



# 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)*



# 2003

## Third Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**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 arising 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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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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 and nine months ended 30 September 2003.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2003

		<b>(Unaudited)</b>		<b>(Unaudited)</b>	
		<b>three months ended</b>		<b>nine month ended</b>	
		<b>30 September</b>		<b>30 September</b>	
		<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
		<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Turnover	2	33,816	28,308	92,165	69,490
Cost of sales		<u>(29,686)</u>	<u>(24,751)</u>	<u>(81,797)</u>	<u>(59,272)</u>
Gross profit		4,130	3,557	10,368	10,218
Other revenues		123	48	302	116
Other income		26	—	82	451
Staff costs		(526)	(448)	(1,535)	(1,375)
Depreciation and amortization expenses		(214)	(113)	(604)	(314)
Minimum lease payments for operating expenses		(91)	(148)	(308)	(359)
Exchange loss, net		(1,351)	(190)	(1,108)	(222)
Other operating expenses		<u>(1,022)</u>	<u>(1,623)</u>	<u>(3,320)</u>	<u>(3,574)</u>
Profit from operations		1,075	1,083	3,877	4,941
Finance costs, net		<u>(419)</u>	<u>(334)</u>	<u>(1,143)</u>	<u>(1,396)</u>
Profit before taxation		656	749	2,734	3,545
Taxation	3	<u>(159)</u>	<u>(137)</u>	<u>(592)</u>	<u>(652)</u>
Profit after taxation but before minority interests		497	612	2,142	2,893
Minority interests		<u>5</u>	<u>3</u>	<u>17</u>	<u>6</u>
Profit attributable to shareholders		<u>502</u>	<u>615</u>	<u>2,159</u>	<u>2,899</u>
Earnings per share					
– Basic (cents)	4	<u>0.13</u>	<u>0.15</u>	<u>0.54</u>	<u>0.83</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

**For the three months ended 30 September 2003 and 2002**

	<b>Issued capital</b> <i>S\$'000</i>	<b>Share premium</b> <i>S\$'000</i>	<b>Capital reserve</b> <i>S\$'000</i>	<b>Translation reserve</b> <i>S\$'000</i>	<b>Accumulated profits</b> <i>S\$'000</i>	<b>Total</b> <i>S\$'000</i>
As at 1 July 2003	9,040	4,006	1,689	(55)	7,196	21,876
<b>Net gains/losses not recognised in income statement</b>						
Translation difference	—	—	—	(120)	—	(120)
Shared by minority shareholder	—	—	—	8	—	8
Profit for the period	—	—	—	—	502	502
As at 30 September 2003	<u>9,040</u>	<u>4,006</u>	<u>1,689</u>	<u>(167)</u>	<u>7,698</u>	<u>22,266</u>
As at 1 July 2002	9,040	4,421	1,689	(109)	4,974	20,015
<b>Net gains/losses not recognised in income statement</b>						
Translation difference	—	—	—	(378)	—	(378)
Profit for the period	—	—	—	—	615	615
As at 30 September 2002	<u>9,040</u>	<u>4,421</u>	<u>1,689</u>	<u>(487)</u>	<u>5,589</u>	<u>20,252</u>

**For the nine months ended 30 September 2003 and 2002**

	<b>Issued capital</b> <i>S\$'000</i>	<b>Share premium</b> <i>S\$'000</i>	<b>Capital reserve</b> <i>S\$'000</i>	<b>Translation reserve</b> <i>S\$'000</i>	<b>Accumulated profits</b> <i>S\$'000</i>	<b>Total</b> <i>S\$'000</i>
As at 1 January 2003	9,040	4,006	1,689	(67)	5,539	20,207
<b>Net gains/losses not recognised in income statement</b>						
Translation difference	—	—	—	(116)	—	(116)
Shared by minority shareholder	—	—	—	16	—	16
Profit for the period	—	—	—	—	2,159	2,159
As at 30 September 2003	<u>9,040</u>	<u>4,006</u>	<u>1,689</u>	<u>(167)</u>	<u>7,698</u>	<u>22,266</u>
As at 1 January 2002	7,232	—	1,689	80	2,690	11,691
<b>Net gains/losses not recognised in income statement</b>						
Translation difference	—	—	—	(567)	—	(567)
Issue of share capital	1,808	7,232	—	—	—	9,040
Placing expenses	—	(2,811)	—	—	—	(2,811)
Profit for the period	—	—	—	—	2,899	2,899
As at 30 September 2002	<u>9,040</u>	<u>4,421</u>	<u>1,689</u>	<u>(487)</u>	<u>5,589</u>	<u>20,252</u>

