



G.A. HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability
and carrying on business in Hong Kong under the trading name of
German Automobiles International Limited)*



**2002
Interim Report**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks rising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the directors of G. A. Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board (the “Board”) of directors (the “Directors”) of G.A. Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June, 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2002

	(Unaudited) six months ended 30th June, 2002		(Unaudited) six months ended 30th June, 2001	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Turnover	41,182	182,217	23,471	103,487
Cost of sales	<u>(34,521)</u>	<u>(152,748)</u>	<u>(18,568)</u>	<u>(81,869)</u>
Gross profit	6,661	29,469	4,903	21,618
Other revenues	316	1,403	16	70
Other income	203	898	—	—
Staff costs	(927)	(4,103)	(761)	(3,356)
Depreciation and amortisation expenses	(201)	(889)	(61)	(267)
Minimum lease payments for operating leases	(211)	(934)	(157)	(694)
Exchange gain/(loss), net	(32)	(143)	482	2,126
Other operating expenses	<u>(1,069)</u>	<u>(4,729)</u>	<u>(1,324)</u>	<u>(5,839)</u>
Profit from operations	4,740	20,972	3,098	13,658
Finance costs, net	<u>(1,489)</u>	<u>(6,588)</u>	<u>(1,074)</u>	<u>(4,734)</u>
Profit before taxation	3,251	14,384	2,024	8,924
Taxation	<u>(970)</u>	<u>(4,293)</u>	<u>(886)</u>	<u>(3,907)</u>
Profit after taxation but before minority interests	2,281	10,091	1,138	5,017
Minority interests	<u>3</u>	<u>16</u>	<u>4</u>	<u>18</u>
Profit attributable to shareholders	<u><u>2,284</u></u>	<u><u>10,107</u></u>	<u><u>1,142</u></u>	<u><u>5,035</u></u>
Earnings per share – Basic (cents)	<u><u>0.70</u></u>	<u><u>3.10</u></u>	<u><u>0.36</u></u>	<u><u>1.55</u></u>

CONDENSED CONSOLIDATED INCOME STATEMENT*For the three months ended 30th June, 2002*

	(Unaudited)		(Unaudited)	
	three months ended		three months ended	
	30th June, 2002		30th June, 2001	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Turnover	31,882	141,071	9,326	39,855
Cost of sales	<u>(27,356)</u>	<u>(121,044)</u>	<u>(6,928)</u>	<u>(29,607)</u>
Gross profit	4,526	20,027	2,398	10,248
Other revenues	300	1,328	95	406
Other income	203	898	—	—
Staff costs	(453)	(2,004)	(296)	(1,265)
Depreciation and amortisation expenses	(108)	(478)	(31)	(132)
Minimum lease payments for operating leases	(120)	(531)	(84)	(359)
Exchange gain/(loss), net	(88)	(389)	(64)	(274)
Other operating expenses	<u>(600)</u>	<u>(2,656)</u>	<u>(438)</u>	<u>(1,872)</u>
Profit from operations	3,660	16,195	1,580	6,752
Finance costs, net	<u>(1,156)</u>	<u>(5,115)</u>	<u>(594)</u>	<u>(2,538)</u>
Profit before taxation	2,504	11,080	986	4,214
Taxation	<u>(599)</u>	<u>(2,651)</u>	<u>(330)</u>	<u>(1,411)</u>
Profit after taxation but before minority interests	1,905	8,429	656	2,803
Minority interests	<u>1</u>	<u>4</u>	<u>1</u>	<u>4</u>
Profit attributable to shareholders	<u><u>1,906</u></u>	<u><u>8,433</u></u>	<u><u>657</u></u>	<u><u>2,807</u></u>
Earnings per share – Basic (cents)	<u><u>0.58</u></u>	<u><u>2.54</u></u>	<u><u>0.21</u></u>	<u><u>0.88</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2002

	(Unaudited)		(Audited)	
	As at		As at	
	30th June, 2002		31st December, 2001	
	<i>S,\$'000</i>	<i>HK\$'000</i>	<i>S,\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Fixed assets	5,344	23,648	5,087	22,213
Prepaid rental expenses	9,007	39,855	9,099	39,735
	<u>14,351</u>	<u>63,503</u>	<u>14,186</u>	<u>61,948</u>
Current assets				
Inventories	2,560	11,328	4,424	19,319
Accounts receivable, net	25,088	111,010	15,269	66,677
Prepayments, deposits and other current assets	11,134	49,266	7,381	32,231
Due from related companies	35	154	35	153
Cash and bank deposits	15,501	68,589	8,539	37,288
	<u>54,318</u>	<u>240,347</u>	<u>35,648</u>	<u>155,668</u>
Current liabilities				
Accounts payable	(4,582)	(20,275)	(1,778)	(7,764)
Accruals and other payables	(3,476)	(15,381)	(1,865)	(8,144)
Bills payable to bank	(25,286)	(111,883)	(19,693)	(85,996)
Due to related companies	(415)	(1,834)	(421)	(1,839)
Due to directors	(252)	(1,113)	(203)	(886)
Bank loans – current portion	(5,758)	(25,477)	(6,053)	(26,432)
Obligation under finance lease – current portion	(90)	(400)	—	—
Taxation	(3,619)	(16,014)	(3,134)	(13,686)
Dividends payable	(86)	(383)	(86)	(376)
Bank overdrafts	(1,805)	(7,988)	(1,804)	(7,878)
	<u>(45,369)</u>	<u>(200,748)</u>	<u>(35,037)</u>	<u>(153,001)</u>
Net current assets	<u>8,949</u>	<u>39,599</u>	<u>611</u>	<u>2,667</u>
Total assets less current liabilities	<u>23,300</u>	<u>103,102</u>	<u>14,797</u>	<u>64,615</u>
Non-current liabilities				
Bank loans – non-current portion	(2,339)	(10,351)	(2,355)	(10,284)
Obligation under finance lease – non-current portion	(189)	(227)	—	—
Deferred taxation	(219)	(1,582)	(210)	(917)
Minority interest	(538)	(2,379)	(541)	(2,362)
	<u>(3,285)</u>	<u>(14,539)</u>	<u>(3,106)</u>	<u>(13,563)</u>
Net assets	<u><u>20,015</u></u>	<u><u>88,563</u></u>	<u><u>11,691</u></u>	<u><u>51,052</u></u>
Capital and reserves				
Share capital	9,040	40,000	7,877	34,397
Share premium	4,421	19,561	1,044	4,559
Reserves	6,554	29,002	2,770	12,096
	<u>20,015</u>	<u>88,563</u>	<u>11,691</u>	<u>51,052</u>
Shareholders' equity	<u><u>20,015</u></u>	<u><u>88,563</u></u>	<u><u>11,691</u></u>	<u><u>51,052</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Accumulated losses)/					
	Share capital	Share premium	Capital reserves	Retained profits	Translation reserves	Total Equity
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
At 1st January, 2001	7,877	1,044	—	(87)	(85)	8,749
Profit for the period	—	—	—	1,142	—	1,142
Translation adjustment	—	—	—	—	229	229
	<u>7,877</u>	<u>1,044</u>	<u>—</u>	<u>1,055</u>	<u>144</u>	<u>10,120</u>
At 30th June, 2001	<u>7,877</u>	<u>1,044</u>	<u>—</u>	<u>1,055</u>	<u>144</u>	<u>10,120</u>
At 1st January, 2002	7,877	1,044	—	2,690	80	11,691
Swap of shares	(645)	(1,044)	1,689	—	—	—
Issue of share capital	1,808	7,232	—	—	—	9,040
IPO expenses	—	(2,811)	—	—	—	(2,811)
Profit for the period	—	—	—	2,284	—	2,284
Translation adjustment	—	—	—	—	(189)	(189)
	<u>9,040</u>	<u>4,421</u>	<u>1,689</u>	<u>4,974</u>	<u>(109)</u>	<u>20,015</u>
At 30th June, 2002	<u>9,040</u>	<u>4,421</u>	<u>1,689</u>	<u>4,974</u>	<u>(109)</u>	<u>20,015</u>

