



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)*



First Quarterly 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 three months ended 31st March, 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		three months ended	
		31st March,	
		2003	2002
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>
Turnover	3	24,777	9,300
Other revenue		85	16
Other income		9	—
Cost of inventories		(21,620)	(7,165)
Staff costs		(501)	(474)
Depreciation and amortisation expenses		(190)	(93)
Minimum lease payments for operating leases		(113)	(91)
Exchange gain, net		206	56
Other operating expenses		(972)	(469)
		<u>1,681</u>	<u>1,080</u>
Profit from operations		1,681	1,080
Finance costs, net		(324)	(333)
		<u>1,357</u>	<u>747</u>
Profit before taxation		1,357	747
Taxation	4	(299)	(371)
		<u>1,058</u>	<u>376</u>
Profit after taxation but before minority interests		1,058	376
Minority interests		7	2
		<u>1,065</u>	<u>378</u>
Profit attributable to shareholders		<u>1,065</u>	<u>378</u>
Earnings per share – Basic (cents)	5	<u>0.27</u>	<u>0.12</u>

2. Accounting Policies

The accounting policies adopted for the preparation of these unaudited consolidated results of the Group are consistent with those adopted by the Group in the preparation of annual audited financial statements for the year ended 31st December, 2002.

3. Turnover

	three months ended	
	31st March,	
	2003	2002
	S\$'000	S\$'000
Sales of motor vehicles	21,575	7,275
Servicing of motor vehicles and sales of auto parts	1,945	698
Technical fee income	931	1,327
Management fee income	326	—
	<u>24,777</u>	<u>9,300</u>

4. Taxation

Taxation consists of:

	three months ended	
	31st March,	
	2003	2002
	S\$'000	S\$'000
Hong Kong profit tax	111	5
Overseas taxation	188	142
Withholding tax	—	224
	<u>299</u>	<u>371</u>

Basis of taxation:

a. Hong Kong profit tax

Hong Kong profit tax has been provided at the rate of 17.5% and 16.0% on the estimated assessable profit for the three months ended 31st March, 2003 and 2002 respectively.

b. Overseas taxation

Overseas taxation relates to tax calculated based on the estimated assessable profit of Singapore subsidiaries at the rate prevailing of 22% for the three months ended 31st March, 2003 and 2002.

c. PRC enterprise income tax

No profit tax has been provided for PRC subsidiaries as they incurred losses for taxation purposes during the three months ended 31st March, 2003 and 2002.

d. Withholding tax

Withholding tax relates to 17% tax withheld in respect of technical fees received by a Singapore subsidiary from a customer in the PRC.

5. Earnings per share

The calculation of basic earnings per share for the three months ended 31st March, 2003 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$1,065,000 and on the weighted average number of 400,000,000 ordinary shares in issue during the three months ended 31st March, 2003.

The calculation of basic earnings per share for the three months ended 31st March, 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$378,000 and on the weighted average number of 320,000,000 ordinary shares in issue during the three months ended 31st March, 2002. The weighted average number of shares used includes the pro-forma issued share capital of the Company as set out in the annual audited financial statements for the year ended 31st December, 2002.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 31st March, 2003 and 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of imported automobiles

The Group mainly distributed imported BMW and Japanese automobiles in the PRC. In the first quarter of 2003, the turnover generated from distribution of automobiles increased to approximately S\$21,575,000 from S\$7,275,000 of the correspondent period of 2002. The continuous reduction of tariff rate on the import of automobiles had induced greater demand of the same. The Directors foresee with the present market share, the Group will be able to sustain the current sales volume and supply more imported automobiles to capture the opportunity presented in the PRC's auto market.

Provision of after-sales service and distribution of auto parts

The provision of after-sales service and distribution of auto parts has picked up significantly since the third quarter of 2002 since the customer base has been enlarged. The first quarter of 2003 saw similar achievement. The turnover generated from servicing and distribution of auto parts greatly increased by 178.7% from approximately S\$698,000 of the first quarter of 2002 to S\$1,945,000 of that of 2003. The Directors expect the income from this segment will sustain future growth.