Notes:

### 1. 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 31 December 2002.

### 2. Turnover

Turnover recognised by category is as follows:

	<b>(Unaudited)</b> <b>three months ended</b>		<b>(Unaudited)</b> <b>nine months ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Sales of motor vehicles	31,790	23,489	85,068	57,884
Servicing of motor vehicles and sales of auto parts	806	3,354	3,457	7,008
Technical fee income	924	1,236	2,750	3,911
Management fee income	296	229	890	687
	<u>33,816</u>	<u>28,308</u>	<u>92,165</u>	<u>69,490</u>

### 3. Taxation

The charge comprises:

	<b>(Unaudited)</b> <b>three months ended</b>		<b>(Unaudited)</b> <b>nine months ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Hong Kong profits tax	195	113	476	218
Overseas taxation (overprovision in prior period/current period provision)	(36)	24	116	434
	<u>159</u>	<u>137</u>	<u>592</u>	<u>652</u>

Basis of taxation:

**a. Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit of the Hong Kong subsidiary for the three months and nine months ended 30 September 2003 and 16% for the three months and nine months ended 30 September 2002.

**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 and nine months ended 30 September 2003 and 2002.

**c. PRC enterprise income tax**

No income tax has been provided for PRC subsidiaries as they incurred losses for taxation purposes during the three months and nine months ended 30 September 2003 and 2002.

**4. Earnings per share**

The calculation of basic earnings per share for the three months ended 30 September 2003 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$502,000 and on the 400,000,000 ordinary shares in issue during the three months ended 30 September 2003.

The calculation of basic earnings per share for the three months ended 30 September 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$615,000 and on the 400,000,000 ordinary shares in issue during the three months ended 30 September 2002.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 30 September 2003 and 2002.

The calculation of basic earnings per share for the nine months ended 30 September 2003 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$2,159,000 and on the 400,000,000 ordinary shares in issue during the nine months ended 30 September 2003.

The calculation of basic earnings per share for the nine months ended 30 September 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$2,899,000 and on the weighted average of 350,769,231 ordinary shares in issue during the nine months ended 30 September 2002.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the nine months ended 30 September 2003 and 2002.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Severe Acute Respiratory Syndrome (“SARS”) impact**

The impact of outbreak of SARS during the second quarter has moderated. The increase in turnover of the Group accelerated when compared with the third quarter of the year 2002 and the second quarter of the year 2003. For the three months ended 30 September 2003, an increase of turnover of approximately 19.5% was recorded, compared to the corresponding period in 2002.

## **BUSINESS REVIEW**

### **1. Sales of motor vehicles**

Sales of motor vehicles were the main stream of income for the Group. For the nine months ended 30 September 2003, it accounted for approximately 92.3% of the total turnover. The PRC's demand for imported vehicles remained strong as the living standards continue to rise in the PRC. The turnover generated from sales of motor vehicles for the nine months ended 30 September 2003 was approximately S\$85,068,000, an increase of approximately 47.0% compared to the corresponding period in 2002.

### **2. Servicing of motor vehicles and sales of auto parts**

Turnover generated from servicing of motor vehicles and sales of auto parts decreased from approximately S\$7,008,000 for the nine months ended 30 September 2002 to approximately S\$3,457,000 for the nine months ended 30 September 2003. This was mainly due to the decrease in trading volume of auto parts.