	(Accumulated losses)/					
	Share capital	Share premium	Capital reserves	Retained profits	Translation reserves	Total Equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2001	34,731	4,603	—	(384)	(375)	38,575
Profit for the period	—	—	—	5,035	—	5,035
Translation adjustment	—	—	—	—	1,010	1,010
	<u>34,731</u>	<u>4,603</u>	<u>—</u>	<u>4,651</u>	<u>635</u>	<u>44,620</u>
At 30th June, 2001	<u>34,731</u>	<u>4,603</u>	<u>—</u>	<u>4,651</u>	<u>635</u>	<u>44,620</u>
At 1st January, 2002	34,854	4,619	—	11,903	354	51,730
Swap of shares	(2,854)	(4,619)	7,473	—	—	—
Issue of share capital	8,000	32,000	—	—	—	40,000
IPO expenses	—	(12,439)	—	—	—	(12,439)
Profit for the period	—	—	—	10,107	—	10,107
Translation adjustment	—	—	—	—	(835)	(835)
	<u>40,000</u>	<u>19,561</u>	<u>7,473</u>	<u>22,010</u>	<u>(481)</u>	<u>88,563</u>
At 30th June, 2002	<u>40,000</u>	<u>19,561</u>	<u>7,473</u>	<u>22,010</u>	<u>(481)</u>	<u>88,563</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002

	(Unaudited) six months ended 30th June, 2002		(Unaudited) six months ended 30th June, 2001	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	88	480	6,517	28,735
Net cash inflow from investment activities	933	4,122	2,354	9,927
Net cash inflow from financing activities	6,914	30,593	7,921	34,925
Net increase in cash and cash equivalents	7,935	35,195	16,792	73,587
Cash and cash equivalents, beginning of period	1,459	6,371	(10,652)	(46,515)
Cash and cash equivalents, end of period	<u>9,394</u>	<u>41,566</u>	<u>6,140</u>	<u>27,072</u>

NOTES TO CASH FLOW STATEMENT

1. Analysis of cash and cash equivalents

Cash and bank balances	4,190	18,540	382	1,684
Unpledged fixed deposits	7,009	31,013	8,442	37,222
Bank overdraft	(1,805)	(7,987)	(2,684)	(11,834)
	<u>9,394</u>	<u>41,566</u>	<u>6,140</u>	<u>27,072</u>

2. Major non-cash transactions

- Inception of finance lease of HK\$1,235,000 (2001: HK\$Nil).
- Accrual of IPO expenses of HK\$7,019,000 of which HK\$2,610,000 will be re-imbursable from the shareholders of the Sales Shares (as defined in the Company's Prospectus dated 10th June, 2002).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Group reorganization and basis of presentation

The Company was incorporated in the Cayman Islands on 5th July, 2001 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares have been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 17th June, 2002.

On 5th June, 2002, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganization (the “Reorganization”) which included exchange of shares. The Reorganization involved companies under common control, and the Group, resulting from Reorganization, is regarded as a continuing group. Accordingly, the Reorganization has been accounted for on the basis of merger accounting, under which the unaudited consolidated results of the Group for the six months ended 30th June, 2002, have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the six months ended 30th June, 2002, rather than from the date on which the Reorganization was completed. The comparative figures as at 31st December, 2001 and for the six months ended 30th June, 2001 have been presented on the same basis.

These unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 “Interim financial reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants (“HKSA”) and have not been reviewed by the auditors.

Translation of amounts from Singapore dollars (S\$) into Hong Kong dollars (HK\$) is for the convenience of readers and has been made at the rates of exchange in effect for the six months ended and for the three months ended 30th June, 2001 of S\$22.68 = HK\$100, and S\$23.40 = HK\$100 respectively and the rates of exchange in effect at 31st December, 2001 of S\$22.90 = HK\$100 and 30th June, 2002 of S\$22.60 = HK\$100. No representation is made that the S\$ amounts could have been, or could be, converted into HK\$ at such rates or at any other rate. Such translation does not conform to accounting principles generally accepted in Hong Kong.

2. Accounting Policies

The accounting policies adopted for the preparation of these unaudited consolidated financial statements are consistent with those adopted by the Group in the preparation of annual audited financial statements for the year ended 31st December, 2001.

SSAP 2 (revised)	“Net profit or loss for the period, fundamental errors and changes in accounting policies”
SSAP 11 (revised)	“Foreign currency translation”
SSAP 15 (revised)	“Cash flow statements”
SSAP 25 (revised)	“Interim financial reporting”
SSAP 26 (revised)	“Segment reporting”
SSAP 34	“Employee benefits”

The financial effect of adopting these new or revised SSAPs is insignificant for the current or past results. Disclosure and presentation have been modified to conform with the requirements of these SSAPs.

3. Turnover, other revenues and other income

The Company is an investment holding company. Its subsidiaries are principally engaged in (1) distribution of automobiles, (2) provision of after-sales service and trading of auto parts, (3) provision of marketing and technical assistance to North Anhua Group Corporation ("NAGC") and (4) provision of management consulting and technical expertise to the car rental sub-licensees.

