



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)*



ANNUAL REPORT 2003

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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CORPORATE INFORMATION

DIRECTORS

Mr. Loh Kim Her
Mr. Chan Hing Ka Anthony (*Chairman*)
Mr. Loh Nee Peng
Mr. Xu Ming
Mr. Lee Kwok Yung *
Ms. Lam So Ying *

* *Independent non-executive Directors*

AUDIT COMMITTEE

Ms. Lam So Ying (*Chairperson*)
Mr. Lee Kwok Yung
Mr. Chan Hing Ka Anthony

COMPLIANCE OFFICER

Mr. Loh Kim Her

AUTHORISED REPRESENTATIVES

Mr. Loh Kim Her
Mr. Chan Hing Ka Anthony

QUALIFIED ACCOUNTANT

Mr. Shum Kai Wing, *AHKSA FCCA*

COMPANY SECRETARY

Mr. Shum Kai Wing, *AHKSA FCCA*

AUDITORS

Moore Rowland Mazars
Chartered Accountants
Certified Public Accountants

SPONSOR

Celestial Capital Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China,
Singapore Branch
The Development Bank of Singapore Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P. O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE

#02-01 Atland House
200 Bukit Timah Road
Singapore 229862

PRINCIPAL PLACE OF BUSINESS

Unit 1206, 12th Floor
9 Queen's Road Central
Hong Kong

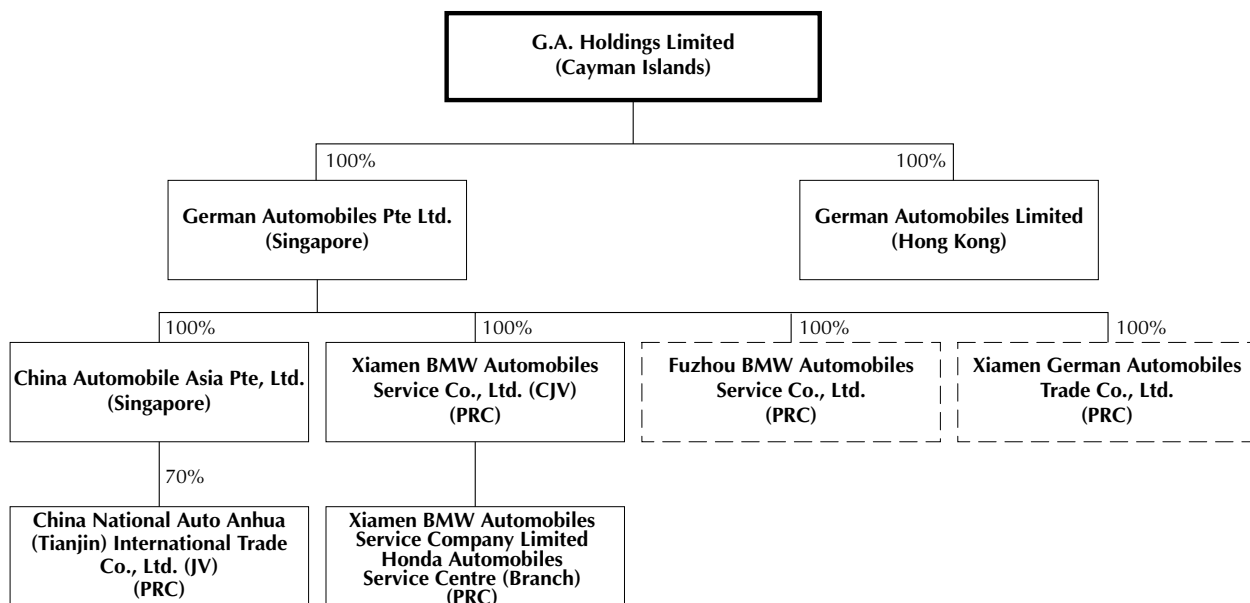
COMPANY WEBSITE

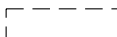
www.ga-holdings.com

STOCK CODE

8126 (Hong Kong Stock Code)
KYG3706N1034 (ISIN number)

GROUP STRUCTURE



 dormant company



CHAIRMAN'S STATEMENT

In 2003, the economy of the PRC recorded a remarkable growth of over 9% even contended with the outbreak of Severe Acute Respiratory Syndrome in the first half of the year. Such strong economic growth provided the Group foundation for the rapid expansion. In order to keep the pace, the Group during the year accomplished progress in different business segments.

In July 2003, the Group was appointed by Hertz International Limited as the car rental operator in Hong Kong, running the rental business under the brand name of "Hertz". Since the Group was a beginner in operating car rental business in Hong Kong, only a small fleet size was operated in the preliminary stage. After assessing the market needs, the fleet will be expanded steadily.

In October 2003, the BMW manufacturing plant in Shenyang, Liaoning Province launched its first batch of the PRC manufactured BMW motor vehicles. The Group, as a foreign enterprise, is prohibited from trading of locally manufactured motor vehicles in the PRC under the current PRC laws and regulations. Thus, in order to grasp the PRC manufactured BMW motor vehicles business, the Group in October 2003 entered into a management consulting and technical service agreement with a local car distributor, providing management and technical services to the distributor in relation to its sales of locally manufactured BMW motor vehicles. The Group in return entitles technical fees for each locally manufactured BMW motor vehicle sold by the counterpart.

In December 2003, the service centre in Haichang, Xiamen was completed. The existing service centre in Xiamen was closed and relocated to the Haichang one which was built in accordance with BMW standard. By establishing this service centre, the Group's quality of the pre-sales and after-sales services will be enhanced.

On behalf of the Board of Directors, I would like to express my tribute to the fellow directors, management and staff for their dedication to the success of the Group. I also would like to convey my heartfelt gratefulness to the resigned Chairman, Mr. Goh Chee Wee, for his invaluable advice and guidance.

Chan Hing Ka Anthony
Chairman and Managing Director

Hong Kong, 16 June 2004

BUSINESS REVIEW

For the year ended 31 December 2003, the turnover of the Group increased by approximately 36.8% as compared to the year of 2002. The increase was mainly contributed by the increase of sales volume of the imported motor vehicles.

Sales of motor vehicles

The Group mainly distributes imported motor vehicles to the PRC market. During the year, the turnover of this segment took up approximately 93.5% of the total Group's turnover.

There are several factors affecting the imported motor vehicles market of the PRC, including tariffs, quota, the domestic demand and substitutes of locally manufactured motor vehicles. The continuous deduction of tariffs for imported motor vehicles and increase in import quota are the regulatory measures implemented by the PRC government, which are in line with the proposal under its WTO's protocol to diminish the protectionism over the domestic car manufacturing industry. The policies directly enhanced the competitiveness of the imported motor vehicles. The remarkable economic growth of the Mainland China in these years also backed the strong demand for the imported motor vehicles.

Nonetheless, the local motor vehicles manufacturing has developed dramatically in recent years, there was still a strong growth in the number of imported motor vehicles in the PRC in terms of both the sales volume and number of motor vehicles. Importing of motor vehicles constituted a supplemental role to the locally manufactured motor vehicles in the PRC. For the market segments of luxury sedans and sporty utility vehicles which the PRC manufacturers did not focus, the growth of imported motor vehicles were remarkable. The car models for those luxury sedans and sporty utility vehicles made by the PRC manufacturers are limited in choice. Thus, imports of those luxury models are necessary to satisfy such demand segments.

Servicing of motor vehicles and sales of auto parts

In December 2003, the Group completed the building of a 4-in-1 complex building in Haichang, Xiamen, which includes a sales office, a showroom, a workshop and a service centre. The service centre was designed and built in accordance with BMW standard, which was intended to surrogate the existing one in Xiamen.

The relocation of service centre to Haichang definitely enhanced the Group's quality of pre-sales and after-sales services. In the first quarter of 2004, the Group transferred all the equipment and workforce from the existing service centre to the newly established one in Haichang and commenced the operation of the service centre in Haichang.

BUSINESS REVIEW *(Continued)*

Servicing of motor vehicles and sales of auto parts *(Continued)*

To expand the geographical coverage of the servicing business, the Group is establishing another service centre in Fuzhou Municipality in Fujian Province. In February 2003, the Fuzhou City Planning Bureau has approved a piece of land located at Cangshan Science Park in Fuzhou City as the construction site of the Fuzhou service centre. However, the Group is pending the granting of land title certificates for the said land by the PRC's authority and the approval of layout plan of the service centre by the Beijing office of BMW AG. Once the aforementioned sanctions are obtained, the construction will commence. The Directors expect the Fuzhou service centre will be completed by the end of 2004. Upon the completion of this service centre, the servicing coverage of the Group will be further enhanced.

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 the PRC manufactured Honda motor vehicles. During the year, the number of Honda motor vehicles sold by NAGC was decreased because of tenses competition from the local motor vehicles manufacturers.

In October 2003, the Group entered into an agreement with Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao"), a company owned as to 12.17% by NAGC, to provide management consulting and technical assistance for its locally manufactured BMW motor vehicles sold in return for technical fee income. The PRC manufactured BMW motor vehicles were launched in October 2003.

Management fee income

The Group appointed 3 PRC car rental operators, namely Beijing China National Automotive Anhua Automobiles Leasing Co., Ltd. (the "Beijing Sub-licensees"), (a wholly subsidiary of NAGC), Shanghai China National Automotive Anhua Automobiles Services Co., Ltd. (the "Shanghai Sub-licensees"), (a company of which 90% of its interest is owned by NAGC) and Guangzhou China National Automotive Anhua Automobiles Services Co., Ltd. (the "Guangzhou Sub-licensees"), (a company of which 90% of its interest is owned by NAGC) (collectively the "Three Sub-licensees"), as the sub-licensees to run the car rental business. The Group provided management consulting and technical services to each sub-licensee in return for an annual management fee income. The Three Sub-licensees launched their operations in their appointed regions in January 2002. Simultaneously, the Group commenced the operation of service centre in Beijing to provide management consulting and technical services to the Three Sub-licensees.

During the year, the Group helped the Three Sub-licensees develop their value-added service package including Corporate Plus Program, Global Traveler Program and Make a Leap. These served to simplified the rental procedures and enhance customers' satisfaction.

BUSINESS REVIEW *(Continued)*

Car rental business

In July 2003, German Automobiles Ltd. ("GAL"), the wholly owned subsidiary of the Group, was appointed by Hertz International Limited ("Hertz International") as the licensee of Hertz car rental business in Hong Kong. Prior to the official appointment, GAL had already operated a small car fleet to trial run the rental business. The car fleet comprised cars with various models and sizes to fit customers' needs. The rental customers mainly focused on the expatriates of multinational corporations from the foreign countries.

Update of progress of the construction of service centres

The construction of the service centre in Haichang, Xiamen was completed in December 2003 with all title certificates and "certificate of completion" issued by the relevant PRC authority. The relocation of the service centre in Xiamen to Haichang was completed and the service centre in Haichang has commenced its services to the customers.

Pursuant to the project co-operation agreement dated 10 August 2001 between Xiamen BMW Automobiles Service Co., Ltd. ("Xiamen BMW"), a joint venture established in the PRC by German Automobiles Pte Ltd ("GAPL") and the registered capital of which is entirely contributed by the Group, and Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng") as supplemented by the four agreements dated 7 December 2001, 15 April 2002 and 12 and 16 September 2003 respectively entered into amongst Xiamen BMW, Jin Tian Cheng and NAGC, the Group would establish another service centre in Fuzhou to enhance the geographical coverage of its servicing business. The Group is awaiting the approval of Beijing office of BMW AG to commence construction of the Fuzhou service centre.