Management of car rental business in the PRC and provision of technical expertise to North Anhua Group Corporation

The Group continued the provision of management consulting and technical expertise services to the car rental sub-licensees located in Beijing, Shanghai and Guangzhou and to North Anhua Group Corporation ("NAGC") in respect of car rental business management and the locally manufactured Honda automobiles sold by NAGC respectively.

The Directors does not expect much increase in the management fee of car rental business because the Hertz car rental operation run by the 3 sub-licensees was still in the infant stage. Instead, the Group intends to assist these sub-licensees in the coming years in order to capture market share and grab the opportunity to generate more return for the Group in the later years.

In the first quarter of 2003, the technical fee income received from NAGC decreased to approximately S\$931,000 from S\$1,327,000 of that of 2002. The decrease in technical fee income was the result of keen competition in the locally manufactured automobiles market.

Sales and Marketing

The Group organized an exhibition in Xiamen to introduce the new BMW model, the Z4 series. The Directors believed the exhibition helped to promote the products and build up the corporate image.

In addition, the Group recruited an experienced marketing personnel to assist the sales and marketing of imported automobiles.

BUSINESS PROSPECTS

The outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the PRC has adversely affected the economic activities, and the tourists industry and retail business are the most distressed segments. As the Group has already secured confirmed orders of imported automobiles from the regular customers for the next quarter, the Directors believe the short-term influence associated with SARS is insignificant. However, the Directors will closely monitor the unfavorably change of business environment and financial position of the Group resulting from SARS.

The continuous reduction of import tariffs on imported automobiles and enhancement of purchasing power of the PRC citizens are the major factors contributing to the growth of the PRC auto market. In view of these, the Directors are optimistic on the long-term growth of the distribution business.

The construction of Xiamen service centre will be completed in June this year. The service centre is designed for showrooms and provision of after-sales service and will be equipped with advanced machines and equipments to provide the customers with better quality services.

FINANCIAL REVIEW

Three months ended 31st March, 2003

The unaudited consolidated turnover for the three months ended 31st March, 2003 was approximately S\$24,777,000 (2002: S\$9,300,000), representing an increase of approximately 166.4% compared to the corresponding period of 2002.

The increase of turnover by approximately 166.4% for the three months ended 31st March, 2003 was mainly attributable to the increase in demand of new BMW 7 Series launched in 2002 and the increase of the servicing income.

For the three months ended 31st March, 2003, the Group reported its gross profit of approximately S\$3,157,000 (2002: S\$2,135,000) on gross profit margin of 12.7% (2002: 23.0%). The decrease in gross profit margin was mainly attributable to the increase in sales of motor vehicles which generated a lower profit margin.

The operating expenses as compared with the corresponding period ended 31st March, 2002 increased by approximately 46.6%. The increase was mainly due to the increase of other operating expenses of approximately 107.2% for the three month ended 31st March, 2003. The increase of other operating expenses was mainly due to the increase of turnover. More expenses were incurred in transport and travelling, entertainment and legal and professional expenses in dealing with customers and drafting out contracts during the period. There was an increase of realised and unrealised exchange gain of approximately 267.9%. These exchange gains resulted from the translation of account receivables, account payables and inter-company balances from Euro and US dollars to Singapore dollars. The profit attributable to shareholders for the three months ended 31st March, 2003 amounted to approximately S\$1,065,000 (2002: S\$378,000), representing an increase of approximately 181.7% compared to the corresponding period of 2002.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2003 (2002: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES

As at 31st March, 2003, 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 31st March, 2003.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, 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	18.61%
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 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 18.61% 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 issued share capitals of Tycoons Investment International Limited and Loh & Loh Construction Group Ltd. The Company is owned as to 8% and 18.61% 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 18.61% 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' AND CHIEF EXECUTIVES' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors and chief executives, 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 three months ended 31st March, 2003, 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 31st March, 2003, the Group's advance to 3 entities exceeded 25% of its net tangible assets of approximately S\$20,207,000 as at 31st December, 2002.