Analysis of turnover for the six months ended 30th June, 2002 and 30th June, 2001 consisted of:

	six months ended 30th June,		six months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of motor vehicles	34,395	19,999	152,190	88,179
Servicing of motor vehicles and sales of auto parts	3,654	1,302	16,167	5,740
Technical fee income	2,675	2,170	11,835	9,568
Management fee income	458	—	2,025	—
	<u>41,182</u>	<u>23,471</u>	<u>182,217</u>	<u>103,487</u>

Analysis of turnover for the three months ended 30th June, 2002 and 30th June, 2001 consisted of:

	three months ended 30th June,		three months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of motor vehicles	27,120	7,428	120,000	31,744
Servicing of motor vehicles and sales of auto parts	2,956	860	13,081	3,675
Technical fee income	1,348	1,038	5,965	4,436
Management fee income	458	—	2,025	—
	<u>31,882</u>	<u>9,326</u>	<u>141,071</u>	<u>39,855</u>

Analysis of other revenues for the six months ended 30th June, 2002 and 30th June, 2001 is as follows:

	six months ended 30th June,		six months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental Income	10	10	44	44
Storage Income	31	—	137	—
Warranty refund from BMW	239	—	1,058	—
Others	36	6	164	26
	<u>316</u>	<u>16</u>	<u>1,403</u>	<u>70</u>

Analysis of other revenues for the three months ended 30th June, 2002 and 30th June, 2001 is as follows:

	three months ended 30th June,		three months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental Income	5	5	22	22
Storage Income	19	—	84	—
Warranty refund from BMW	239	—	1,058	—
Others	37	90	164	384
	<u>300</u>	<u>95</u>	<u>1,328</u>	<u>406</u>

The group is organized on a world wide basis into four main business segments, namely:

- Activity 1: Sales of motor vehicles and technical fees;
- Activity 2: Servicing of motor vehicles and sales of auto parts; and
- Activity 3: Commission income from sales of motor vehicles from German Automobiles Pte Ltd to German Automobiles Limited (i.e. inter-group)
- Activity 4: Management fee income receivable from the sub-licensees operating Hertz car rental business

Analysis of turnover, profit from operations according to the four main business segments is as follows.

For the six months ended 30th June, 2002:

	Activity 1 <i>S\$'000</i>	Activity 2 <i>S\$'000</i>	Activity 3 <i>S\$'000</i>	Activity 4	Elimination <i>S\$'000</i>	Total <i>S\$'000</i>
Turnover	<u>37,070</u>	<u>3,654</u>	<u>1,036</u>	<u>458</u>	<u>(1,036)</u>	<u>41,182</u>
Profit from operations	<u>3,333</u>	<u>949</u>	<u>—</u>	<u>458</u>	<u>—</u>	<u>4,740</u>
	Activity 1 <i>HK\$'000</i>	Activity 2 <i>HK\$'000</i>	Activity 3 <i>HK\$'000</i>	Activity 4	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>164,025</u>	<u>16,167</u>	<u>4,448</u>	<u>2,025</u>	<u>(4,448)</u>	<u>182,217</u>
Profit from operations	<u>14,751</u>	<u>4,196</u>	<u>—</u>	<u>2,025</u>	<u>—</u>	<u>20,972</u>

For the three months ended 30th June, 2002:

	Activity 1 <i>S\$'000</i>	Activity 2 <i>S\$'000</i>	Activity 3 <i>S\$'000</i>	Activity 4	Elimination <i>S\$'000</i>	Total <i>S\$'000</i>
Turnover	<u>28,468</u>	<u>2,956</u>	<u>422</u>	<u>458</u>	<u>(422)</u>	<u>31,882</u>
Profit from operations	<u>2,195</u>	<u>1,007</u>	<u>—</u>	<u>458</u>	<u>—</u>	<u>3,660</u>
	Activity 1 <i>HK\$'000</i>	Activity 2 <i>HK\$'000</i>	Activity 3 <i>HK\$'000</i>	Activity 4	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>125,965</u>	<u>13,081</u>	<u>1,867</u>	<u>2,025</u>	<u>(1,867)</u>	<u>141,071</u>
Profit from operations	<u>9,713</u>	<u>4,457</u>	<u>—</u>	<u>2,025</u>	<u>—</u>	<u>16,195</u>

For the six months ended 30th June, 2001:

	Activity 1 <i>S\$'000</i>	Activity 2 <i>S\$'000</i>	Activity 3 <i>S\$'000</i>	Activity 4 <i>S\$'000</i>	Elimination <i>S\$'000</i>	Total <i>S\$'000</i>
Turnover	<u>22,169</u>	<u>1,391</u>	<u>603</u>	<u>—</u>	<u>(692)</u>	<u>23,471</u>
Profit from operations	<u>3,061</u>	<u>37</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,098</u>

	Activity 1 <i>HK\$'000</i>	Activity 2 <i>HK\$'000</i>	Activity 3 <i>HK\$'000</i>	Activity 4 <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>97,747</u>	<u>6,133</u>	<u>2,658</u>	<u>—</u>	<u>(3,051)</u>	<u>103,487</u>
Profit from operations	<u>13,495</u>	<u>163</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,658</u>

For the three months ended 30th June, 2001:

	Activity 1 <i>S\$'000</i>	Activity 2 <i>S\$'000</i>	Activity 3 <i>S\$'000</i>	Activity 4 <i>S\$'000</i>	Elimination <i>S\$'000</i>	Total <i>S\$'000</i>
Turnover	<u>8,466</u>	<u>860</u>	<u>227</u>	<u>—</u>	<u>(227)</u>	<u>9,326</u>
Profit from operations	<u>1,467</u>	<u>113</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,580</u>

	Activity 1 <i>HK\$'000</i>	Activity 2 <i>HK\$'000</i>	Activity 3 <i>HK\$'000</i>	Activity 4 <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>36,179</u>	<u>3,676</u>	<u>970</u>	<u>—</u>	<u>(970)</u>	<u>39,855</u>
Profit from operations	<u>6,269</u>	<u>483</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,752</u>

Analysis of turnover by geographic location for the six months and three months ended 30th June, 2002 and 30th June, 2001 was as follows:

	six months ended 30th June,		six months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	20,660	16,298	91,414	71,861
PRC	20,522	7,062	90,803	31,137
Others	—	111	—	489
	<u>41,182</u>	<u>23,471</u>	<u>182,217</u>	<u>103,487</u>
	three months ended 30th June,		three months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	16,099	7,184	71,235	30,701
PRC	15,783	2,142	69,836	9,154
Others	—	—	—	—
	<u>31,882</u>	<u>9,326</u>	<u>141,071</u>	<u>39,855</u>