Establishments of subsidiaries in the PRC

The Group injected capital of approximately S\$345,000 and S\$1,816,000 to establish Xiamen German Automobiles Trade Co., Ltd. ("Xiamen GA Trade") in October 2003 and Fuzhou BMW Automobiles Service Co., Ltd. ("Fuzhou BMW") in December 2003 respectively.

Xiamen GA Trade was incorporated in the Free Trade Zone of Xiangyu in Xiamen, which is a wholly owned subsidiary of the Group. Xiamen GA Trade was set up to conduct direct trading of motor vehicles and auto parts in the Free Trade Zone. As at the date of this report, Xiamen GA Trade was still dormant.

Fuzhou BMW was incorporated in Fuzhou Municipality, which is also a wholly owned subsidiary of the Group. Fuzhou BMW was set up as the foothold in Fuzhou. Upon the completion of service centre in Fuzhou, Fuzhou BMW will operate the distribution and service centre in the region. As at the date of this report, Fuzhou BMW was still dormant.

BUSINESS PROSPECT

The auto market in the PRC is still growing dramatically. Commencing from 1 January 2004, the tariffs on imported motor vehicles further reduced from 38.2% to 34.2% for those cylinder capacity not exceeding 3,000 c.c. and 43.0% to 37.6% for those cylinder capacity exceeding 3,000 c.c.. Even though the magnitude of reduction for the year of 2004 was narrowed when comparing with that of the years of 2002 and 2003, the tariffs cut would be definitely beneficial the imported car market.

The locally manufactured BMW motor vehicles assembled in Shenyang, Liaoning Province were introduced to the market in the last quarter of the year. The Group entered into an agreement with Xiamen Zhong Bao to provide management consulting and technical assistance in relation to its sales of locally manufactured BMW motor vehicles for technical fee income. Such arrangement helped the Group grasp the market of locally manufactured BMW motor vehicles and enhanced the income source of the Group. From the trails of manufacturing of motor vehicles of other foreign brands in the PRC, the Directors expect the growth in this technical fee income will be encouraging.

The service centre in Fuzhou is about to build upon the approval of BMW Beijing office over the layout plan and granting of land title certificates by the PRC relevant authority. The service centre is supplemental to the Haichang one due to the introduction of locally manufactured BMW motor vehicles which increases demand of pre-sales and after-sales services.

The car rental business in Hong Kong is still in the infant stage. The Directors will review the business environment and assess the market demand from time to time to sketch out the expansion plan for the car rental business in Hong Kong.

FINANCIAL REVIEW

Overview

The majority of the Group's turnover during the year ended 31 December 2003 was derived by GAPL, a subsidiary operating in Singapore, principally engaged in the business of distributing motor vehicles, auto parts and accessories.

Turnover

For the year ended 31 December 2003, the turnover of the Group amounted to approximately S\$139,319,000, and an increase of approximately 36.8% as compared with that of the year ended 31 December 2002. This is mainly contributed by the increase in the sale of motor vehicle by approximately 53.5% during the year, owing to the increase in demand for BMW motor vehicles. For the year ended 31 December 2002, revenues generated from distributing BMW motor vehicles were approximately S\$45,235,000 and increased to approximately S\$95,695,000 for the year ended 31 December 2003. The Directors believe such increase was resulted from increasing demand induced by the strong economic growth of the PRC.

FINANCIAL REVIEW *(Continued)*

Turnover *(Continued)*

For the year ended 31 December 2003, the income generating from servicing of motor vehicles and sales of auto parts was approximately S\$3,838,000, representing a decrease of approximately 66.6% as compared with that of the year ended 31 December 2002. The Directors believed that the decrease in servicing income and sales of auto parts was due to the decline in sales of auto parts. Since the auto parts policy of BMW changed during the year, GAPL and GAL could no longer order auto parts directly and sell them to the Hong Kong resellers.

In spite of the commencement of provision of technical services to Xiamen Zhong Bao, the technical fee income decreased by approximately 4.1% to approximately S\$4,109,000 for the year ended 31 December 2003 as compared with S\$4,284,000 for the year ended 31 December 2002. This was mainly due to the keen competition in the locally manufactured cars market in the PRC. The number of locally manufactured Honda cars sold by NAGC declined during the year. Technical fee income from NAGC and Xiamen Zhong Bao was approximately S\$3,662,000 and S\$447,000 for the year ended 31 December 2003 and S\$4,284,000 and S\$Nil for the year ended 31 December 2002 respectively.

Management fee income from the Three Sub-licensees was approximately S\$1,177,000 for the year ended 31 December 2003, a decrease of approximately 9.5% as compared with approximately S\$1,301,000 for the year ended 31 December 2002. The decrease was mainly due to an adjustment on the annual fee charged mutually agreed by the Three Sub-licensees and the Group.

Gross Profit

Gross profit margin for income from distribution of motor vehicles was approximately 7.6% and 7.7% respectively for the years ended 31 December 2003 and 2002. The gross profit margin of technical fee and car rental management fee income were 100% for both years ended 31 December 2003 and 2002. For the years ended 31 December 2003 and 2002, the gross profit margin of the Group was approximately 10.8% and 13.9% respectively. The decrease in gross profit margin resulted from the lower price strategy adopted by the Group in the distribution of motor vehicles.

For the year ended 31 December 2003, the gross profit of the Group was approximately S\$15,009,000, representing an increase of approximately 5.9% over that of the year ended 31 December 2002.

Operating expenses

Other operating expenses for the year ended 31 December 2003, amounted to approximately S\$4,880,000, a decrease of approximately 5.1% as compared with that of the year ended 31 December 2002. The decrease was mainly the mixed effect of a reduction of the non-recurring expense for promoting the new BMW 7 Series, a reduction of Xiamen exhibition and showroom expense and an increase of bank charges.

FINANCIAL REVIEW *(Continued)*

Profit attributable to shareholders

Profit attributable to shareholders for the year ended 31 December 2003 was approximately S\$3,341,000 as compared with approximately S\$2,849,000 for the year ended 31 December 2002. The profits for 2003 increased by approximately 17.3% as compared with that of 2002.

Financial resources and liquidity

As at 31 December 2003, shareholders' fund of the Group amounted to approximately S\$23,313,000 (2002: S\$20,207,000). Current assets amounted to approximately S\$70,781,000 (2002: S\$56,896,000). Of which approximately S\$9,584,000 (2002: S\$13,322,000) were cash and bank deposits. Current liabilities amounted to approximately S\$61,341,000 (2002: S\$49,518,000) mainly its trade payables, bills payables, bank loans, accruals and other payables and current account with affiliated companies. The Group had non-current liabilities amounted to approximately S\$2,721,000 (2002: S\$817,000). The net asset value per share as at 31 December 2003 was approximately S\$0.058 (2002: S\$0.051).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 31 December 2003, the Group had a gearing ratio of 0.52 (2002: 0.47).

Foreign Exchange Exposure

During the year ended 31 December 2003, the Group had an exchange loss of approximately S\$1,751,000 (2002: S\$816,000), mainly due to the revaluation of euro against SGD, whereas the purchases for BMW passenger vehicles were mainly denominated in euro. The Group has commenced hedging to the fluctuations in exchange rates by entering into forward contracts since the fourth quarter of the year.

Charges on Group Assets

As at 31 December 2003, the Group pledged time deposits of approximately S\$7,553,000 (2002: S\$7,836,000) and charged plant and machinery of approximately S\$140,000 (2002: S\$Nil) to several banks for banking facilities for the Group and a related company of NAGC and to secure guarantees given by the bank to Hertz International, the principal of the "Hertz" system of car rental business (the "Car Rental Business").

As at 31 December 2003, the Group charged legal mortgages on the property and land and building with net book value of approximately S\$826,000 (2002: S\$839,000) and S\$343,000 (2002: S\$348,000) respectively to banks to secure 2 mortgages.

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities

As at 31 December 2003, the Group provided a bank guarantee of approximately S\$7,314,000 (2002: S\$7,446,000) to a bank in respect of banking facilities to Beijing China Automotive Anhua Spare Parts Ltd. ("BCNA") (a company of which 45% of its interest is owned by China National Automotive Anhua Hertz Services Co., Ltd. ("CNA Anhua (Hertz)"), a wholly owned subsidiary of NAGC).

The Group as the principal licensee of the Car Rental Business, has given corporate guarantees to the principal of the Car Rental Business, guaranteeing the performance and timely payment by the Three Sub-licensees of all amounts payable under the respective sub-licensees agreements to Hertz International Ltd. The Three Sub-licensees were subsidiaries of NAGC. A Director of the Company was appointed as a director of CNA Anhua (Hertz), the parent company of the Three Sub-licensees. Thus, the Three Sub-licensees were subject to significant influence by the Director of the Company. The Director resigned his directorship in March 2003 and since then he has had no significant influence over the Three Sub-licensees.

Employees

As at 31 December 2003, the total number of employees of the Group was 84. For the year ended 31 December 2003, the staff costs including directors' remuneration of the Group amounted to approximately 1.5% of the turnover of the Group and an increase of approximately S\$128,000 or approximately 6.3% as compared to that of the year ended 31 December 2002.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2003, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

Significant Investment

As at 31 December 2003, the Group had no significant investment held.

Material Investments or Capital Assets

As at 31 December 2003, the Group had no future plans for material investment except that capital assets will be purchased in accordance with the details set out in the section headed "Statement of business objectives" in the prospectus of the Company dated 10 June 2002 (the "Prospectus").

Capital Structure of the Group in Debt Securities

During the year ended 31 December 2003, the Group had no debt securities in issue.

DIRECTORS

Executive Directors

Mr. Chan Hing Ka Anthony, aged 36, is the chairman and managing director of the Company and a co-founder of the Group, which was established in August 1993. Mr. Chan is responsible for the finance operation of the Group. Mr. Chan has established and maintained close relationship with BMW AG and enabled the Group to secure reliable supply of BMW passenger vehicles. Mr. Chan graduated from the University of San Francisco in 1988 with a bachelor's degree in business administration.

Mr. Loh Kim Her, aged 50, is an executive director of the Company and he joined the Group in November in 1993. Mr. Loh has over 10 years experience in distribution of motor vehicles business in the PRC. Mr. Loh is responsible for the overall strategic planning of the business of the Group. Mr. Loh is also responsible for the establishment and operation of the Group's authorised service centres in the PRC.

Mr. Loh Nee Peng, aged 36, is an executive director of the Company and a co-founder of the Group, which was established in August 1993. Mr. Loh is responsible for the business development in the PRC. Mr. Loh gained more than 10 years experience in the PRC's auto industry. Mr. Loh graduated from the University of San Francisco in 1988 with a bachelor's degree in business administration. Mr. Loh is the nephew of Mr. Loh Kim Her.

Mr. Xu Ming, aged 33, is an executive director of the Company. He joined the Group in October 2003. Mr. Xu has more than 10 years experience in managing business in the PRC. Mr. Xu is the founder, the chairman of the board and the Chief Executive Officer of Dalian Shide Group Co., Ltd. He also serves as the chairman of the board of Dalian Shide Football Club Co., Ltd. and the vice chairman of the board of Dalian City Commercial Bank. Mr. Xu completed the postgraduate course of Commercial Economy in Dongbei University of Finance & Economics in 1998.