As at 31st March, 2003, the total advancement, guarantees and receivables provided to and due from North Anhua Group Corporation, its subsidiaries and related companies in the PRC (collectively the "NAGC Group") are in aggregate of approximately S\$22,504,000 (*31st December, 2002: S\$19,692,000*). 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 motor vehicles and setting up car rental business in the PRC. Besides, the Group provides technical services to the Honda passenger vehicles 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 31st March, 2003 amounted to approximately S\$3,775,000 (*31st December, 2002: S\$2,755,000*), out of which, approximately S\$2,148,000 (*31st December, 2002: S\$1,454,000*) was technical fee arisen from provision of technical fee to NAGC. The remaining of approximately S\$1,627,000 (*31st December, 2002: S\$1,301,000*) was management fee charged on provision of management consulting and technical expertise to three car rental sub-licensees. Approximately S\$542,400 (*31st December, 2002: S\$434,000*) was due from each of the sub-licensees. The three sub-licensees include Beijing China National Automotive Anhua Automobiles Leasing Co., Ltd., (a wholly owned 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) (collectively the “Three Sub-licensees”). 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. (“CNA Anhua (Hertz)”), 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 31st March, 2003, amounted to approximately S\$7,557,000 (*31st December, 2002: S\$7,557,000*) and S\$1,390,000 (*31st December, 2002: S\$1,429,000*) respectively, are unsecured, interest free and are amortized over 50 years and 20 years from the date of completion of the developments respectively.

The other receivables due from CNA Anhua (Hertz) as at 31st March, 2003, amounting to approximately S\$549,000 (*31st December, 2002: S\$505,000*). Out of the total of S\$549,000, the amount of S\$337,000 (RMB1,516,000) was paid for the Xiamen development land title of the service centre in Xiamen, that was secured in August 2002. The balance amount of S\$212,000 was the payment made on behalf of CNA Anhua (Hertz) for the auto parts purchased in Hong Kong and the PRC. The receivables were unsecured, interest free and repayable in or before June 2003.

Approximately S\$7,478,000 guarantees (*31st December, 2002: S\$7,446,000*) were provided to a bank in respect of banking facilities granted to Beijing China Automotive Anhua Spare Parts Ltd. (a company of which 45% of its interest is owned by CNA Anhua (Hertz), a wholly owned subsidiary of NAGC). The bank agreed to unconditionally release the above guarantees and the legal procedures are 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.

Approximately S\$1,755,000 (*31st December, 2002: Nil*) were advances to the Three Sub-licensees for Beijing, Shanghai and Guangzhou car rental operation. These receivables were unsecured, interest free and repayable in or before December 2003.

The trade receivables due from Beijing Fu Chuan Yuan Ke Mow Centre, an independent third party to the Group, as at 31st March, 2003 amounted to approximately S\$5,829,000 (*31st December, 2002: S\$5,733,000*). The receivables represented the outstanding balances of distributing of motor vehicles in ordinary course of business and on normal commercial terms. The amounts were unsecured, interest free and repayable in June 2003. The advances to Beijing Fu Chuan Yuan Ke Mow Centre has exceeded 25% of the Group’s net tangible assets since November 2002.

The trade receivables due from Zhong Bao Automobiles Trading Co., Ltd., an independent third party to the Group, as at 31st March, 2003 amounted to approximately S\$5,226,000 (*31st December, 2002: S\$5,137,000*). The receivables represented the outstanding balances of distributing of motor vehicles in ordinary course of business and on normal commercial terms. The amounts were unsecured, interest free and repayable in June 2003. The advances to Zhong Bao Automobiles Trading Co., Ltd. has exceeded 25% of the Group’s net tangible assets since November 2002.

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 31st March, 2003.

COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES

Since the Company's shares 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 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. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee has reviewed this quarterly results and provided comments.

PURCHASE, SALE OF 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 three months ended 31st March, 2003.

By Order of the Board
Loh Kim Her
Managing Director

Hong Kong, 14th May, 2003