4. Profit before taxation

Profit before taxation is determined after charging and crediting the following items:

	six months ended 30th June,		six months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging:				
Depreciation of property, plant and equipment	109	60	456	265
Amortization of prepaid rental	92	—	407	—
Net exchange loss, net	32	—	143	—
And crediting:				
Interest on bank deposits	(46)	(66)	(197)	(291)
Net exchange gain, net	—	(482)	—	(2,126)
	<u>—</u>	<u>(482)</u>	<u>—</u>	<u>(2,126)</u>

	three months ended 30th June,		three months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging:				
Depreciation of property, plant and equipment	62	31	274	132
Amortization of prepaid rental	46	—	204	—
Net exchange loss, net	88	64	389	274
And crediting:				
Interest on bank deposits	(21)	(30)	(93)	(128)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. Taxation

Taxation consists of:

	six months ended 30th June,		six months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profit tax	105	37	465	163
Overseas taxation	410	465	1,814	2,050
Withholding tax	455	315	2,014	1,390
Deferred taxation	—	69	—	304
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	970	886	4,293	3,907

	three months ended 30th June,		three months ended 30th June,	
	2002	2001	2002	2001
	<i>S\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profit tax	100	12	442	50
Overseas taxation	268	167	1,186	714
Withholding tax	231	151	1,023	647
Deferred taxation	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	599	330	2,651	1,411

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30th June, 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$2,284,000 (HK\$10,107,000) and on the weighted average of 325,745,856 ordinary shares in issue during the six months ended 30th June, 2002.

The calculation of basic earnings per share for the six months ended 30th June, 2001 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$1,142,000 (HK\$5,035,000) and on the 320,000,000 ordinary shares in issue during the six months ended 30th June, 2001.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the six months ended 30th June, 2002 and 2001.

The calculation of basic earnings per share for the three months ended 30th June, 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$1,906,000 (HK\$8,433,000) and on the weighted average of 331,428,571 ordinary shares in issue during the three months ended 30th June, 2002.

The calculation of basic earnings per share for the three months ended 30th June, 2001 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$657,000 (HK\$2,807,000) and on the 320,000,000 ordinary shares in issue during the three months ended 30th June, 2001.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 30th June, 2002 and 2001.

7. Related party transactions

Particulars of significant transactions between the Group and related companies during the six months ended 30th June, 2002 and 2001 are as follows:

	six months ended 30th June,		six months ended 30th June,	
	2002	2002	2001	2001
	S\$'000	HK\$'000	S\$'000	HK\$'000
Income Continuing:				
Rental income from related companies (<i>note a</i>)	10	44	10	44
Expenses Continuing:				
Rental expenses to related companies (<i>note b</i>)	<u>64</u>	<u>283</u>	<u>62</u>	<u>265</u>

Particulars of significant transactions between the Group and related companies during the three months ended 30th June, 2002 and 2001 are as follows:

	three months ended 30th June,		three months ended 30th June,	
	2002	2002	2001	2001
	S\$'000	HK\$'000	S\$'000	HK\$'000
Income Continuing:				
Rental income from related companies (<i>note a</i>)	5	22	5	22
Expenses Continuing:				
Rental expenses to related companies (<i>note b</i>)	<u>32</u>	<u>42</u>	<u>31</u>	<u>133</u>

Notes:

- (a) Rental income from Octavus Properties Pte Ltd. and Eng Kheng (S) Pte Ltd. for sub-lease of office premises in Singapore. As at 30th June, 2002. Octavus Properties Pte Ltd. is 100% owned by Mr. Chan Hing Ka, Anthony, a director and shareholder of the Company, Eng Kheng (S) Pte Ltd. is 61% owned by Mr. Chan Hing Ka, Anthony and 39% owned by Ms. Chan Xiao Li sister of Mr. Chan Hing Ka, Anthony.
- (b) Rental Expenses to Atland Properties Pte Ltd. and Xiamen L&B Property Co., Ltd. for rental of office and showroom premises in Singapore and the PRC respectively. As at 30th June, 2002. Atland Properties Pte Ltd. is 99.9% owned by Ms. Chan Xiao Li, sister of Mr. Chan Hing Ka, Anthony, a director and shareholder of the Company, Xiamen L&B Property Co., Ltd. is beneficially held as to 5% by Mr. Loh Kim Her, a director and shareholder of the Company and 95% by his family member.

In the opinion of the Directors, the above related party transactions were carried out in the normal course of business and on normal commercial terms.

8. Trade receivables

The Group generally allows credit period ranging from 2 to 5 months to its trade customers.

	As at 30th June,		As at 31st December,	
	2002	2002	2001	2001
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
0 to 1 month	12,031	53,235	1,402	6,123
1 to 2 months	661	2,925	696	3,041
2 to 3 months	5,550	24,558	5,257	23,002
3 to 6 months	3,745	16,571	3,480	15,200
6 to 9 months	3,101	13,721	1,898	8,291
9 to 12 months	—	—	1,454	6,352
Over 12 months	—	—	1,425	6,224
Less: Provision for doubtful debts	—	—	(343)	(1,556)
	<u>25,088</u>	<u>111,010</u>	<u>15,269</u>	<u>66,677</u>

9. Trade payables

	As at 30th June,		As at 31st December,	
	2002	2002	2001	2001
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
0 to 1 month	2,921	12,925	48	209
1 to 6 months	787	3,482	346	1,511
6 to 12 months	147	651	105	459
1 to 2 years	104	460	568	2,478
Over 2 years	623	2,757	711	3,107
	<u>4,582</u>	<u>20,275</u>	<u>1,778</u>	<u>7,764</u>

10. Commitments

a. Operating lease commitments

As at 30th June, 2002 and 31st December, 2001, total commitments payable under non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	As at 30th June,		As at 31st December,	
	2002	2002	2001	2001
	S\$'000	HK\$'000	S\$'000	HK\$'000
Total future minimum lease payment payable				
– within 1 year	457	2,022	572	2,498
– after 1 year but within 5 years	713	3,155	788	3,441
– after 5 years	503	2,226	541	2,362
	<u>1,673</u>	<u>7,403</u>	<u>1,901</u>	<u>8,301</u>

The Group has sublet part of leased property in Singapore to Octavus Properties Pte Ltd and Eng Kheng (S) Pte Ltd. related companies. Sublease income receivables are analysed as follows:

	As at 30th June,		As at 31st December,	
	2002	2002	2001	2001
	S\$'000	HK\$'000	S\$'000	HK\$'000
Total future minimum sublease income receivables				
– within 1 year	20	88	20	89
– after 1 year but within 5 years	5	19	15	67
	<u>25</u>	<u>107</u>	<u>35</u>	<u>156</u>

b. Contingent liabilities

As at 30th June, 2002 and 31st December, 2001, contingent liabilities not provided for are analyzed as follows:

	As at 30th June,		As at 31st December,	
	2002	2002	2001	2001
	S\$'000	HK\$'000	S\$'000	HK\$'000
Guarantees provided to a bank in respect of banking facilities granted to a third party*	<u>7,912</u>	<u>35,009</u>	<u>7,912</u>	<u>34,550</u>

* The guarantee is provided to Beijing China National Automotive Anhua Spare Parts Ltd., which was formerly a joint venture of the Group but was disposed of to Super Yield Trading Co., Ltd. in June 2000. Fixed deposits of approximately S\$1,762,000 (HK\$7,796,000) and S\$1,840,000 (HK\$8,035,000) are pledged to secure the bank facilities as at 30th June, 2002 and 31st December, 2001 respectively.