Independent non-executive Directors

Mr. Lee Kwok Yung, aged 48, has been appointed as an independent non-executive director of the Company since June 2002. Mr. Lee is a solicitor admitted to practice law in Hong Kong and a member of the Law Society of Hong Kong. He is currently a partner at Messrs Hau, Lau, Li & Yeung, Solicitors & Notaries in Hong Kong. Mr. Lee has over 13 years experience in law practicing. Mr. Lee holds a diploma from the College of Radiographers and a honours degree in law from the University of London and a postgraduate certificate in laws from the University of Hong Kong. Mr. Lee is experienced in commercial law, litigation and conveyancing.

Ms. Lam So Ying, aged 30, has been appointed as an independent non-executive director of the Company since June 2002. She is the vice general manager of Palun Development Limited and has over 11 years experience in the trading and logistic business in the PRC. Ms. Lam graduated from Hong Kong Baptist University with a diploma in business management in 1996 and is a member of the Association of Business Executives (ABE) in United Kingdom.

SENIOR MANAGEMENT

Mr. Shum Kai Wing, aged 39, is the Financial Controller and the Company Secretary of the Group and is responsible for the overall financial management and accounting function of the Group. He joined the Group in August 2001 and has more than 14 years experience in financial sector, including working for an international audit firm for 4 years. Mr. Shum holds a bachelor degree in accounting from the City University of Hong Kong. He is a fellow member of Chartered Association of Certified Accountants and an associate member of Hong Kong Society of Accountants.

Mr. Lim Tee Peng, aged 41, is the general manager of the auto parts and accessories division of the Group. Prior to joining the group in August 1993, Mr. Lim was a sales manager of an authorised dealer of European luxury motor vehicles. Mr. Lim has extensive experience in trading of auto parts and accessories.

Mr. Tan Cheng Kim, aged 37, is the general manager of the motor vehicle distribution division of the Group. Mr. Tan has extensive experience in trading of motor vehicles in the PRC. Prior to joining of the Group in August 1993, Mr. Tan was an engineer of an authorised dealer of European luxury motor vehicles. Mr. Tan graduated from the Ngee Ann Polytechnic Singapore in 1987 with a diploma in mechanical engineering.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS

The actual progress of the Group's business objectives for the year ended 31 December 2003, as set out in the Prospectus is as follows:

Business objectives for the year ended 31 December 2003 disclosed in the Prospectus	Actual business progress for the year ended 31 December 2003
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1. Expansion of Distribution Network

BMW

- | | |
|--|--|
| <ul style="list-style-type: none">— To establish a service centre and distribution offices for distributing the Group's product in Fuzhou Municipality in Fujian Province through joint venture(s) | <ul style="list-style-type: none">— The Fuzhou City Planning Bureau has approved the land located at Cangshan Science Park in Fuzhou Municipality in Fujian Province as the location for the construction of the service centre in Fuzhou Municipality. The application for the land title certificates was in progress. |
| | <p>The layout plan for the service centre in Fuzhou Municipality by the Beijing office of BMW AG has yet to obtain.</p> <p>In December 2003, the Group established Fuzhou BMW, a wholly owned subsidiary, to operate the service centre in Fuzhou Municipality upon its completion.</p> |
| <ul style="list-style-type: none">— To acquire machinery, equipment and renovate for the service center in Fuzhou Municipality and renovation | <ul style="list-style-type: none">— The acquisition of machinery and equipment will be postponed since the land title certificates and approval of layout plan of the Fuzhou service centre have yet to obtain. |
| <ul style="list-style-type: none">— To establish distribution offices for distribution of the Group's products in the central region of the PRC through joint venture(s) | <ul style="list-style-type: none">— As the Group has not yet been notified by BMW the granting of authorised distributorship in the central region of the PRC, no distribution office has been set up. |

Instead, the Group, in order to expand the distribution coverage establishing Xiamen GA Trade in the Free Trade Zone of Xiangyu in Xiamen in October 2003. The subsidiary was set up for direct trading of motor vehicles and auto parts in the Free Trade Zone.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS *(Continued)*

1. Expansion of Distribution Network *(Continued)*

Other brand representations

- To finalise negotiations with foreign motor vehicle manufacturer(s) for authorised distributorship in the PRC
- As the introduction of locally manufactured of BMW motor vehicles in Shengyang, Liaoning Province, the Group commenced provision of management consulting and technical assistance to Xiamen Zhong Bao in relation to its sales of locally manufactured BMW motor vehicles in the fourth quarter of 2003. The Group then received technical fee income from Xiamen Zhong Bao.

The negotiations with foreign motor vehicle manufacturer(s) for authorised distributorship in the PRC will be postponed.
- To initiate negotiations with other foreign motor vehicle manufacturer(s) for authorised distributorship in the PRC
- The Group intended to focus the locally manufactured BMW motor vehicles market, the acquiring of distributorship from foreign motor vehicle manufacturer(s) will be postponed.

2. Enhancement of after-sales service

- To relocate and renovate the existing service centres and workshops in Xiamen into a 3-in-1 complex building which includes an office, a workshop and a service centre with advanced computer systems and engineering equipment
- The 4-in-1 complex building in Haichang, Xiamen was completed in December 2003 with the "certificate of completion" obtained.

The existing service centre was relocated to the new premise in Haichang. The service centre in Haichang has commenced its operation in the first quarter of 2004.
- To establish a service centre in Fuzhou to enhance the after-sales service in the authorised region
- The establishment of Fuzhou service centre is subject to the granting of land title certificates by the PRC authority and approval of layout plan by Beijing office of BMW AG.
- To enhance the service package in GA Privilege Club
- The Group offered special discounts to the Club members on repairs and maintenance services to enhance customer loyalty.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS *(Continued)*

2. Enhancement of after-sales service *(Continued)*

- To equip the service centre with advanced computer systems and engineering equipment
- To renew the certificate of ISO 9002 to ascertain the quality standard
- The Group acquired 2 OPSS diagnosis head and SSS system for diagnosis and programming.
- The Directors considered the ISO system is not suitable for the operation. Instead, the Group applied BMW Standard and Survey System to monitor and ascertain the quality standard.

3. Management of Car Rental Business in the PRC

- To launch value-added service packages
- To enhance the technical expertise to the sub-licensees by establishing service centre in Guangdong Province
- With the assistance of the Group, the car rental sub-licensees launched several programs to customers in order to enhance their satisfaction and simplify the rental procedures including Corporate Plus Program, Global Traveler Program and Make a Leap.
- The management has made frequent visits to monitor the operation of the car rental sub-licensees.

The establishment of the service centre in Guangdong Province has been abandoned since the Group diverted the investment to enhance the scale of the service centre in Haichang, Xiamen, which is in accordance with BMW standard. The Directors believed that such move will be more beneficial to the Group as that service centre is crucial in BMW distribution business in the authorised region.

- To appoint sub-licensees in area of Tianjin Municipality and the Xiamen Special Economic Zone
- The Group is scanning for the suitable candidates to be appointed as the sub-licensees in Tianjin Municipality and Xiamen Special Economic Zone.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS *(Continued)*

4. Sales and Marketing

Car Rental

- To form alliance with travel agents and airline companies for promotion of the Group's corporate image and its car rental services
- The sub-licensees allied with two travel agents and an airline company for business referrals.

The travel agents have their own internet platforms for hotel, airline reservations, etc.

The travellers travelling on the airline company entitle a privilege pricing when they hire the sub-licensees' cars, whereas travellers hiring cars from the sub-licensees also obtain the mileage bonus from the airline company.

Motor vehicle distribution

- To recruit 4 sales and marketing professional for distribution of motor vehicles in the PRC
- The Group employed 8 sales and marketing staff to enhance the sales coverage.
- To hold marketing activities including golf tournament, exhibition, test drive in the PRC
- A promotion campaign was held in the second half of 2003 with exhibition, test drive and golf competition. Such campaign aims at promoting the motor vehicles and enhancing customer loyalty.

USE OF PROCEEDS

As at 31 December 2003, the net proceeds from the public listing have been applied as follows:

	Budgeted amount disclosed in the Prospectus		Actual amount used up to 31 December 2003	
	S\$million	HK\$million	S\$million	HK\$million
Expansion of distribution network	2.36	11.00	2.36	11.00
Enhancement of after-sales services	1.08	5.00	1.08	5.00
Provision of financial assistance to car rental business in the PRC	1.29	6.00	1.26	5.80
Sales and marketing	0.43	2.00	0.43	2.00
Establishing joint venture(s)	0.43	2.00	—	—
Working capital	0.22	1.00	0.22	1.00
Total	5.81	27.00	5.35	24.80

Note: The unused proceeds will be placed on interest-bearing deposits with licensed banks and other financial institutions in Hong Kong and Singapore.

The Board of Directors is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2003.

BASIS OF PRESENTATION

Details of the basis of presentation of the financial statements are set out in note 1 to the financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in distribution of motor vehicles, servicing of motor vehicles and sales of auto parts, provision of technical services to North Anhua Group Corporation ("NAGC") and provision of management services to the car rental sub-licensees. The business of each principal subsidiary is set out in note 13 to the financial statements.

An analysis of the Group's turnover and revenue is set out in note 3 to the financial statements.

ARTICLES OF ASSOCIATION

The Company would, subject to the shareholders' approval at the extraordinary general meeting to be held on 19 July 2004 at 11:05 a.m. (or immediately after the conclusion or adjournment of the annual general meeting to be held on the same day) and subsequent approval from the Securities and Futures Commission, amend the articles of association to conform to the amendments to the GEM Listing Rules in relation to corporate governance with effective from 31 March 2004.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2003, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales

— The largest customer	12.9%
— The total of five largest customers	34.2%

Purchases

— The largest supplier	71.1%
— The total of five largest suppliers	98.6%

As far as the Directors aware, neither the Directors or their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

RESULTS

The Group's results for the year ended 31 December 2003 are set out in the consolidated income statement on page 36 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 79 of this annual report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2003 (2002: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the financial statements.

RESERVES

As at 31 December 2003, the Company had reserves available for distribution to shareholders amounted to approximately S\$3,090,000. It comprised share premium of approximately S\$4,006,000 less accumulated loss of approximately S\$916,000.

Details of the reserves of the Group during the year ended 31 December 2003 are set out in the statements of changes in equity on page 40 of this annual report and note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the Companies Law (Revised) of the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes of property, plant and equipment of the Group during the year ended 31 December 2003 are set out in note 11 to the financial statements.

RETIREMENT BENEFIT

Details of the retirement benefit schemes of the Group set out in note 28 to the financial statements.

