 2007), (ii) the entering into an option agreement between Star Metro and Long Chart on 16 September 2006 in respect of (a) the granting of a call option by Star Metro to Long Chart to require Star Metro to sell or procure the sale of all or any part of 41,480,000 Carico Shares beneficially owned by Star Metro (which call option was exercised by Long Chart on 27 April 2007 and completion of such sale and purchase took place on 27 April 2007) and (b) the granting of a put option by Long Chart to Star Metro to require Long Chart to purchase all or any part of 41,480,000 Carico Shares beneficially owned by Star Metro, (iii) the Acquisition, (iv) the sale and purchase of 41,480,000 Carico Shares by the Vendor to Long Chart pursuant to the exercise of the Long Chart Call Option and (v) the sale of 1,200,000 and purchase of 400,000 Carico Shares in aggregate by Mr. Sit Fung Shuen, Victor, an independent non-executive Director during the period from 19 September 2006 to 1 November 2006, neither the Company nor any of the Directors dealt in any securities, convertible securities, warrants, options and derivatives of the Offeror or the Company;

(b) no subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries, nor any of the professional adviser named under the section headed “Consent and Qualification” in this Appendix nor any adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code had dealt in any securities, convertible securities, warrants, options and derivatives of the Company;

(c) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code had dealt in any securities, convertible securities, warrants, options and derivatives of the Company, the Offeror, or any parties acting in concert with the Offeror;

(d) no fund managers (other than exempted fund managers) who managed funds on a discretionary basis or connected with the Company had dealt in any securities, convertible securities, warrants, options and derivatives of the Offeror or the Company.

5. CONSENT AND QUALIFICATION

First Shanghai has given and has not withdrawn its written consent to the issue of this Offeree Document with the inclusion herein of its letter report and/or references to its name, in the form and context in which it appears.

The following is the qualification of the professional adviser contained in this Offeree Document:

Name	Qualification
First Shanghai	a licensed corporation to carry on type 6 regulated activity (advising on corporate finance) under the SFO

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

In the period commencing the date two years immediately preceding the date of the First Joint Announcement and up to the Latest Practicable Date, only the following contracts that are or may be material, not being contracts entered into in the ordinary course of business, were entered into by the Company or its subsidiaries:

(i) a shareholders' agreement dated 4 January 2007 entered into among Lucky Metro Trading Ltd. ("Lucky Metro"), International Auto Engineering Limited ("International Auto"), Goodford Holdings Ltd. ("Goodford"), Costar Universal Limited ("Costar") and Unicla International Limited ("Unicla") to regulate their rights and obligations as shareholders of Unicla.

(ii) a subscription agreement dated 4 January 2007 entered into between Lucky Metro and Unicla in relation to subscription of 6,000,000 shares in Unicla by Lucky Metro at a consideration of HK$6,000,000.

(iii) an authorised distributor agreement dated 4 January 2007 entered into between Unicla and International Auto in relation to the appointment of International Auto as a non-exclusive distributor for distribution of the compressors, parts and all special and standard accessories bearing "Unicla" trademarks and tools.

(iv) a supplemental memorandum of understanding dated 23 November 2006 entered into between江蘇松林汽車零部件有限公司 (Jiangsu Songlin Automobile Parts Co., Ltd.)("Jiangsu Songlin") and the Company in relation to the extension of (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.

(v) a memorandum of understanding dated 24 May 2006 entered into between Jiangsu Songlin and the Company in relation to the proposed subscription of the shares in Jiangsu Songlin.

(vi) an underwriting agreement dated 30 May 2006 entered into between AMA and Bright Success Holdings Limited as underwriters and the Company in relation to the open offer of 829,550,864 Carico Shares at an underwriting commission of 1.5% of the subscription price of HK$0.12 per Carico Share of 665,550,864 underwritten shares.

(vii) a service agreement dated 1 March 2006 entered into between Smart Eastern Investment Limited ("Smart Eastern") and Glory Era Limited ("Glory Era"), a subsidiary of the Company in relation to the termination of Service Agreement A (as defined below) and the provision of maintenance services of IT business platform to Glory Era for a term of one year at a consideration of HK$840,000. The agreement was terminated by a termination letter dated 30 April 2006.

(viii) a sale and purchase agreement dated 24 January 2006 entered into between Fullbelief International Limited, a subsidiary of the Company as purchaser and Messrs. Lau Chi Wah and Chan Chee Chun, Charles as vendors in relation to the acquisition of the entire issued share capital of Infast Brokerage Limited at a maximum cash consideration of HK$10,500,000.