In addition, the Group as the master licensee of the "Hertz" model of the car rental business ("the Car Rental Business"), has given corporate guarantees to Hertz International Ltd, the principal of the Car Rental Business, guaranteeing the performance and timely payment by the three car rental sub-licensees of all amounts payable under the respective sub-licensees agreements to Hertz International Ltd. These car rental sub-licensees are related companies of NAGC.

c. Bankers' guarantees

As at 30th June, 2002 and 31st December, 2001, the Group had the following bankers' guarantees issued to various parties as follows:

	As at 30th June,		As at 31st December,	
	2002	2002	2001	2001
	S\$'000	HK\$'000	S\$'000	HK\$'000
Guarantees provided to the principal of the Car Rental Business*	<u>88</u>	<u>390</u>	<u>92</u>	<u>402</u>
Guarantees provided to a supplier for auto parts purchases	<u>334</u>	<u>1,477</u>	<u>334</u>	<u>1,457</u>

* A fixed deposits of approximately S\$88,000 (HK\$390,000) and S\$92,000 (HK\$402,000) was pledged to a bank to secure the above bankers' guarantees as at 30th June, 2002 and 31st December, 2001 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For a long time, the PRC's automobile industry has been protected by the trade barriers adopted by the government in two ways. They are the high tariff rate and quotas and license system. In view of the PRC's accession into WTO, the PRC's automobile industry has undergone significant changes. The tariff rate on imported automobiles has been reduced from the climax of 220% before 1986 to the tariff rate of 38.8% in 2002, and will be gradually cut to 25% in 2006. The PRC government imposed quotas and license system for import of automobiles. Under the Sino-US agreement on the accession into WTO, the PRC will cancel such barrier in 2005. The Group was beneficial in this aspect and had expanded its business volume for the six months ended 30th June, 2002.

Distribution of automobiles and parts

The Group continued to distribute the luxury and mid-market automobiles and parts. Since the reduction of tariff rate on import of automobiles, the price difference between imported and domestically made automobiles is narrowing. End customers who were affordable to purchase a domestically made automobile may now acquire an imported one at competitive price. Demand for imported automobiles thus is boosted. With the existing distribution network, the Group is able to capture the market potential in the PRC.

Provision of after-sales service

The Group continued to provide after-sales service in stringent quality to the customers for establishing customer loyalty and generating repeated sales and to NAGC in return for technical fee in serving domestically made Honda automobiles. The Directors believe these are essential factors contributing to the satisfactory results of the Group.

Management of car rental business in the PRC

The Group commenced the provision of management consulting and technical expertise, including consulting on car rental management and operation, training of car rental personnel, repairs and maintenance service to the car rental fleet, to the three car rental sub-licensees located in Beijing, Shanghai and Guangzhou. The sub-licensees are authorized by Hertz and are entitled to use the Hertz System to operate their car rental business. The Group is able to on one hand diversify its business risk by introducing new income source, and on the other hand strengthen its earning capability.

FINANCIAL REVIEW

Six months ended 30th June, 2002

The unaudited consolidated turnover of the Group for the six months ended 30th June, 2002 was approximately S\$41,182,000 (HK\$182,217,000), representing an increase of about 75% over the unaudited combined turnover of the Group of S\$23,471,000 (HK\$103,487,000) for the corresponding six months ended 30th June, 2001. The unaudited consolidated after-tax profit of the Group for the six months ended 30th June, 2002 was approximately S\$2,284,000 (HK\$10,107,000), representing an increase of about 100% as compared to the unaudited combined after-tax profit of the Group of S\$1,142,000 (HK\$5,035,000) for the corresponding six months ended 30th June, 2001. The unaudited gross profit margin of the Group for the six months ended 30th June, 2002 was approximately 16%, representing a decrease of about 24% as compared to the unaudited gross profit margin of the Group of approximately 21% for the corresponding six months ended 30th June, 2001.

Three months ended 30th June, 2002

The unaudited consolidated turnover of the Group for the three months ended 30th June, 2002 was approximately S\$31,882,000 (HK\$141,071,000), representing an increase of about 242% over the unaudited combined turnover of the Group of S\$9,326,000 (HK\$39,855,000) for the corresponding three months ended 30th June, 2001. The unaudited consolidated after-tax profit of the Group for the three months ended 30th June, 2002 was approximately S\$1,906,000 (HK\$8,433,000), representing an increase of about 190% as compared to the unaudited combined after-tax profit of the Group of S\$657,000 (HK\$2,807,000) for the corresponding three months ended 30th June, 2001. The unaudited gross profit margin of the Group for the three months ended 30th June, 2002 was approximately 14%, representing a decrease of about 46% as compared to the unaudited gross profit margin of the Group of approximately 26% for the corresponding three months ended 30th June, 2001.

Turnover

For the six months ended 30th June, 2002, the turnover of the Group amounted to S\$41,182,000 (HK\$182,217,000), representing an increase of approximately 75% as compared with that of the six months ended 30th June, 2001. This is mainly contributed by the increase in the sale of passenger vehicle by 72% during the period, owing to the increase in demand for BMW passenger vehicles and other brand vehicles. For the six months ended 30th June, 2001, revenues generated from distributing BMW and other brands was approximately S\$11,937,000 (HK\$52,631,000) and S\$8,062,000 (HK\$35,548,000) respectively and increased to approximately S\$18,413,000 (HK\$81,473,000) and S\$15,982,000 (HK\$70,717,000) respectively for the six months ended 30th June, 2002. The Directors believe such increase was resulted from increasing demand induced by the economic growth of the PRC and the PRC's entry into WTO.