CONNECTED TRANSACTIONS

The connected transactions as specified in the GEM Listing Rules undertaken by the Group are set out as below:

1. on 11 June 1999, a tenancy agreement was entered into between Atland Properties Pte Ltd., a company all shares of which are beneficially held by Ms. Chan Xiao Li, sister of Mr. Chan Hing Ka Anthony, as the lessor and GAPL as the lessee in respect of a premises in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 6 September 2001 for a term of 12 months from 25 September 2001 to 24 September 2002. The agreement was further renewed on 27 January 2003 for a term of 24 months commencing on 25 September 2002. The monthly rent under such tenancy agreement is S\$3,890.
2. on 11 June, 1999, a tenancy agreement was entered into between GAPL as the lessor and Octavus Properties Pte Ltd., a company all shares of which are beneficially held by Mr. Chan Hing Ka Anthony, as the lessee in respect of a premises of approximately 353 sq. ft. in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 10 September 2001 for a term of 12 months upon its expiration. The agreement was further renewed on 28 January 2003 for a term of 24 months commencing on 25 September 2002. The monthly rent under such tenancy agreement is S\$800.
3. on 11 June 1999, a tenancy agreement was entered into between GAPL as the lessor and Eng Kheng (S) Pte Ltd., a company which is held as to 61% by Mr. Chan Hing Ka Anthony, as the lessee in respect of a premises of approximately 353 sq. ft. in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 10 September 2001 for a term of 12 months upon its expiration. The agreement was further renewed on 28 January 2003 for a term of 24 months commencing on 25 September 2002. The monthly rent under such tenancy agreement is S\$800.
4. on 4 October 1999, a tenancy agreement was entered into between Xiamen L & B Property Co., Ltd., a company which is beneficially held as to 5% by Mr. Loh Kim Her and 95% by his family members, as the lessor and GAPL as the lessee in respect of a premises of 710 sq. metres in Xiamen, for a term of 21 years commencing on 1 November 1999. Such premises is used as the office of Xiamen BMW and its monthly rent is S\$7,080 (RMB31,388).

In accordance with the conditions agreed with the Stock Exchange with respect to certain connected transactions, the independent non-executive Directors have reviewed the connected transactions aforementioned. In their opinion, these transactions entered into by the Group were:

- (1) in the ordinary and usual course of business of the Group; and
- (2) on normal commercial terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DISCHARGES OF GUARANTEES

The Directors aware that certain corporate and personal guarantees provided by the Directors had not been released as at 31 December 2003. These corporate and personal guarantees were released at the date of this report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Loh Kim Her

Mr. Chan Hing Ka Anthony

Mr. Loh Nee Peng

Mr. Xu Ming

(Appointed on 23 October 2003)

Non-executive Director

Mr. Goh Chee Wee

(Resigned on 24 February 2004)

Independent non-executive Directors

Ms. Lam So Ying

Mr. Lee Kwok Yung

In accordance with Article 87 of the Company's articles of association, Mr. Loh Nee Peng will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer himself for re-election.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, commencing from 1 January 2002, subject to early termination by the Company giving not less than three months notice of termination or payment in lieu.

The non-executive Director and the independent non-executive Directors have entered into appointment letters with the Company for a term of three years commencing from 1 June 2002.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors are set out on pages 12 to 13 of this annual report.

REMUNERATION OF DIRECTORS AND THE HIGHEST PAID EMPLOYEES

Details of the remuneration of Directors and the highest paid employees of the Group are set out in note 6 and note 7 to the financial statements.

DIRECTORS' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 to 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 ordinary 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 <i>(Note 1)</i>	—	106,432,000	26.61%
Chan Hing Ka Anthony	Interest of a controlled corporation	—	—	106,432,000 <i>(Note 2)</i>	—	106,432,000	26.61%
Loh Nee Peng	Interest of a controlled corporation	—	—	106,432,000 <i>(Note 3)</i>	—	106,432,000	26.61%

Notes:

- The 106,432,000 shares 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 SFO, Mr. Loh Kim 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.
- The 106,432,000 shares 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 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.
- The 106,432,000 shares 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 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.

DIRECTORS' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Save as disclosed above, as at 31 December 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 31 December 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:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
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	33,308,000	8.33%
HSBC Trustee (Singapore) Limited	Trustee	20,108,000	5.03%

Notes:

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

Save as disclosed above, as at 31 December 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' AND CHIEF EXECUTIVES' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors and chief executive 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.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

No contracts of significance (as defined in the GEM Listing Rules) to which the Company or any of its subsidiaries was a party in which a director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

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

SHARE OPTION SCHEME

For the year ended 31 December 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 Rules 17.15 and 17.17 of the GEM Listing Rules, a disclosure obligation arises when the relevant advances to an entity from the Company and the Group exceeds 8% of the Group's five day average market capitalisation as defined in Chapter 19 of the GEM Listing Rules (the "Market Capitalisation") of approximately HK\$55.28 million for the trading days from 19 March 2004 to 25 March 2004 (both days inclusive). As at 25 March 2004, there were 400,000,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.1382 as quoted on the Stock Exchange for the trading days from 19 March 2004 to 25 March 2004 (both days inclusive), being the five trading days immediately preceding 26 March 2004 (the day when the suspension of trading in the shares of the Company commenced) the Company's Market Capitalisation was approximately HK\$55.28 million.

ADVANCES TO ENTITIES *(Continued)*

Trade Receivables, Car Rental Advances, Prepaid Rental Expenses, Other Receivables, Guarantees, Advances to NAGC

The total advances, guarantees and receivables provided to and due from NAGC and its subsidiaries or any of their respective associates (collectively the "NAGC Group") increased from a total of approximately S\$24,823,000 (equivalent to approximately HK\$111,314,000) as at 30 September 2003 as disclosed in the Group's latest quarterly report dated 13 November 2003 to a total of approximately S\$27,965,000 (equivalent to approximately HK\$130,070,000) as at 31 March 2004. NAGC is a business partner who is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholder of the Company.

As at 31 March 2004, the total advances, guarantees and receivables provided to and due from NAGC Group represented approximately 235% of the Group's Market Capitalisation and represented approximately 35% of the unaudited total asset value of the Group as at 30 June 2003.

The details of transactions to NAGC Group which are of trading nature and remain outstanding as at 31 March 2004 are announced as follows:

	31 March 2004		31 December 2003		30 September 2003		31 December 2002	
	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000
Trade receivables	3,074	14,297	4,873	22,251	4,411	19,780	2,755	12,354
Car rental advances	1,697	7,893	1,722	7,863	1,747	7,834	—	—
Prepaid rental expenses	7,437	34,591	7,476	34,137	7,496	33,614	7,557	33,888
Other receivables	702	3,265	665	3,244	628	2,816	505	2,265
Guarantees	7,314	34,019	7,314	33,397	7,435	33,341	7,446	33,390
Advances to NAGC	3,374	15,693	3,424	15,635	2,438	10,933	—	—
Advances to Xiamen								
Zhong Bao	4,367	20,312	5,616	25,644	668	2,996	—	—
Total	27,965	130,070	31,090	142,171	24,823	111,314	18,263	81,897

ADVANCES TO ENTITIES *(Continued)***Trade Receivables, Car Rental Advances, Prepaid Rental Expenses, Other Receivables, Guarantees, Advances to NAGC** *(Continued)***Trade Receivables due from NAGC**

The trade receivables due from NAGC Group as at 31 March 2004 amounted to approximately S\$3,074,000 (equivalent to approximately HK\$14,297,000) (as at 31 December 2002: S\$2,755,000 (equivalent to approximately HK\$12,354,000)). Out of which, approximately S\$2,588,000 (equivalent to approximately HK\$12,037,000) (as at 31 December 2002: S\$1,454,000 (equivalent to approximately HK\$6,522,000)) represented technical fee arisen from provision of management consulting and technical assistance to NAGC. The remaining balance of approximately S\$486,000 (equivalent to approximately HK\$2,260,000) (as at 31 December 2002: S\$1,301,000 (equivalent to approximately HK\$5,832,000)) represented management fee charged on provision of management consulting and technical expertise to the Three Sub-licensees. Approximately S\$142,000 (equivalent to approximately HK\$660,000) (as at 31 December 2002: S\$434,000 (equivalent to approximately HK\$1,944,000)) was due from the Beijing Sub-licensees. Approximately S\$172,000 (equivalent to approximately HK\$800,000) (as at 31 December 2002: S\$434,000 (equivalent to approximately HK\$1,944,000)) was due from the Shanghai Sub-licensees. Approximately S\$172,000 (equivalent to approximately HK\$800,000) (as at 31 December 2002: S\$434,000 (equivalent to approximately HK\$1,944,000)) was due from the Guangzhou Sub-licensees. The trade receivables due from NAGC Group were unsecured, interest free and repayable in or before July 2004. The Directors considered that the trade receivables were made under normal commercial terms and in the ordinary course of business of the Group.

Car Rental Advances due from NAGC

As at 31 March 2004, approximately S\$1,697,000 (equivalent to approximately HK\$7,893,000) (as at 31 December 2002: Nil) were advanced as the financial assistance through the subsidiary of the Group, China National Auto Anhua (Tianjin) International Trade Co Ltd ("CNA Anhua (Tianjin)"), to the Three Sub-licensees for car rental operation, as stated in the section headed "Statement of Business Objectives" in the Prospectus. During 2002, no car rental advances was given. The advances of S\$1,755,000 (equivalent to approximately HK\$7,697,000) were initially advanced to the Three Sub-licensees in February 2003. These advances were unsecured, interest free and repayable in or before December 2005. The Group has 70% interest of CNA Anhua (Tianjin) and remaining 30% interest is owned by NAGC.

ADVANCES TO ENTITIES *(Continued)*

Trade Receivables, Car Rental Advances, Prepaid Rental Expenses, Other Receivables, Guarantees, Advances to NAGC *(Continued)*

Prepaid Rental Expenses due from NAGC

As at 31 March 2004, prepaid rental expenses of the amount of S\$7,437,000 (equivalent to approximately HK\$34,591,000) (as at 31 December 2002: S\$7,557,000 (equivalent to approximately HK\$33,888,000)) were made in accordance with the co-operation agreement entered between the Group and CNA Anhua (Hertz) dated 23 March 2000 for the construction of three showrooms/service centres and related facilities in Guangdong Province, Xiamen and Beijing. As further disclosed in the circular of "Update on Progress of the Co-operation Projects with North Anhua Group Corporation and its Related Companies" issued by the Company dated 6 January 2004, under the section headed "Update on the Progress of the Co-operation Projects", according to the supplemental agreement entered between the Group and CNA Anhua (Hertz) dated 15 October 2002, the establishment of a showroom/service centre in Guangdong Province, the PRC, was not pursued, therefore the number of service centres was reduced to two. The Directors are of the view that the construction of showrooms/service centres and related facilities under these co-operation projects are important to the Group to achieve its business objectives as mentioned in the Prospectus and the prepaid rental expenses were made under normal commercial terms and in the ordinary course of business of the Group. The prepaid rental expenses entitle the Group to use of such facilities for 50 years from the date of completion of the developments. The prepaid rental expenses for the development project in Beijing was approximately S\$3,910,000 (equivalent to approximately HK\$18,186,000) (as at 31 December 2002: S\$4,113,000 (equivalent to approximately HK\$18,444,000)), was completed in December 2001. The prepaid rental expenses for the development in Haichang, Xiamen was amounted to approximately S\$3,527,000 (equivalent to approximately HK\$16,405,000) (as at 31 December 2002: S\$3,444,000 (equivalent to approximately HK\$15,444,000)). The development project in Haichang, Xiamen was completed in December 2003. The prepaid rental expenses were unsecured and interest free. The prepaid rental expenses are amortised on a straight line basis over 50 years from the date of completion of the developments respectively.

Other Receivables due from NAGC

The other receivables due from NAGC Group as at 31 March 2004 amounted to approximately S\$702,000 (equivalent to approximately HK\$3,265,000) (as at 31 December 2002: S\$505,000 (equivalent to approximately HK\$2,265,000)) represented the payment made on behalf of CNA Anhua (Hertz) for purchasing of the auto parts purchased in Hong Kong and the PRC. In 2002, the amount of S\$338,000 (equivalent to approximately HK\$1,516,000) represented payment of land cost paying on behalf of CNA Anhua (Hertz) for the service centre in Xiamen, the PRC, which has been referred in the abovementioned sub-heading of "Prepaid Rental Expenses due from NAGC". Such balance was subsequently repaid by CNA Anhua (Hertz) on 20 October 2003. The balance of S\$167,000 (equivalent to approximately HK\$749,000) 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 September 2004. The Directors considered that the receivables were made under normal commercial terms and in the ordinary course of business of the Group.