(ix) a shareholders' agreement dated 15 December 2005 entered into among Lucky Metro, International Auto, Goodford, Costar and Unicla to regulate their rights and obligations as shareholders of Unicla.

(x) a subscription agreement dated 15 December 2005 entered into among Lucky Metro, International Auto, Goodford, Costar and Unicla in relation to subscription of 7,950,000 shares in Unicla by Lucky Metro, 4,800,000 shares by International Auto, 1,500,000 shares by Goodford and 750,000 shares by Costar at consideration of HK$7,950,000, HK$4,800,000, HK$1,500,000 and HK$750,000 respectively.

(xi) a sale and purchase agreement dated 15 December 2005 entered into among Lucky Metro as purchaser, Costar as vendor and the Company as guarantor in relation to the sale and purchase of shares in Unicla at a consideration of HK$2,300,000.

(xii) a deed of cancellation dated 15 December 2005 entered into among Lucky Metro, International Auto, Goodford, Costar and Unicla in relation to cancellation of the JV Agreement (as defined below).

(xiii) an underwriting agreement dated 1 August 2005 (as amended by a supplemental letter dated 5 August 2005) entered into between Metro Capital Securities Limited as underwriter and the Company in relation to the open offer of 621,653,148 Carico Shares at an underwriting commission of 3% of the subscription price of HK$0.10 per Carico Share of 498,653,148 underwritten shares.

(xiv) a joint venture agreement dated 28 July 2005 entered into between Lucky Metro, International Auto, Goodford, Costar and Unicla in relation to subscription of 3,000,000 shares in Unicla by Lucky Metro, 3,200,000 shares by International Auto, 2,800,000 shares by Costar and 1,000,000 shares by Goodford at consideration of HK$3,000,000, HK$3,200,000, HK$2,800,000 and HK$1,000,000 respectively (the "JV Agreement").

(xv) a service agreement dated 20 July 2005 entered into between Smart Eastern and Glory Era in relation to the provision of service to Glory Era on development of IT business platform and maintenance services for a term of ten months at a consideration of HK$2,000,000 ("Service Agreement A").

(xvi) a placing agreement dated 13 May 2005 entered into between the Company and Kim Eng Securities (Hong Kong) Limited in respect of the placing of 345,000,000 Shares at HK$0.04 each.

Save as disclosed above, no contract was entered into by the Company or its subsidiaries which were not in the ordinary course of business and are or may be material in the period commencing the date two years immediately preceding the date of the First Joint Announcement and up to the Latest Practicable Date.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, the Company entered into the following service contracts and appointment letters with the following Directors:

(i) On 1 April 2005, a service contract was entered into between the Company and Mr. Loo Chung Keung, Steve, an executive Director and the Chief Operating Officer of the Company, for a term of three years commencing on 9 March 2005 with an annual salary of HK$780,000 payable in 13 equal installments of HK$60,000 each. Under the service contract, either Mr. Loo Chung Keung, Steve or the Company may terminate the directorship by giving to the other not less than 3-month written notice. Pursuant to a supplemental agreement entered into between the Company and Mr. Loo dated 23 June 2006, the annual salary of Mr. Loo has been changed to HK$1,300,000 payable in 13 equal installments of HK$100,000 each during the period from 1 July 2006 and the remaining period of his term of service. Save as disclosed herein, the other terms of the original service contract have not been amended or changed.

(ii) On 1 April 2005, a service contract was entered into between the Company and Mr. Chan Wai Ming, an executive Director and the Chief Executive Officer of the Company, for a term of three years commencing on 9 March 2005 with an annual salary of HK$780,000 payable in 13 equal installments of HK$60,000 each. Under the service contract, either Mr. Chan Wai Ming or the Company may terminate the directorship by giving to the other not less than 3-month written notice. Pursuant to a supplemental agreement entered into between the Company and Mr. Chan dated 23 June 2006, the annual salary of Mr. Chan has been changed to HK$1,235,000 payable in 13 equal installments of HK$95,000 each during the period commencing from 1 July 2006 and the remaining period of his term of office. Save as disclosed herein, the other terms of the original service contract have not been amended or changed.

(iii) On 25 March 2005, an appointment letter was entered into between the Company and Mr. Chan Chun Wai, an independent non-executive Director for a term of two years commencing on 22 March 2005 at the annual remuneration of HK$60,000.

(iv) On 7 December 2005, an appointment letter was entered into between the Company and Mr. Chak Chi Man, a non-executive Director for a term of two years commencing on 25 October 2005 at nil annual remuneration.