For the three months ended 30th June, 2002, the turnover of the Group amounted to S\$31,882,000 (HK\$141,071,000), representing an increase of approximately 242% as compared with that of the three months ended 30th June, 2001. This is mainly contributed by the increase in the sale of passenger vehicle by 265% during the period, owing to the increase in demand for BMW passenger vehicles and other brand vehicles. For the three months ended 30th June, 2001, revenues generated from distributing BMW and other brand was approximately S\$6,413,000 (HK\$27,408,000) and S\$1,015,000 (HK\$4,336,000) respectively and was increased to approximately S\$13,483,000 (HK\$59,660,000) and S\$13,637,000 (HK\$60,340,000) respectively for the three months ended 30th June, 2002.

Gross Profit

Gross profit margin for income from distribution of passenger vehicles was approximately 9.4% and 8.4% for the six months ended 30th June, 2002 and 2001 respectively. The gross profit margin of technical fee is 100% for each of the six months ended 30th June, 2002 and 2001, while the gross profit margin of car rental management fee income is 100% for the six months ended 30th June, 2002 (*2001: Nil*). For the six months ended 30th June, 2002 and 2001, the gross profit margin of the Group was approximately 16% and 21% respectively.

For the six months ended 30th June, 2002, the gross profit of the Group was approximately S\$6.7 million (HK\$29 million), representing an increase of approximately 36% over that of the six months ended 30th June, 2001. The decrease in gross profit margin resulted from the increase in sales of other brand cars with a lower gross margin at approximately 4.5%. The sales of BMW passenger vehicles and other brands car comprises 54% and 46% for the six months ended 30th June, 2002 and 60% and 40% for the six months ended 30th June, 2001 respectively. Technical fee income for the six months ended 30th June, 2002 recorded an increase of approximately S\$0.45 million (HK\$2 million) or 24% over that of the six months ended 30th June, 2001.

The higher technical fee income for the six months ended 30th June, 2002 was due to the greater demand of the domestically made Honda cars in the PRC, after the entry of the PRC into the WTO in December 2001.

Gross profit margin for income from distribution of passenger vehicles was approximately 14.3% and 8.5% for the three months ended 30th June, 2002 and 2001 respectively. The gross profit margin of technical fee is 100% for each of the three months ended 30th June, 2002 and 30th June, 2001, while the gross profit margin of car rental management fee income is 100% for the three months ended 30th June, 2002 (*2001: Nil*). For the three months ended 30th June, 2002 and 2001, the gross profit margin of the Group was approximately 14% and 26% respectively.

For the three months ended 30th June, 2002, the gross profit of the Group was approximately S\$4.5 million (HK\$20 million), representing an increase of approximately 89% over that of the three months ended 30th June, 2001. The decrease in gross profit margin resulted from the increase in sales of other brand cars, with a lower gross margin at approximately 4.5%. The sales of BMW passenger vehicles and other cars comprises 50% and 50% for the three months ended 30th June, 2002 and 86% and 14% for the three months ended 30th June, 2001 respectively. Technical fee income for the three months ended 30th June, 2002 recorded an increase of approximately S\$0.3 million (HK\$1.5 million) or 30% over that of the three months ended 30th June, 2001.

Operating expenses

For the six months ended 30th June, 2002, the staff costs of the Group amounted to approximately 2.25% of the turnover of the Group, representing an increase of approximately S\$166,000 (HK\$747,000) or approximately 22% as compared to that of the six months ended 30th June, 2001, owing to an increase in directors' remuneration and employment of extra staff.

For the six months ended 30th June, 2002, the exchange loss of the Group amounted to approximately S\$32,000 (HK\$143,000), a difference of approximately S\$514,000 (HK\$2,269,000) as compared to the exchange gain for the six months ended 30th June, 2001. The exchange loss is mainly due to the devaluation of SGD against euro as most of the purchases are in euro and revaluation of SGD against HKD and RMB where the accounts of the Hong Kong and Xiamen subsidiaries are denominated in HKD and RMB respectively, in the six months ended 30th June, 2002 which gives rise to realized exchange loss during the period and unrealized exchange loss on revaluation at the business closing date.

Excluding the non-recurring exhibition expenses for the newly launched BMW 7 series passenger vehicles amounting approximately S\$512,000 (HK\$2,266,000) incurred in January, April and June 2002 and write back of provision for doubtful debts of S\$200,000 (HK\$882,000) in June 2001, and write back of overprovision for expenses in previous year of S\$355,000 (HK\$1,570,000) in 2002, other operating expenses decreased by approximately S\$612,000 (HK\$2,687,000) or approximately 40% over the six months ended 30th June, 2001, owing to the tightened control on operating expenses.

For the three months ended 30th June, 2002, the staff costs of the Group amounted to approximately 1.42% of the turnover of the Group, representing an increase of approximately S\$157,000 (HK\$739,000) or approximately 53% as compared to that of the three months ended 30th June, 2001, owing to the increase in directors remuneration and employment of extra staff.

For the three months ended 30th June, 2002, the exchange loss of the Group amounted to approximately S\$88,000 (HK\$389,000), an increase of approximately S\$24,000 (HK\$115,000) as compared to the exchange loss for the three months ended 30th June, 2001. The exchange loss is mainly due to the devaluation of SGD against euro as most of the purchases are denominated in euro and revaluation of SGD against HKD and RMB where the accounts of the Hong Kong and Xiamen subsidiaries are denominated in HKD and RMB respectively, in the three months ended 30th June, 2002 which gives rise to realized exchange loss during the period and unrealized exchange loss on revaluation at the business closing date.

Excluding the non-recurring exhibition expenses for the newly launched BMW 7 series passenger vehicles amounting approximately S\$385,000 (HK\$1,704,000) incurred in April and June 2002 and write back of provision for doubtful debts of S\$200,000 (HK\$882,000) in June 2001, and write back of overprovision for expenses in previous year of S\$355,000 (HK\$1,570,000) in 2002, other operating expenses decreased by approximately S\$68,000 (HK\$204,000) or approximately 7% over the three months ended 30th June, 2001. The decrease in operating expenses is owing to tightened control on operating expenses.

Profit attributable to shareholders

Profit attributable to shareholders for the six months ended 30th June, 2002 is S\$2,284,000 (HK\$10,107,000) as compared with that of the six months ended 30th June, 2001 of S\$1,142,000 (HK\$5,031,000). The profits for the six months ended 30th June, 2002 increased by approximately 100% as compared with the same period of 2001, mainly due to the boost in sales and tightened control on debts collection, inventory management and operating expenses.

Profit attributable to shareholders for the three months ended 30th June, 2002 is S\$1,906,000 (HK\$8,433,000) as compared with that of the three months ended 30th June, 2001 of S\$657,000 (HK\$2,807,000). The profits for the three months ended 30th June, 2002 increased by approximately 190% as compared with the same period of 2001.