ADVANCES TO ENTITIES *(Continued)*

Trade Receivables, Car Rental Advances, Prepaid Rental Expenses, Other Receivables, Guarantees, Advances to NAGC *(Continued)*

Guarantees to NAGC

As at 31 March 2004, guarantees of the amount of approximately S\$7,314,000 (equivalent to approximately HK\$34,019,000) (as at 31 December 2002: S\$7,446,000 (equivalent to approximately HK\$33,390,000)) were provided to a bank in respect of banking facilities granted to BCNA since May 2001. The Directors consider the guarantee given is under normal commercial terms and in the ordinary course of business. As stated in the "Statement of Business Objectives" in the Prospectus, the Group is to provide financial assistance to the Three Sub-licensees in the form of bank guarantees. The guarantees were given to a bank in relation to the banking facilities for the purchase of car fleet by the Three Sub-licensees to operate the car rental business in their designated regions in the PRC. Since the PRC laws and regulations do not allow foreign entities to operate car rental business in the PRC, the Group had to sub-license the car rental business to eligible local companies in the PRC. The Group is actively negotiating with the banks to release the above guarantees. The Group does not have any security or receive any considerations from BCNA or NAGC Group by providing such guarantees.

Advances to NAGC

As at 31 March 2004, approximately S\$3,374,000 (equivalent to approximately HK\$15,693,000) (as at 31 December 2002: S\$Nil) were advanced to BCNA since February 2003. The advances was used for their purchase of imported automobiles and the relevant import tax expenses so as to leverage the distribution network of NAGC Group for marketing and promotional purposes. During 2002, NAGC was able to cater for the demand of the market, therefore no such advances was requested in this respect. As there was an increase in sales volume of NAGC Group in the year 2003, NAGC requested these advances. As disclosed under the section headed "Risk Factors" of the Prospectus, the PRC imposes restrictions on the imports of motor vehicles. Only certain entities are permitted to import and are eligible to import motor vehicles into the PRC. NAGC is one of these eligible entities in the PRC which is allowed to distribute imported automobiles in the PRC. The Directors considered that the Group's reliance on NAGC in promoting sales of imported cars in the PRC and the provision of advances to NAGC by the Group in this regard are normal commercial practice. The advances were unsecured, interest free and repayable in or before September 2004. The Directors considered that the advances were made under normal commercial terms and in the ordinary course of business.

ADVANCES TO ENTITIES *(Continued)*

Trade Receivables, Car Rental Advances, Prepaid Rental Expenses, Other Receivables, Guarantees, Advances to NAGC *(Continued)*

Advances to Xiamen Zhong Bao

As at 31 March 2004, advances of approximately S\$4,367,000 (equivalent to approximately HK\$20,312,000) (as at 31 December 2002: S\$Nil) were due from Xiamen Zhong Bao. Among the total advances, S\$3,822,000 (equivalent to approximately HK\$17,777,000) (as at 31 December 2002: S\$Nil) were made for the marketing activities of the PRC manufactured BMW motor vehicles in October 2003 in accordance with a co-operation agreement entered between Xiamen Zhong Bao and the Group on 7 October 2003. There was no such advances in 2002 because the marketing activities of the PRC manufactured BMW motor vehicles commenced in 2003. The remaining balance of S\$545,000 (equivalent to approximately HK\$2,535,000) (as at 31 December 2002: S\$Nil) was the technical fee income derived from the provision of management consulting and technical assistance to Xiamen Zhong Bao in relation to their sales of the PRC manufactured BMW motor vehicles. The amounts due were unsecured, interest free and repayable in September 2004. The Directors considered that granting of advances to Xiamen Zhong Bao are under normal commercial terms and in the ordinary course of business.

Disclosure of trade receivables pursuant to rule 17.15 of GEM Listing Rules

As at 31 March 2004, each of the following trade receivables from customers of the Group exceeds 8% of the Group's Market Capitalisation.

	31 March 2004		% of Total Market Capitalisation	31 December 2003	
	S\$'000	HK\$'000		S\$'000	HK\$'000
Xiamen Bunlung Automobiles Co. Ltd.	2,557	11,893	22%	2,877	13,137
Yuet Join Industrial Co. Ltd.	3,051	14,191	26%	4,764	21,753
Xiamen Xin Cheng Gung Auto Co. Ltd.	2,021	9,400	17%	69	315
Beijing Zhong Bao Trading Co. Ltd.	3,602	16,754	30%	2,731	12,470
Beijing Hui Long Xin Trading Co. Ltd.	2,910	13,535	24%	2,957	13,502
Xiamen Zi Kung Equipment Co. Ltd.	2,211	10,284	19%	3,258	14,877
Cheongfuli (Hong Kong) Co. Ltd.	1,888	8,781	16%	1,917	8,753
Xiamen Feng Chi Automobiles Trading Co. Ltd.	1,619	7,530	14%	3,594	16,411
Tianjin Chi Meng International Trade Co. Ltd.	1,999	9,298	17%	2,037	9,301
Xiamen C & D Inc.	1,418	6,594	12%	320	1,461

ADVANCES TO ENTITIES *(Continued)*

Disclosure of trade receivables pursuant to rule 17.15 of GEM Listing Rules *(Continued)*

The trade receivables due from Xiamen Bunlung Automobiles Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$2,557,000 (equivalent to approximately HK\$11,893,000). The receivables represented the outstanding balances arising from the distributing of motor vehicles in the PRC were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in July 2004. The trade receivables due from Xiamen Bunlung Automobiles Co. Ltd. were approximately 22% of the Group's Market Capitalisation.

The trade receivables due from Yuet Join Industrial Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$3,051,000 (equivalent to approximately HK\$14,191,000). The receivables represented the outstanding balances of the distributing of motor vehicles were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in May 2004. The trade receivables due from Yuet Join Industrial Co. Ltd. were approximately 26% of the Group's Market Capitalisation. The receivables were fully repaid by Yuet Join Industrial Co. Ltd. in May 2004.

The trade receivables due from Xiamen Xin Cheng Gung Auto Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$2,021,000 (equivalent to approximately HK\$9,400,000). The receivables represented the outstanding balances of the distributing of motor vehicles were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in July 2004. The trade receivables due from Xiamen Xin Cheng Gung Auto Co. Ltd. were approximately 17% of the Group's Market Capitalisation.

The trade receivables due from Beijing Zhongbao Trading Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$3,602,000 (equivalent to approximately HK\$16,754,000). Out of which, approximately S\$2,681,000 (equivalent to approximately HK\$12,470,000) were trade receivables represented the outstanding balances of the distributing of motor vehicles and were in ordinary course of the Group's business and on normal commercial terms. The balances of approximately S\$921,000 (equivalent to approximately HK\$4,284,000) were advances for the operation of locally manufactured BMW motor vehicles marketed in October 2003. The amounts were unsecured, interest free and repayable in July 2004. The trade receivables due from Beijing Zhongbao Trading Co. Ltd. were approximately 30% of the Group's Market Capitalisation.

The trade receivables due from Beijing Hui Long Xin Trading Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$2,910,000 (equivalent to approximately HK\$13,535,000). The receivables represented the outstanding balances of the distributing of motor vehicles were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in July 2004. The trade receivables due from Beijing Hui Long Xin Trading Co. Ltd. were approximately 24% of the Group's Market Capitalisation.

ADVANCES TO ENTITIES *(Continued)*

Disclosure of trade receivables pursuant to rule 17.15 of GEM Listing Rules *(Continued)*

The trade receivables due from Xiamen Zi Kung Equipment Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$2,211,000 (equivalent to approximately HK\$10,284,000). The receivables represented the outstanding balances of the distributing of motor vehicles were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in July 2004. The trade receivables due from Xiamen Zi Kung Equipment Co. Ltd. were approximately 19% of the Group's Market Capitalisation.

The trade receivables due from Cheongfuli (Hong Kong) Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$1,888,000 (equivalent to approximately HK\$8,781,000). The receivables represented the outstanding balances of the distributing of motor vehicles were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in June 2004. The trade receivables due from Cheongfuli (Hong Kong) Co. Ltd. were approximately 16% of the Group's Market Capitalisation.

The trade receivables due from Xiamen Feng Chi Automobiles Trading Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$1,619,000 (equivalent to approximately HK\$7,530,000). The receivables represented the outstanding balances of the distributing of motor vehicles were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in July 2004. The trade receivables due from Xiamen Feng Chi Automobiles Trading Co. Ltd. were approximately 14% of the Group's Market Capitalisation.

The trade receivables due from Tianjing Chi Meng International Trade Co. Ltd., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$1,999,000 (equivalent to approximately HK\$9,298,000). The receivables represented the outstanding balances of the distributing of motor vehicles were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in July 2004. The trade receivables due from Tianjin Chi Meng International Trade Co. Ltd. were approximately 17% of the Group's Market Capitalisation.

The trade receivables due from Xiamen C & D Inc., an independent third party of the Group, as at 31 March 2004 amounted to approximately S\$1,418,000 (equivalent to approximately HK\$6,594,000). The receivables represented the outstanding balances of the distributing of motor vehicles were in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in July 2004. The trade receivables due from Xiamen C & D Inc. were approximately 12% of the Group's Market Capitalisation.

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 informed by CASH, an associate of CASH held 7,384,000 shares of the Company as at 31 December 2003. 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 31 December 2003.

TITLE CERTIFICATES OF PRC PROPERTIES

As at 31 December 2003, the Group had not obtained the long term title certificate of a leasehold property in the PRC. The contract entered for acquiring the property has been registered in the relevant government authority in the PRC. The Directors had sought the PRC legal adviser's opinion that there will be no legal impediment for the Group to obtain the relevant title certificates. The Group had neither conducted any revaluation nor included any revaluation surplus in respect of the said property in the annual accounts.

COMPLIANCE WITH RULE 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the year.

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 since 5 June 2002. As at 31 December 2003, the audit committee comprises two independent non-executive Directors, Ms. Lam So Ying and Mr. Lee Kwok Yung and the Chairman and managing 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. During the year, five audit committee meetings were held including one for reviewing the annual accounts.

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 year.

AUDITORS

Messrs. Arthur Andersen were the auditors of the Company for the year ended 31 December 2001.

Messrs. Moores Rowland, Chartered Accountants, Certified Public Accountants were the auditors of the Company for the years ended 31 December 2002 and 2003. Messrs. Moores Rowland merged with Messrs. Mazars on 1 October 2003 and are now practising under the name of Moores Rowland Mazars.