(v) On 15 December 2005, an appointment letter was entered into between the Company and Mr. Pang Chun Sing, an independent non-executive Director for a term of two years commencing on 23 February 2005 at the annual remuneration of HK$60,000.

(vi) On 9 May 2006, an appointment letter was entered into between the Company and Mr. Ryoji Furukawa, a non-executive Director and the Chairman of the Company for a term of two years commencing on 9 May 2006 at nil annual remuneration.

(vii) On 9 May 2006, an appointment letter was entered into between the Company and Mr. Yip Chi Chiu, an executive Director and the Deputy Chairman of the Company for a term of two years commencing on 9 May 2006 at nil annual remuneration.

(viii) On 20 October 2006, an appointment letter was entered into between the Company and Mr. Leung Chung Tak, Barry, an executive Director for a term of two years commencing on 20 October 2006 at nil annual remuneration.

(ix) On 15 December 2006, an appointment letter was entered into between the Company and Mr. Lo Wing Yat, an executive Director for a term of two years commencing on 22 November 2006 at nil annual remuneration.

(x) On 15 December 2006, an appointment letter was entered into between the Company and Mr. Ryuichi Tanabe, a non-executive Director for a term of two years commencing on 22 November 2006 at nil annual remuneration.

(xi) On 15 December 2006, an appointment letter was entered into between the Company and Mr. Takehiko Wakayama, a non-executive Director for a term of two years commencing on 22 November 2006 at nil annual remuneration.

(xii) On 15 December 2006, an appointment letter was entered into between the Company and Mr. Sit Fung Shuen, Victor, an independent non-executive Director for a term of two years commencing on 22 November 2006 at the annual remuneration of HK$60,000.

(xiii) On 15 December 2006, an appointment letter was entered into between the Company and Mr. Chan Yuk Tong, an independent non-executive Director for a term of two years commencing on 22 November 2006 at the annual remuneration of HK$60,000.

Save as the service contracts disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the First Joint Announcement; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) are not determinable by the Group within one year without payment of compensation (other than statutory compensation). The Directors are eligible participants under the Share Option Scheme. Pursuant to the service contracts entered into between the Company and Mr. Loo Chung Keung, Steve and Mr. Chan Wai Ming respectively as set out above, both Mr. Loo and Mr. Chan are entitled to (i) an annual management bonus of a sum to be determined by the Board at its absolute discretion having regard to the operating results of the Group and the performance of the Directors and (ii) the benefits of medical or provident fund scheme as may be maintained by the Group from time to time. There were no bonuses paid by the Group to Mr. Loo and Mr. Chan since their appointment. Save as disclosed, there are no other variable remuneration payable under the above service contracts.

9. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company in Hong Kong is situated at Suite 2401A, 23 Harbour Road, Wan Chai, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The executive Directors are, 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. Wong Kwok Kuen and Mr. So George Siu Ming; the non-executive Directors are Mr. Ryoji Furukawa (Chairman) Mr. Chak Chi Man, Mr. Ryuichi Tanabe and Mr. Takehiko Wakayama; and the independent non-executive Directors are Mr. Pang Chun Sing, Mr. Chan Chun Wai, Mr. Sit Fung Shuen, Victor and Mr. Chan Yuk Tong.

(d) The company secretary of the Company is Mr. Kam Yiu Shing Tony. Mr. Kam holds a master degree in business and administration from Monash University, Australia. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants, an associate of the Taxation Institute of Hong Kong and a council member of the Society of Chinese Accountants and Auditors. Mr. Kam has been practicing as a certified public accountant since 1993.

(e) The registered address of Partners Capital International Limited, the financial adviser to the Company, is at Unit 3906, 39/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

(f) The registered address of First Shanghai, the independent financial adviser to the Independent Board Committee, is at 19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong.

(h) The English text of this Offeree Document shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection between 9:00 a.m. and 5:00 p.m. on any weekday (Saturdays, Sundays and public holidays excepted) at the office of the Company at Suite 2401A, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong while the Offers remain open and the same will be uploaded at the website of the Company (www.carico.hk) and the website of SFC (www.sfc.hk) while the Offers remain open:

(a) the memorandum of assoclation and the bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2006;

(c) the unaudited interim report of the Company for the six months ended 30 September 2006;

(d) the letter from the Independent Board Committee as set out on pages 16 to 17 of this Offeree Document;

(e) the letter from First Shanghai as set out on pages 18 to 36 of this Offeree Document;

(f) the written consent from the expert referred to in the paragraph headed "Consent and Qualification" in this Appendix;

(g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and

(h) the service contracts referred to in the paragraph headed "Service Contracts" in this Appendix.