### **3. Technical fee income**

The Group received technical fee income from the business partner, North Anhua Group Corporation (“NAGC”) for providing management consulting and technical assistance in relation to NAGC's sales of locally manufactured Honda passenger vehicles. Technical fee income reduced from approximately S\$3,911,000 for the nine months ended 30 September 2002 to approximately S\$2,750,000 for the nine months ended 30 September 2003. The decrease was due to the drop of number of Honda automobiles distributed by NAGC.



#### **4. Management fee income**

The Group received management fee income from the car rental sub-licensees for providing management services and technical assistance in relation to car rental business. For the nine months ended 30 September 2003, the management fee income was approximately S\$890,000.

#### **5. Car rental business**

The Group operated a car fleet in Hong Kong to operate the car rental business under the brand of "Hertz". For the nine months ended 30 September 2003, the turnover from car rental business was approximately S\$302,000, which has been included in other revenue, representing an increase of approximately 160.3% as compared to the corresponding period in 2002. This was due to the enhancement of car fleet in terms of its size and range. Customers now had more choices.

#### **6. Update of progress of the construction of service centres**

The construction of the service centre in Haichang, Xiamen was almost completed. The Group will submit the application for the "Certificate of Completion" for this service centre and then relocate the existing service centre to the new one in Haichang. The Fuzhou service centre is awaiting the approval of Beijing office of BMW AG to commence construction.

### **FINANCIAL REVIEW**

#### **Turnover**

The unaudited consolidated turnover of the Group for the nine months ended 30 September 2003 was approximately S\$92,165,000, representing an increase of approximately 32.6% over the corresponding period in 2002. The increase was mainly due to the rise in sales of motor vehicles resulting from a general increase in demand of imported vehicles during the period. In contrast, turnover from servicing of cars and sales of auto parts reduced by approximately 50.7% and technical fee income reduced by approximately 29.7%. The reduction of auto part sales was mainly because several regular customers diverted the auto parts purchases from the Group. The drop of technical fee income was mainly due to keen competition from the local production of motor vehicles by the foreign manufacturers. The distribution of locally manufactured Honda automobiles by NAGC was affected.

## **Gross profit**

The gross profit for the nine months ended 30 September 2003 was approximately S\$10,368,000, a slight increase of approximately 1.5% as compared to approximately S\$10,218,000 of the corresponding period in 2002. The gross profit margin for the nine months ended 30 September 2003 was approximately 11.2%, a decrease of approximately 3.5% as compared to approximately 14.7% of the corresponding period in 2002. The decrease was mainly due to a lower price strategy adopted by the Group in the distribution of motor vehicles.

## **Exchange loss**

For the nine months ended 30 September 2003, the exchange loss was approximately S\$1,108,000, an increase of approximately 399.1% as compared to the corresponding period of 2002. This was mainly due to the appreciation of Euro against Singapore dollars and depreciation of US dollars against Singapore dollars. The Group's purchases were mainly denominated in Euro, whereas the sales were transacted in US dollars and HK dollars.

## **Other operating expenses**

For the nine months ended 30 September 2003, other operating expenses were approximately S\$3,320,000, representing a decrease of approximately 7.1% as compared with the corresponding period in 2002. The non-recurring exhibition expenses for promoting the new BMW 7 Series incurred during the nine months ended 30 September 2002 were not incurred for the current corresponding period.

## **Profit attributable to shareholders**

The profit attributable to shareholders for the nine months ended 30 September 2003 was approximately S\$2,159,000, representing a decrease of approximately 25.5% as compared to the corresponding period in 2002.

## **BUSINESS PROSPECT**

Since the accession of the PRC into WTO, the demand of motor vehicles in the PRC rose continuously. The Directors believed the demand growth will be sustained, but the market will become more competitive. The Directors expected the gross profit margin for motor vehicles distribution will be lower, but growth of turnover from sales of motor vehicles will still continue.