On behalf of the Board
Chan Hing Ka Anthony
Chairman and Managing Director

Hong Kong, 16 June 2004

Moores Rowland Mazars

摩斯倫·馬賽會計師事務所

Chartered Accountants
Certified Public Accountants

To the members of
G.A. Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 36 to 78 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants
Hong Kong

16 June 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

	Notes	2003 S\$'000	2002 S\$'000
Turnover	3	139,319	101,877
Other revenue	3	417	210
Other income		823	446
Cost of inventories		(124,310)	(87,698)
Staff costs	5	(2,157)	(2,029)
Depreciation and amortisation		(860)	(435)
Minimum lease payments for operating leases		(642)	(498)
Exchange differences, net		(1,751)	(816)
Other operating expenses		(4,880)	(5,144)
Profit from operations		5,959	5,913
Finance costs, net	5	(1,552)	(1,759)
Profit from ordinary activities before taxation	5	4,407	4,154
Taxation	8	(1,088)	(1,330)
Profit after taxation but before minority interests		3,319	2,824
Minority interests		22	25
Profit attributable to shareholders	9	3,341	2,849
Dividends		—	—
Basic earnings per share (Singapore cents)	10	0.84	0.78

CONSOLIDATED BALANCE SHEET

At 31 December 2003

	Notes	2003 S\$'000	2002 S\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	6,639	5,239
Prepaid rental expenses	12	8,685	8,904
Non-current receivables	14	1,722	—
Total non-current assets		17,046	14,143
Current assets			
Inventories	15	757	846
Trade receivables, net	16	37,087	39,275
Bills receivable		12,317	—
Prepayments, deposits and other current assets	17	10,956	2,888
Due from related companies	18	80	565
Pledged bank deposits	19	7,553	7,836
Bank balances and cash		2,031	5,486
Total current assets		70,781	56,896
Current liabilities			
Trade payables	20	(7,446)	(8,047)
Accruals and other payables		(4,036)	(3,332)
Bank overdrafts	21	(1,642)	(296)
Bills payable	21	(35,866)	(28,413)
Secured bank loans, current portion	21	(5,960)	(4,145)
Obligations under finance leases, current portion	22	(401)	(210)
Due to related companies	23	(515)	(551)
Due to directors	23	(608)	(251)
Taxation	24	(4,867)	(4,273)
Total current liabilities		(61,341)	(49,518)
Net current assets		9,440	7,378
Total assets less current liabilities		26,486	21,521
Non-current liabilities			
Secured bank loans, non-current portion	21	(2,231)	(453)
Obligations under finance leases, non-current portion	22	(490)	(364)
Total non-current liabilities		(2,721)	(817)
Minority interests		(452)	(497)
NET ASSETS		23,313	20,207

CONSOLIDATED BALANCE SHEET *(Continued)*

At 31 December 2003

	<i>Notes</i>	2003 S\$'000	2002 S\$'000
CAPITAL AND RESERVES			
Issued capital	25	9,040	9,040
Reserves	26	14,273	11,167
		23,313	20,207

Approved and authorised for issue by the Board of Directors on 16 June 2004

Chan Hing Ka Anthony
Director

Loh Nee Peng
Director

BALANCE SHEET

At 31 December 2003

	Notes	2003 S\$'000	2002 S\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	13	<u>12,917</u>	<u>13,392</u>
Current assets			
Other debtors	17	66	27
Current liabilities			
Other payables		<u>(208)</u>	<u>(90)</u>
Net current liabilities		<u>(142)</u>	<u>(63)</u>
NET ASSETS		<u><u>12,775</u></u>	<u><u>13,329</u></u>
CAPITAL AND RESERVES			
Issued capital	25	<u>9,040</u>	9,040
Reserves	26	<u>3,735</u>	<u>4,289</u>
		<u><u>12,775</u></u>	<u><u>13,329</u></u>

Approved and authorised for issue by the Board of Directors on 16 June 2004

Chan Hing Ka Anthony
Director

Loh Nee Peng
Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2003

The Group

	Issued capital (Note 25) S\$'000	Share premium (Note 26) S\$'000	Capital reserve (Note 26) S\$'000	Translation reserve (Note 26) S\$'000	Accumulated profits S\$'000	Total S\$'000
At 1 January 2002	7,232	—	1,689	80	2,690	11,691
Net losses not recognised in income statement						
Translation difference	—	—	—	(128)	—	(128)
Shared by minority shareholder	—	—	—	(19)	—	(19)
Issue of share capital	1,808	7,232	—	—	—	9,040
Placing expenses	—	(3,226)	—	—	—	(3,226)
Profit for the year	—	—	—	—	2,849	2,849
At 31 December 2002	9,040	4,006	1,689	(67)	5,539	20,207
Net gains (losses) not recognised in income statement						
Translation difference	—	—	—	(258)	—	(258)
Shared by minority shareholder	—	—	—	23	—	23
Profit for the year	—	—	—	—	3,341	3,341
At 31 December 2003	9,040	4,006	1,689	(302)	8,880	23,313

STATEMENTS OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2003

The Company

	Issued capital <i>(Note 25)</i> <i>S\$'000</i>	Share premium <i>(Note 26)</i> <i>S\$'000</i>	Capital reserve <i>(Note 26)</i> <i>S\$'000</i>	Accumulated losses <i>S\$'000</i>	Total <i>S\$'000</i>
At 1 January 2002	—	—	—	—	—
Swap of shares	7,232	—	645	—	7,877
Issue of share capital	1,808	7,232	—	—	9,040
Placing expenses	—	(3,226)	—	—	(3,226)
Loss for the year	—	—	—	(362)	(362)
At 31 December 2002	9,040	4,006	645	(362)	13,329
Loss for the year	—	—	—	(554)	(554)
At 31 December 2003	<u>9,040</u>	<u>4,006</u>	<u>645</u>	<u>(916)</u>	<u>12,775</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003

	Notes	2003 S\$'000	2002 S\$'000
Operating activities			
Cash (used in) generated from operations	27(a)	(2,851)	6,830
Interest received		76	74
Interest paid		(1,628)	(1,833)
Overseas tax paid		(113)	(381)
Hong Kong profits tax paid		(381)	—
Dividend paid		—	(86)
		<u>(4,897)</u>	<u>4,604</u>
Investing activities			
Purchase of property, plant and equipment		(1,796)	(246)
Decrease (Increase) in pledged bank deposits		283	(2,560)
Increase in non-current receivables		(1,722)	—
		<u>(3,235)</u>	<u>(2,806)</u>
Financing activities			
Issue of share capital		—	9,040
Placing expenses		—	(3,226)
New bank loans		8,115	—
Repayment of bank loans		(4,522)	(3,810)
Repayment of obligations under finance leases		(262)	(71)
		<u>3,331</u>	<u>1,933</u>
Net cash generated from financing activities		<u>3,331</u>	<u>1,933</u>
Net (decreases) increase in cash and cash equivalents		<u>(4,801)</u>	<u>3,731</u>
Cash and cash equivalents at beginning of year		<u>5,190</u>	<u>1,459</u>
Cash and cash equivalents at end of year		<u><u>389</u></u>	<u><u>5,190</u></u>
Analysis of cash and cash equivalents			
	27(b)		
Bank balances and cash		2,031	5,486
Bank overdrafts		(1,642)	(296)
		<u>389</u>	<u>5,190</u>
Major non-cash transaction			
Inception of finance leases		<u>579</u>	<u>645</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law of Cayman Islands as an exempted company with limited liability on 5 July 2001. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 June 2002 by way of placing (the "Placing").

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice (the "SSAPs") and Interpretations issued by the Hong Kong Society of Accountants (the "HKSA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. A summary of the principal accounting policies adopted by the Group is set out below.

The financial statements have been prepared on a basis consistent with the accounting policies and method adopted in the previous year except for SSAP 12 (Revised) "Income taxes" which is effective for accounting periods commencing on or after 1 January 2003. SSAP 12 (Revised) has had no significant impact for the financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 8 to the financial statements and include a reconciliation of tax expense between the accounting profit and tax income for the year.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December. All inter-company balances and transactions have been eliminated on consolidation.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Income from sale of goods is recognised upon delivery of goods and acceptance by customers, and income from services is recognised upon the rendering of services.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the interest rate applicable.

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. The aggregate cost of incentives on operating leases is recognised as a reduction of rental income over the lease term on a straight-line basis.

Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Employee benefits

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	1.5% (over the remaining period of lease term)
Leasehold improvement	50% or the shorter of remaining lease term
Plant and machinery	10% to 33.3%
Motor vehicles	20% to 33.3%
Furniture and equipment	10% to 33.3%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

Impairment loss

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

Property, plant and equipment;
Investments in subsidiaries; and
Prepaid rental expenses

If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment loss *(Continued)*

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Inventories comprise fully-assembled motor vehicles and auto parts. Cost of fully-assembled motor vehicles is determined on a specific identification basis while the cost of auto parts is determined on the first-in, first-out cost formula. It comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is credited to the income statement in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

As lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset.

Foreign currencies

The books and records of the companies in the Group are maintained in their respective measurement currencies. Transactions in foreign currencies during the year are translated into the respective measurement currencies at exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective measurement currencies at rates of exchange in effect at the balance sheet date. Exchange differences are dealt with in the income statement.

On consolidation, all assets and liabilities of subsidiaries with measurement currencies other than Singapore dollars are translated into Singapore dollars at the applicable rates of exchange in effect at the balance sheet date. Share capital and reserves are translated at historical exchange rates. All of the income and expense items of subsidiaries with measurement currencies other than Singapore dollars are translated into Singapore dollars at the average applicable exchange rates during the year. Exchange differences arising from such translations are dealt with as movements of translation reserve.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Segment reporting

In accordance with the Group's internal financial reporting, the Group has chosen business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Business segments are organised into four major operating businesses.

Segment assets consist primarily property, plant and equipment, prepaid rental expenses, inventories and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain bank borrowings. Capital expenditure comprises additions to property, plant and equipment. Unallocated items represent mainly corporate expenses, assets and liabilities and other unallocated items.

Cash and cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

3. TURNOVER AND REVENUE

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 13 to the financial statements.

Turnover and revenue recognised by category are as follows:

	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>
Turnover		
Sales of motor vehicles	130,195	84,818
Servicing of motor vehicles and sales of auto parts	3,838	11,474
Technical fee income	4,109	4,284
Management fee income	1,177	1,301
	<u>139,319</u>	<u>101,877</u>
Other revenue		
Rental income	417	210
	<u>139,736</u>	<u>102,087</u>

4. SEGMENT INFORMATION

Business segment

The Group is organised with four business segments, namely:

- Activity 1: Sales of motor vehicles and provision of car-related technical services;
- Activity 2: Servicing of motor vehicles and sales of auto parts;
- Activity 3: Provision of management services in respect of car rental business; and
- Activity 4: Commission income from sales of cars from GAPL to GAL (i.e. intra-group)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

4. SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Business segment analysis as at and for the year ended 31 December 2003 is as follows:

	Activity 1	Activity 2	Activity 3	Activity 4	Inter-segment elimination	Group
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Turnover						
Revenue from external customers	134,304	3,838	1,177	—	—	139,319
Inter-segment revenue	490	—	—	5,200	(5,690)	—
Segment turnover	<u>134,794</u>	<u>3,838</u>	<u>1,177</u>	<u>5,200</u>	<u>(5,690)</u>	<u>139,319</u>
Segment results	<u>2,742</u>	<u>(751)</u>	<u>570</u>	<u>4,255</u>	<u>—</u>	6,816
Unallocated expenses						(857)
Profit from operations						5,959
Finance costs, net						(1,552)
Taxation						(1,088)
Minority interests						22
Profit attributable to shareholders						<u>3,341</u>
Assets						
Segment assets	48,996	9,838	7,786	—		66,620
Unallocated assets						21,207
Total assets						<u>87,827</u>
Liabilities						
Segment liabilities	43,766	1,521	137	—		45,424
Unallocated liabilities						18,638
Total liabilities						<u>64,062</u>
Other information						
Capital expenditure incurred during the year	61	1,645	—	—		
Depreciation	52	315	—	—		
Amortisation of prepaid rental expenses	—	—	82	—		