Taxation

German Automobiles Limited, a wholly owned subsidiary of the Company, is an enterprise operating in Hong Kong. Hong Kong profits tax has been provided for each of the two six months and three months ended 30th June, 2002 and 2001, at a rate of 16%.

German Automobiles Pte Ltd., a wholly owned subsidiary of the Company, is an enterprise operating in Singapore. Singapore income tax at a rate of 24.5% and 22% has been provided for the two six months and three months ended 30th June, 2002 and 2001 respectively.

Xiamen BMW Automobiles Service Co., Ltd., a cooperative joint venture enterprise established and operating in the Xiamen Special Economic Zone of the PRC since 8th January, 1994 and was subject to the PRC enterprise income tax at a rate of 15%. Xiamen BMW Automobiles Service Co., Ltd. had been granted by the PRC tax bureau an exemption from tax for the first two profit making years and a reduction of 50% income tax for the following three consecutive years. The Directors consider that 2002 will be the first profit making year of the joint venture enterprise. Accordingly, no income tax has been provided for the six months and three months ended 30th June, 2002.

Xiamen BMW Automobiles Service Co., Ltd. is also subjected to value-added-tax ("VAT") at 17% of revenue from fixed price contracts, city and county maintenance tax at 3.5% of the amount of VAT levied and social welfare surcharge at 1.5% of the amount VAT levied.

In addition, the Group's employees in the PRC are subject to individual income tax. The Group is obliged to withhold individual income tax from employees' payrolls for payment to the PRC Tax Bureau.

BUSINESS PROSPECT

The Group is taking advantage on the economic growth of the PRC in recent years. As the living standard and the purchasing power of the Chinese are greatly raised, the demand for the imported automobiles is booming. The Group aims at attaining additional authorized distributorship for distributing automobiles of more brands and in more regions and enhancing the after-sales service by establishing service centre.

In view of the future development of foreign enterprises in the PRC after the deregulation of foreign invested business, the Directors believe the corporate demand for renting cars will be boosted. The Group intends to appoint sub-licensees in area of Tianjin Municipality and the Xiamen Special Economic Zone. Besides, the Group is going to explore the feasibility of acquiring the interests in the sub-licensees to enhance the participation in the PRC car rental market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflows and banking facilities provided by its principal bankers in Singapore.

As at 30th June, 2002, the Group had banking facilities of approximately HK\$194 million (*as at 31st December, 2001: HK\$191 million*). Such banking facilities were utilized to the extent of approximately HK\$156 million as at 30th June, 2002 (*as at 31st December, 2001: HK\$128 million*) of which approximately HK\$146 million (*as at 31st December, 2001: HK\$118 million*) are repayable within one year and approximately HK\$10 million (*as at 31st December, 2001: HK\$10 million*) are repayable after one year.

The shareholders' equity of the Group as at 30th June, 2002 increased by 73% to approximately HK\$88,563,000 (*as at 31st December, 2001: HK\$51,052,000*). The gearing ratio (calculated as ratio of current liabilities plus non-current liabilities to shareholders' equity) of the Group as at 30th June, 2002 was 2.4 (*as at 31st December, 2001: 3.3*). The improved ratio is mainly attributable to improved cashflow generated from operating activities and IPO proceeds.

EMPLOYEE INFORMATION

As at 30th June, 2002, the total number of employee of the Group was 74. It is the Group policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

RETIREMENT BENEFITS

During the six months ended 30th June, 2002 and 2001, the aggregate amount of the Group's employer's contributions under Central Provident Fund in Singapore and Mandatory Provident Fund in Hong Kong amounted to approximately S\$51,000 (HK\$226,000) and S\$50,000 (HK\$214,000) in aggregate. During the three months ended 30th June, 2002 and 2001, the aggregate amount of the Group's employer contributions amounted to approximately S\$24,000 (HK\$106,000) and S\$22,600 (HK\$96,000) in aggregate.

As at 30th June, 2002 and 31st December, 2001, there was no material forfeited contribution available to reduce the Group's employer contribution payable in future periods.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS

Business Objectives

Actual Business Progress

1. Expansion of Distribution Network

- | | |
|--|---|
| — To negotiate with BMW China for the authorized distributorship in a central region of the PRC | — Has been negotiated with BMW China for the authorized distributorship in a central region of the PRC |
| — To appoint its licensed PRC resellers as distribution agents in Fuzhou Municipality, Xiamen Special Economic Zone and other cities of the PRC to increase the coverage of the distribution network and improve distribution efficiency | — Has been liaised with certain PRC resellers in the Xiamen Special Economic Zone over the appointment as distribution agents |

2. Management of Car Rental Business in the PRC

- | | |
|---|--|
| — To install Hertz worldwide reservation system and test run of the program for the sub-licensees in Beijing Municipality, Shanghai Municipality and Guangzhou Municipality | — Installation and testing of the Hertz worldwide reservation system for the sub-licensees have been completed. Hertz car rental operation of the sub-licensees has been officially launched |
| — To provide management consulting to sub-licensees to operate a fleet of about 300 motor vehicles | — Has been providing management consulting to sub-licensees to operate their fleet of about 160 motor vehicles |
| — To establish service centre in Beijing Municipality to provide technical expertise to the sub-licensees | — The service centre in Beijing Municipality has been completed and technical service has been providing to the car rental fleet of the sub-licensee in Beijing |
| — To provide financial assistance to the sub-licensees of car rental business in the form of bank guarantee | — The sub-licensees are liaising with their banks for banking facilities. The bank guarantee will be provided as the security of such banking facilities |

3. Sales and Marketing

- To recruit 2 sales and marketing professionals in the PRC — Recruitment interviews are in progress to screen for the suitable candidates to oversee the sales and marketing in the PRC

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2002 (*2001: Nil*).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES

As at 30th June, 2002, the following Directors had or were deemed to have interests in the equity securities of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance (“the SDI Ordinance”), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Personal interest	Number of ordinary shares held			Percentage of interests
		Family interest	Corporate interest	Total	
Mr. Loh Kim Her	—	—	106,432,000	106,432,000	26.61%
Mr. Chan Hing Ka, Anthony	—	—	106,432,000	106,432,000	26.61%
Mr. Loh Nee Peng	—	—	106,432,000	106,432,000	26.61%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 30th June, 2002.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, the interests of every person being 10% or more in the equity securities of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance, were set out as below:

	Number of shares held	Percentage of interests
Mr. Loh Kim Her (<i>Note 1</i>)	106,432,000	26.61%
Mr. Chan Hing Ka, Anthony (<i>Note 2</i>)	106,432,000	26.61%
Mr. Loh Nee Peng (<i>Note 3</i>)	106,432,000	26.61%
Loh & Loh Construction Group Ltd.	74,432,000	18.60%
Comfort Group Limited (<i>Note 4</i>)	61,667,570	15.42%
Comfort (China) Pte Ltd. (<i>Note 4</i>)	61,667,570	15.42%
PHEIM Asset Management (Asia) Pte Ltd.	40,150,000	10.04%

Notes:

1. Mr. Loh Kim Her is beneficially interested in 100%, 18.94% and 15% in the respective entire issued share capitals of Affluence Investment International Limited, L & B Holdings Pte Ltd. and Loh & Loh Construction Group Ltd. The Company is owned as to 4%, 4% and 18.60% by Affluence Investment International Limited, L & B Holdings Pte Ltd. and Loh & Loh Construction Group Ltd. respectively.