The production of locally manufactured BMW motor vehicles by the BMW's sino-foreign joint venture would come to the market in October 2003. Under the relevant PRC laws and regulations, only local companies can trade the locally manufactured motor vehicles. The Group is in the process of drafting an agreement with a local company to provide the local company marketing consulting and technical assistance for the locally manufactured BMW motor vehicles, in return for technical fee income.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003 (*nine months ended 30 September 2002: Nil*).

## **DIRECTOR'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 September 2003, the interests or short position of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are notified to the Company and the Stock Exchange pursuant of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity	Number of shares held				Total	Approximate percentage of shareholding
		Personal Interest	Family Interest	Corporate Interest	Other Interests		
Loh Kim Her	Interest of a controlled corporation	—	—	106,432,000 (Note 1)	—	106,432,000	26.61%
Chan Hing Ka Anthony	Interest of a controlled corporation	—	—	106,432,000 (Note 2)	—	106,432,000	26.61%
Loh Nee Peng	Interest of a controlled corporation	—	—	106,432,000 (Note 3)	—	106,432,000	26.61%

*Notes:*

1. The 106,432,000 shares are held as to 16,000,000 shares by Affluence Investment International Limited, as to 16,000,000 shares by L & B Holdings Pte Ltd. and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100%, 18.94% and 15%, respectively by Mr. Loh Kim Her. By virtue of the SFO, Mr. Loh Him Her is deemed to be interested in the shares held by Affluence Investment International Limited, L & B Holdings Pte Ltd. and Loh & Loh Construction Group Ltd.
2. The 106,432,000 shares are held as to 32,000,000 shares by Tycoons Investment International Limited and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 49%, respectively by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited and Loh & Loh Construction Group Ltd.
3. The 106,432,000 shares are held as to 32,000,000 shares by Big Reap Investment Limited and as to 74,432,000 shares by Loh & Loh Construction Group Ltd, which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 30 September 2003, none of the Directors or their associates, has any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITION OF SHAREHOLDERS

As at 30 September 2003, the persons or corporations (other than directors or chief executive of the Company) who have interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
Loh & Loh Construction Group Ltd.	Beneficial owner (Note 1)	74,432,000	18.61%
Comfort Group Limited	Interest of a controlled corporation (Note 2)	61,667,570	15.42%
PHEIM Asset Management (Asia) Pte Ltd.	Investment manager	42,330,000	10.58%
HSBC Trustee (Singapore) Limited	Trustee	30,158,000	7.54%

### Notes:

1. Loh & Loh Construction Group Ltd. is held as to 49% by Mr. Chan Hing Ka Anthony, as to 15% by Mr. Loh Him Her, as to 15% by Mr. Loh Nee Peng and as to 21% by Mr. Loh Boon Cha. Mr. Chan Hing Ka Anthony, Mr. Loh Him Her and Mr. Loh Nee Peng are Directors and Mr. Loh Boon Cha is the brother of Mr. Loh Him Her and the father of Mr. Loh Nee Peng.
2. The 61,667,570 shares are held by Comfort (China) Pte Ltd., the wholly owned subsidiary of Comfort Group Limited. By virtue of the SFO, Comfort Group Limited is deemed to be interested in the shares held by Comfort (China) Pte Ltd.

Save as disclosed above, as at 30 September 2003, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of 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**

During the nine months ended 30 September 2003, 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 nine months ended 30 September 2003, the Company did not adopt any share option scheme, nor did 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 of the GEM Listing Rules, 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 30 September 2003, the total advancement, guarantees and receivables provided to and due from NAGC, its subsidiaries and affiliated companies in the PRC (collectively the "NAGC Group") are in aggregate of approximately S\$24,823,000 (*31 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 distributing 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 30 September 2003 amounted to approximately S\$4,411,000 (*31 December 2002: S\$2,755,000*), out of which, approximately S\$2,590,000 (*31 December 2002: S\$1,454,000*) was technical fee arisen from provision of technical fee to NAGC. The remaining of approximately S\$1,821,000 (*31 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\$607,000 (*31 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 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 trade receivables were made under normal commercial terms and in the ordinary course of business of the Group.