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

4. SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Business segment analysis as at and for the year ended 31 December 2002 is as follows:

	Activity 1	Activity 2	Activity 3	Activity 4	Inter-segment elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Turnover						
Revenue from external customers	89,102	11,474	1,301	—	—	101,877
Inter-segment revenue	—	—	—	3,080	(3,080)	—
Segment turnover	<u>89,102</u>	<u>11,474</u>	<u>1,301</u>	<u>3,080</u>	<u>(3,080)</u>	<u>101,877</u>
Segment result	<u>3,596</u>	<u>(393)</u>	<u>806</u>	<u>3,080</u>	<u>—</u>	7,089
Unallocated expenses						(1,176)
Profit from operations						5,913
Finance costs, net						(1,759)
Taxation						(1,330)
Minority interests						25
Profit attributable to shareholders						<u>2,849</u>
Assets						
Segment assets	39,522	7,885	8,562	—		55,969
Unallocated assets						15,070
Total assets						<u>71,039</u>
Liabilities						
Segment liabilities	36,570	1,282	184	—		38,036
Unallocated liabilities						12,299
Total liabilities						<u>50,335</u>
Other information						
Capital expenditure incurred during the year	198	5	—	—		
Depreciation	29	258	—	—		
Impairment loss on property, plant and equipment	—	229	—	—		
Amortisation of prepaid rental expenses	—	—	82	—		

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

4. SEGMENT INFORMATION *(Continued)*

Geographical segment

The Group has business operations in the People's Republic of China (the "PRC"), Hong Kong and Singapore. An analysis of the Group's revenue from external customers by location of customers is as follows:

	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>
The PRC	89,191	51,800
Hong Kong	50,128	50,077
	<u>139,319</u>	<u>101,877</u>

An analysis of the Group's carrying amount of segment assets as at 31 December 2003 and total cost incurred during the year to acquire property, plant and equipment by location of assets is as follows:

	Segment assets		Cost to acquire property, plant and equipment	
	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>
The PRC	46,897	50,938	1,709	202
Hong Kong	36,298	16,075	666	689
Singapore	4,632	4,026	—	—
	<u>87,827</u>	<u>71,039</u>	<u>2,375</u>	<u>891</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

5. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging (crediting):

	2003 S\$'000	2002 S\$'000
(a) Finance costs, net		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	1,599	1,811
Interest on other loans	—	14
Finance charges on obligations under finance leases	29	8
	<u>1,628</u>	<u>1,833</u>
Interest income	(76)	(74)
	<u>1,552</u>	<u>1,759</u>
(b) Staff costs (including directors' emoluments)		
Contributions to defined contribution plans	83	77
Salaries, wages and other benefits	2,074	1,952
	<u>2,157</u>	<u>2,029</u>
(c) Other items		
Auditors' remuneration	79	71
Depreciation of property, plant and equipment:		
Assets held for use under operating leases	185	64
Other assets	593	289
Amortisation of prepaid rental expenses	82	82
Impairment loss on property, plant and equipment included in other operating expenses	—	229
	<u>—</u>	<u>229</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments paid and payable to the directors of the Company are as follows:

	2003 S\$'000	2002 S\$'000
Fees	54	32
Other emoluments:		
Salaries, allowances and other benefits in kind	610	648
Bonus	140	120
Retirement scheme contributions	33	36
	<u>837</u>	<u>836</u>

Analysed into:

	Other emoluments				2003 S\$'000
	Fees S\$'000	Salaries, allowances and other benefits in kind S\$'000	Bonus S\$'000	Retirement scheme contributions S\$'000	
Director A	—	190	35	11	236
Director B	—	210	35	11	256
Director C	—	210	35	11	256
Director D (non-executive)	27	—	—	—	27
Director E (non-executive)	27	—	—	—	27
Director F (non-executive)	—	—	35	—	35
	<u>54</u>	<u>610</u>	<u>140</u>	<u>33</u>	<u>837</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

	Other emoluments				2002 S\$'000
	Fees S\$'000	Salaries, allowances and other benefits in kind S\$'000	Bonus S\$'000	Retirement scheme contributions S\$'000	
Director A	—	216	30	12	258
Director B	—	216	30	12	258
Director C	—	216	30	12	258
Director D (non-executive)	16	—	—	—	16
Director E (non-executive)	16	—	—	—	16
Director F (non-executive)	—	—	30	—	30
	<u>32</u>	<u>648</u>	<u>120</u>	<u>36</u>	<u>836</u>

No directors waived any emoluments for each of the two years ended 31 December 2003. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for each of the two years ended 31 December 2003.

7. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, three (*2002: three*) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (*2002: two*) individuals are as follows:

	2003 S\$'000	2002 S\$'000
Salaries, allowances and other benefits in kind	212	197
Retirement scheme contributions	14	15
	<u>226</u>	<u>212</u>

No emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office for each of the two years ended 31 December 2003.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

7. FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The number of the two (2002: two) highest paid individuals, other than directors, whose remuneration falls within the bands is as follows:

	2003 <i>No. of individuals</i>	2002 <i>No. of individuals</i>
Nil – S\$222,000 (Nil – HK\$1,000,000)	<u>2</u>	<u>2</u>

8. TAXATION

The charge comprises:

	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>
Hong Kong profits tax:		
Current year	706	346
Over-provision in prior years	<u>(30)</u>	<u>—</u>
	676	<u>346</u>
Overseas taxation:		
Current tax	412	1,194
Provision of deferred taxation utilised during the year	<u>—</u>	<u>(210)</u>
	412	<u>984</u>
	1,088	<u>1,330</u>

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit of Hong Kong subsidiaries for the year.

(b) Singapore income tax

Overseas taxation relates to tax calculated based on the estimated assessable profit of Singapore subsidiaries at the rates of 22% (2002: 22%) for the year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

8. TAXATION *(Continued)*

(c) PRC enterprise income tax

No income tax has been provided for PRC subsidiaries as they incurred losses for taxation purposes during the year.

(d) Deferred taxation

Deferred taxation in prior year represents the utilisation of the taxation effect on the temporary differences arising from general provisions and movements in unrealised exchange differences made in previous years.

Deferred taxation has not been provided as the tax effect of temporary differences is insignificant at the balance sheet date.

Reconciliation of tax expense:

	2003 S\$'000	2002 S\$'000
Profit from ordinary activities before taxation	<u>4,407</u>	<u>4,154</u>
Taxation at applicable rate of 25.4% (2002: 23.4%)	1,118	971
Non-deductible expenses	104	199
Tax exempt revenue	(15)	(24)
Unrecognised temporary differences	17	184
Recognition of previously unrecognised deferred assets	(103)	—
Over-provision in prior years	(30)	—
Others	(3)	—
Tax expense for the year	<u>1,088</u>	<u>1,330</u>

The application rate is the weighted average of rates prevailing in the territories in which the Company and its subsidiaries operate.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders include a loss of approximately S\$554,000 (2002: S\$362,000) which has been dealt with in the financial statements of the Company for the year.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to the shareholders for the year of S\$3,341,000 (2002: S\$2,849,000) and weighted average number of 400,000,000 (2002: 363,178,082) shares in issue during the year.

The weighted average number of shares used to calculate the prior year's earnings per share includes the pro-forma issued share capital of the Company as set out in note 25 to the financial statements.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2003 and 2002.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>S\$'000</i>	Leasehold improvement <i>S\$'000</i>	Plant and machinery <i>S\$'000</i>	Motor vehicles <i>S\$'000</i>	Furniture and equipment <i>S\$'000</i>	Total <i>S\$'000</i>
Cost						
At 1 January 2003	1,292	—	3,660	1,425	857	7,234
Additions	—	1,399	—	840	136	2,375
Translation adjustment	—	(33)	(158)	(64)	(28)	(283)
At 31 December 2003	1,292	1,366	3,502	2,201	965	9,326
Accumulated depreciation and impairment loss						
At 1 January 2003	103	—	1,089	394	409	1,995
Charge for the year	20	19	314	329	96	778
Translation adjustment	—	(1)	(45)	(23)	(17)	(86)
At 31 December 2003	123	18	1,358	700	488	2,687
Net book value						
At 31 December 2003	1,169	1,348	2,144	1,501	477	6,639
At 31 December 2002	1,189	—	2,571	1,031	448	5,239

Leasehold land and buildings are located in the PRC and held under long lease.

All leasehold land and buildings and certain plant and machinery with an aggregate carrying value of S\$1,309,000 are pledged to the banks for credit facilities granted to the Group as disclosed in note 21 to the financial statements.

The net book value of the Group's property, plant and equipment includes an amount of S\$982,000 (2002: S\$602,000) in respect of assets held under finance leases and for use under operating leases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

12. PREPAID RENTAL EXPENSES

	2003 S\$'000
Current portion	82
Non-current portion	8,904
Opening carrying amount	8,986
Translation adjustment	(67)
Charge for the year	(82)
Closing carrying amount	8,837
At 31 December 2003	
Costs	9,218
Accumulated charges	(164)
Translation adjustment	(217)
Closing carrying amount	8,837
Portion classified as current assets	(152)
Non-current portion	8,685

In March 2000, the Group signed a project development co-operation agreement with China National Automotive Anhua Hertz Services Centre Co., Ltd. ("CNA Anhua (Hertz)"). CNA Anhua (Hertz) is a subsidiary of North Anhua Group Corporation ("NAGC"), and of which a director of the Company, Mr Loh Nee Peng had significant influence through his directorship in CNA Anhua (Hertz) before 12 March 2003. Pursuant to the agreement, CNA Anhua (Hertz) is responsible for the development of land and buildings for use as motor vehicle showrooms, service centres, auto parts factories and other related facilities in Guangdong Province, Fujian Province and Beijing Municipality. Under the agreement, all land title certificates and ownership of facilities will belong to CNA Anhua (Hertz), while the Group will have free use of such facilities for 50 years from the date of completion of the developments.

The Group also signed another project development co-operation agreement with Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng"), another related company of NAGC in August 2001 for the development of a motor vehicle maintenance and service centre in Fuzhou Municipality of Fujian Province. Under the agreement, all land title certificates and ownership of facilities will belong to Jin Tian Cheng while the Group will have use of such facilities for a nominal consideration of S\$2,150 (RMB10,000) per month for 20 years from the date of completion of the development.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

12. PREPAID RENTAL EXPENSES *(Continued)*

Accordingly, the advances made in respect of such development projects amounting to approximately S\$9,218,000 have been classified as prepaid rental expenses and to be charged to the consolidated income statement over 20 to 50 years, commencing from the date of completion of the respective development projects.

The development in Beijing in respect of prepaid rental expense of approximately S\$4,113,000 (2002: S\$4,113,000) was completed in 2001 and its charge for the year amounting to S\$82,000 (2002: S\$82,000).

In October 2002, the Group decided to abandon the Guangdong Province development project. The sum prepaid was transferred for the construction of the enlarged Fujian Province development project. The Fujian Province development project in respect of prepaid rental expense of approximately S\$3,527,000 (2002: S\$3,527,000) was completed in December 2003. Accordingly, no rental expense was charged for the year.

The construction of the motor vehicle maintenance and service centre in Fuzhou Municipality, which will be in accordance with BMW standard, will commence after approval of the layout plan by the Beijing office of BMW.