Accordingly, Mr. Loh Kim Her has an effective interest of approximately 7.55% and a deemed interest of approximately 26.61% in the Company.

2. Mr. Chan Hing Ka, Anthony is beneficially interested in 100% and 49% in the respective entire issued share capitals of Tycoons Investment International Limited and Loh & Loh Construction Group Ltd. The Company is owned as to 8% and 18.60% by Tycoons Investment International Limited and Loh & Loh Construction Group Ltd. respectively.

Accordingly, Mr. Anthony Chan has an effective interest of approximately 17.12% and a deemed interest of approximately 26.61% in the Company.

3. Mr. Loh Nee Peng is beneficially interested in 100% and 15% in the respective issued share capitals of Big Reap Investment Limited and Loh & Loh Construction Group Limited. The Company is owned as to 8% and 18.60% by Big Reap Investment Limited and Loh & Loh Construction Group Ltd. respectively

Accordingly, Mr. Loh Nee Peng has an effective interest of approximately 10.79% and a deemed interest of approximately 26.61% in the Company.

4. Comfort (China) has an effective interest of approximately 15.42% in the Company. Comfort (China) is a wholly-owned subsidiary of Comfort Group. Accordingly, Comfort Group has an effective and a deemed interests of approximately 15.42% in the Company.

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

During the six months ended 30th June, 2002, the Company has not adopted any share option scheme, nor does it have any options or securities in issue which are convertible or exchangeable into shares of the Company.

ADVANCES TO ENTITIES

Pursuant to the Rules 17.15, 17.17 and 17.22, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 25% of the Group's net tangible assets. As at 30th June, 2002, the total advancement, guarantees and receivables provided to and due from NAGC, its subsidiaries and related companies in the PRC (collectively the "NAGC Group") are in aggregate of approximately S\$21,342,000 (HK\$94,433,000) (31st December, 2001: S\$29,045,000 (HK\$126,832,000)). NAGC Group engages in a wide range of business operations including state-grant import and export business of motor vehicles. NAGC Group is the business partner of the Group with a nationwide distribution network in the PRC. It assists the Group in distribution of automobiles and setting up car rental business in the PRC. Besides, the Group provides technical services to the Honda automobiles distributed by NAGC in return for the technical fee. The details of transactions are illustrated as follow:

The trade receivables due from NAGC Group as at 30th June, 2002 amounted to approximately S\$2,623,000 (HK\$11,605,000) (31st December, 2001: S\$5,531,953 (HK\$24,157,000)). Out of which, approximately S\$2,165,000 (HK\$9,580,000) (31st December, 2001: S\$5,531,953 (HK\$24,157,000)) was technical fee arisen from provision of technical fee to NAGC. The remaining of approximately S\$458,000 (HK\$2,025,000) (31st December, 2001: S\$Nil (HK\$Nil)) was management fee charged on provision of management consulting and technical expertise to three car rental sub-licensees. Approximately S\$153,000 (HK\$677,000) (31st December, 2001: S\$Nil (HK\$Nil)) was due from each of the sub-licensees. The three sub-licensees include Beijing China National Automotive Anhua Automobiles Leasing Co., Ltd., (a wholly subsidiary of NAGC), Shanghai China National Automotive Anhua Automobiles Services Co., Ltd. (a company of which 90% of its interest is owned by NAGC) and Guangzhou China National Automotive Anhua Automobiles Services Co., Ltd. (a company of which 90% of its interest is owned by NAGC) The trade receivables due from NAGC were unsecured, interest free and repayable within 5 months.

The prepaid rental expenses advanced to China National Automotive Anhua Hertz Services Centre Co., Ltd., a wholly owned subsidiary of NAGC, and Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng"), a company of which NAGC holds 10% of its shareholding, as at 30th June, 2002, amounted to approximately S\$7,599,000 (HK\$33,624,000) (31st December, 2001: S\$7,789,000 (HK\$34,013,000)) and S\$1,408,000 (HK\$6,230,000) (31st December, 2001: S\$1,429,000 (HK\$6,242,000)) respectively, were unsecured, interest free and will be amortized over 50 years and 20 years from the date of completion of the developments respectively.

The non-trade advance to Jin Tian Cheng amounted to approximately S\$1,800,000 (HK\$7,965,000) (31st December, 2001: S\$2,579,000 (HK\$11,262,000)) was unsecured, interest free and repayable in October, 2002. It is the refund of the prepaid rental advance as a result of the alteration of agreement regarding the aforementioned prepaid rental arrangement.

Approximately S\$7,912,000 (HK\$35,009,000) guarantees (31st December, 2001: S\$7,912,000 (HK\$34,550,000)) were provided to a bank in respect of banking facilities granted to Beijing China Automotive Anhua Spare Parts Ltd. The bank agreed to unconditionally release the above guarantees and the release procedure is in progress. The Group does not have any security or receive any considerations from Beijing China Automotive Anhua Spare Parts Ltd. or NAGC by giving such guarantees.

SPONSORS' INTERESTS

Pursuant to the sponsor agreement dated 10th June, 2002, between the Company and Celestial Capital Limited ("CASH"), CASH will be retained as sponsor of the Company for the purpose of Chapter 6 of the GEM Listing Rule for the period from 17th June, 2002 (being the listing date) to 31st December, 2004.

Neither of CASH, its directors, employees nor associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 30th June, 2002.

COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES

Since the shares of the Company were listed on GEM of the Stock Exchange on 17th June, 2002, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants on 5th June, 2002. The audit committee comprises two independent non-executive Directors, namely Ms. Lam So Ying and Mr. Lee Kwok Yung and one executive Director, Mr. Chan Hing Ka, Anthony. The duties of the audit committee include reviewing the Company's annual reports and accounts, half-year reports and quarterly reports and providing advice and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period since the Company's shares listed on 17th June, 2002 to 30th June, 2002.

By Order of the Board

Loh Kim Her

Managing Director

Hong Kong, 14th August, 2002