Prepaid rental expenses in the amount of S\$7,496,000 (31 December 2002: S\$7,557,000) were advanced to China National Automotive Anhua Hertz Services Centre Co., Ltd. (“CNA Anhua (Hertz)”), a wholly owned subsidiary of NAGC. The prepaid rental expenses were for the development of land and building for use as motor vehicles showrooms, service centres and other related facilities in Beijing and Haichang, Xiamen. The prepaid rental expenses entitle the Group to free use of such facilities for 50 years from the date of completion of the developments. The development in Beijing in respect of prepaid rental expense of approximately S\$3,969,000 (31 December 2002: S\$4,113,000) was completed in December, 2001. The development in Haichang, Xiamen in respect of prepaid rental expense of approximately of S\$3,527,000 (31 December 2002: S\$3,444,000) is almost completed and an application for the “Certificate of Completion” will be made. The prepaid rental expenses were unsecured, interest free and will be amortized over 50 years from the date of completion of the development.

The other receivables due from CNA Anhua (Hertz) as at 30 September 2003, amounted to approximately S\$628,000 (31 December 2002: S\$505,000), out of which, approximately S\$336,000 (31 December 2002: S\$347,000) was receivable arisen from the land cost paid by the Group to obtain the land title of the service centre in Haichang, Xiamen and such cost should be covered under the prepaid rental expenses already paid to CNA Anhua (Hertz). As such, CNA Anhua (Hertz) was under the obligation to repay the said amount to the Group. This amount was subsequently repaid by CNA Anhua (Hertz) on 20 October 2003. The remaining of approximately S\$292,000 (31 December 2002: S\$158,000) 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 December 2003. The receivables were made under normal commercial terms and in the ordinary course of business of the Group.

Guarantees in the amount of approximately S\$7,435,000 (31 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. (“BCNA”) (a company of which 45% of its interest is owned by CNA Anhua (Hertz), a wholly owned subsidiaries of NAGC). The guarantees were for the banking facilities granted for the use in car rental business by the Three Sub-licensees. The Group is negotiating with BCNA in relation to the release of the above guarantees. The Group does not have any security or receive any considerations from BCNA or NAGC by giving such guarantees.

Approximately S\$1,747,000 (31 December 2002: Nil) were advanced to the Three Sub-licensees for car rental operation in Beijing, Shanghai and Guangzhou. These receivables were unsecured, interest free and repayable in or before December 2003.

Approximately S\$668,000 (*31 December 2002: Nil*) were advanced to Xiamen Zhong Bao Automobiles Co., Ltd. (“Xiamen Zhong Bao”) (an affiliated company of NAGC). The advances were for the operation of the locally manufactured BMW motor vehicles which would come to the PRC market in October 2003. The Group will generate technical fee income by providing management consulting and technical assistance to Xiamen Zhong Bao in relation to their sales of locally manufactured BMW motor vehicles. The advances were unsecured, interest free and repayable in or before September 2004.

Approximately S\$2,438,000 (*31 December 2002: Nil*) were advanced to BCNA. The advances were for their purchase of automobiles and related import tax expenses. The advances were unsecured, interest free and repayable in or before September 2004.

### **SPONSORS INTERESTS**

Pursuant to the sponsor agreement dated 10 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 17 June 2002 (being the listing date) to 31 December 2004.

As at 30 September 2003, an associate of CASH held 7,384,000 shares of the Company. Save as disclosed above, none of CASH, its directors, employees or 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 30 September 2003.

### **COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES**

During the nine months ended 30 September 2003, none of the Directors of the Company was aware of any information that would reasonable indicate that the Company or any of its subsidiaries was not in compliance 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 5 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 received this quarterly results and provided comments.

## **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 nine months ended 30 September 2003.

By Order of the Board  
**Chan Hing Ka Anthony**  
*Managing Director*

Hong Kong, 13 November 2003