13. INTEREST IN SUBSIDIARIES

The Company

	2003 S\$'000	2002 S\$'000
Unlisted shares, at cost	7,882	7,882
Due from a subsidiary	5,336	5,715
	13,218	13,597
Due to a subsidiary	(301)	(205)
	12,917	13,392

The amount due from/to a subsidiary is unsecured, interest-free and has no fixed repayment term.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

13. INTEREST IN SUBSIDIARIES *(Continued)*

Details of principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and paid up capital / registered capital	Percentage of equity interest held by the Company		Principal activity
			Directly	Indirectly	
German Automobiles Pte Ltd. ("GAPL")	Singapore	7,876,996 shares of S\$1 each	100%	—	Wholesale of motor vehicles and provision of technical services
German Automobiles Limited ("GAL")	Hong Kong	20,000 shares of HK\$1 each	100%	—	Sales liaison and trading of spare parts for motor vehicles
Xiamen BMW Automobiles Service Co., Ltd	The PRC	Registered and paid-in capital of US\$5,000,000 <i>(2002: US\$3,000,000)</i>	—	100%	Provision of repair and maintenance services of high-end automobiles
China Automobile Asia Pte Ltd.	Singapore	2 shares of S\$1 each	—	100%	Investment holding and provision of management services
China National Auto Anhua (Tianjin) International Trade Co., Ltd.	The PRC	Registered and paid-in capital of US\$1,000,000	—	70%	Car related business

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

14. NON-CURRENT RECEIVABLES

	<i>Note</i>	2003 S\$'000	2002 S\$'000
Advances to NAGC and its related company	<i>(a)</i>	5,146	1,806
Advances to Zhong Bao Group	<i>(b)</i>	6,213	—
		11,359	1,806
Classified as current portion (<i>note 17</i>)	<i>(c)</i>	(9,637)	(1,806)
Non-current portion		1,722	—

Note:

The Group has established a close working relationship with NAGC and its related companies. NAGC has been a key element in the Group's business development as it assists the Group's distribution of motor vehicles and overcome various trade barriers for importing motor vehicles as well as facilitates the Group's implementation of its car rental services in the PRC.

- (a) The advances made were for the operation of the car rental and the distribution of motor vehicles business in the PRC. The amounts due are unsecured, interest-free and have no fixed repayment terms.
- (b) Pursuant to a technical and management service agreement entered into between the Group and Xiamen Zhong Bao Automobiles Co., Limited ("Xiamen Zhong Bao"), a related company of NAGC, on 7 October 2003, the Group would provide technical expertise and financial assistance to Xiamen Zhong Bao and certain of its related companies ("Zhong Bao Group"). Advances were made accordingly for the operation of distribution of locally manufactured BMW motor vehicles, which came into the PRC market in October 2003. The amounts due are unsecured, interest-free and have no fixed repayment terms.
- (c) The directors believe that these advances are crucial to the Group in coping with the anticipated tremendous growth of the motor vehicles distribution and related business in the forthcoming years in the PRC. No credit loss has been recorded by the Group for any advances and balances due from NAGC group and its related companies in previous years. Accordingly, notwithstanding no fixed repayment terms have been agreed when these advances were made, the directors are of the opinion that they will ultimately be recovered, of which S\$9,637,000 (2002: S\$1,806,000) will be collectable within one year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003



15. INVENTORIES

	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>
Motor vehicles	145	117
Auto parts and accessories	<u>612</u>	<u>729</u>
	<u><u>757</u></u>	<u><u>846</u></u>

The amount of inventories included above carried at net realisable value is approximately S\$612,000 (2002: S\$729,000).

16. TRADE RECEIVABLES

		2003 <i>S\$'000</i>	2002 <i>S\$'000</i>
From related companies	<i>Note</i>	—	1,301
From third parties		<u>37,087</u>	<u>37,974</u>
		<u><u>37,087</u></u>	<u><u>39,275</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

16. TRADE RECEIVABLES *(Continued)*

The credit periods of the Group range from 2 to 5 months. The aging analysis of trade receivables is as follows:

	2003 S\$'000	2002 S\$'000
0 to 3 months	11,692	20,525
3 to 6 months	13,048	11,333
6 to 9 months	12,933	7,756
	<u>37,673</u>	<u>39,614</u>
Less: Provision for doubtful debts	(586)	(339)
	<u><u>37,087</u></u>	<u><u>39,275</u></u>

Note: It represented management fees due from three car rental sub-licensees. The three sub-licensees are subsidiaries of CNA Anhua (Hertz) in which a director of the Company had significant influence before 12 March 2003. CNA Anhua (Hertz) is a subsidiary of NAGC. Included in trade receivables from third parties as at 31 December 2003 above are amounts due from the same car rental sub-licensees amounting to S\$2,075,000.

17. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Current portion of non-current receivables <i>(note 14)</i>	9,637	1,806	—	—
Due from CNA Anhua (Hertz) <i>(note 18)</i>	665	—	—	—
Prepayment and other debtors	654	1,082	66	27
	<u><u>10,956</u></u>	<u><u>2,888</u></u>	<u><u>66</u></u>	<u><u>27</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

18. DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand. Details of amounts due from related companies are as follows:

Name of related company	Connected directors	Maximum amount outstanding during the year 2003 S\$'000	Balance at 31.12.2003 S\$'000	Balance at 1.1.2003 S\$'000
Octavus Properties Pte. Ltd.	Chan Hing Ka, Anthony	56	56	46
CNA Anhua (Hertz)	Loh Nee Peng	973	665	505
Eng Kheng (S) Pte. Ltd.	Chan Hing Ka, Anthony	<u>24</u>	<u>24</u>	14
			745	565
Amount reclassified to prepayments, deposits and other current assets (<i>note 17</i>)			<u>(665)</u>	—
			<u>80</u>	<u>565</u>

The above companies are related as they are subject to common control or significant influence by the directors of the Company. On 12 March 2003, Mr Loh Nee Peng resigned his directorship in CNA Anhua (Hertz) and since then Mr Loh Nee Peng has had no significant influence over CNA Anhua (Hertz). Accordingly the amount associated with it for 2003 has been reclassified to prepayment, deposits and other current assets (*note 17*).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

19. PLEDGED BANK DEPOSITS

The bank deposits were pledged to banks for the following purposes:

	<i>Note</i>	2003 S\$'000	2002 S\$'000
Banking facilities granted to the Group		5,695	5,954
Banking facilities granted to a related company of NAGC	<i>(a)</i>	1,765	1,788
Others	<i>(b)</i>	93	94
		<u>7,553</u>	<u>7,836</u>

Note:

- (a) The banking facilities were granted up to approximately S\$7,314,000 (2002: S\$7,446,000) for use in car rental business by the three car rental sub-licensees as disclosed in note 16 to the financial statements.
- (b) A fixed deposit of approximately S\$93,000 (2002: S\$94,000) is pledged to a bank to secure the guarantees given by the bank to the principal of the "Hertz" system, Hertz International Ltd. (see note 31(b)), in respect of the Group's obligations under the license agreement with Hertz International Ltd.

20. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	2003 S\$'000	2002 S\$'000
0 to 1 month	566	1,881
1 to 6 months	1,978	5,556
6 to 12 months	—	139
1 to 2 years	4,547	—
Over 2 years	355	471
	<u>7,446</u>	<u>8,047</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

21. BANK BORROWINGS

	Bank overdrafts		Bills payable to banks		Secured bank loans		Total	
	<i>(Note a)</i>		<i>(Note a)</i>		<i>(Note b)</i>			
	2003	2002	2003	2002	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current portion:								
Due within one year	1,642	296	35,866	28,413	5,960	4,145	43,468	32,854
Non-current portion:								
Due after one year but within two years	—	—	—	—	1,091	96	1,091	96
Due after two years but within five years	—	—	—	—	1,140	286	1,140	286
Due after five years	—	—	—	—	—	71	—	71
	—	—	—	—	2,231	453	2,231	453
	1,642	296	35,866	28,413	8,191	4,598	45,699	33,307

(a) Bank overdrafts and bills payable to banks

At the balance sheet date, the bank overdrafts and bills payable to banks are secured by the Group's fixed deposits amounting to approximately S\$5,695,000 (2002: S\$5,954,000), joint and several guarantees from three directors of the Company and their family members, as well as corporate guarantees from two related companies beneficially owned by two directors, their family members or relatives. In addition, the Group charged and assigned all its interests and rights in all of its accounts receivable in favour of a bank.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

21. BANK BORROWINGS *(Continued)*

(b) Secured bank loans

Secured bank loans comprise:

	<i>Note</i>	2003 S\$'000	2002 S\$'000
Mortgage loans	<i>(i)</i>	443	549
Term loan 1		—	4,049
Term loans 2	<i>(ii)</i>	7,748	—
		<u>8,191</u>	<u>4,598</u>

(i) The mortgage loans were secured by the following:

- Legal mortgage on the Group's leasehold land and building with net book value of approximately S\$1,169,000 (2002: S\$1,189,000) at the balance sheet date; and
- Joint and several guarantees by three directors of the Company.

(ii) The term loans were secured by the following:

- Pledge of bank deposit of approximately S\$1,194,000; and
- Legal charge over the plant and machinery with net book value of S\$140,000.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Amount payable:				
Within one year	<u>439</u>	<u>229</u>	<u>401</u>	<u>210</u>
After one year but within two years	<u>361</u>	<u>225</u>	<u>337</u>	<u>208</u>
After two years but within five years	<u>157</u>	<u>169</u>	<u>153</u>	<u>156</u>
	<u>518</u>	<u>394</u>	<u>490</u>	<u>364</u>
Future finance charges	<u>957</u> <u>(66)</u>	<u>623</u> <u>(49)</u>	<u>891</u> <u>—</u>	<u>574</u> <u>—</u>
Present value of lease obligations	<u><u>891</u></u>	<u><u>574</u></u>	<u><u>891</u></u>	<u><u>574</u></u>

23. DUE TO RELATED COMPANIES / DIRECTORS

The amounts due are unsecured, interest-free and repayable on demand.

24. TAXATION

Included in tax provision was an amount of approximately S\$3,200,000 being tax payable by a subsidiary in Singapore to the Inland Revenue of Singapore ("IRAS") for prior years of assessments. Under the Singapore Income Tax Act ("ISTA"), IRAS may take actions to recover the outstanding tax payable including penalties and interest. As stipulated under the ISTA, it includes the power of the authority to freeze the bank accounts of the subsidiary operated in Singapore. The subsidiary is currently negotiating with the IRAS for a repayment schedule in order to manage the cash flows of the subsidiary. As of the date of these financial statements, the subsidiary has not received any demand notice from the IRAS.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

25. ISSUED CAPITAL

	2003		2002	
	<i>No. of shares</i>	<i>S\$'000</i>	<i>No. of shares</i>	<i>S\$'000</i>
Authorised:				
Ordinary shares of HK\$0.10 each	<u>2,000,000,000</u>	<u>45,200</u>	<u>2,000,000,000</u>	<u>45,200</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	<u>400,000,000</u>	<u>9,040</u>	<u>400,000,000</u>	<u>9,040</u>

The movements in the authorised and issued share capital of the Company during the period from 1 January 2002 to 31 December 2003 are as follows:

- (a) On 5 June 2002, 9 shares of HK\$0.01 each were issued nil paid by the Company to Mr. Chan Hing Ka, Anthony. On the same date, the then authorised share capital (including the issued and unissued share capital) of the Company was consolidated into 1,000,000 shares of HK\$0.10 each. The authorised share capital of the Company was then increased from HK\$100,000 to HK\$200,000,000 by the creation of an additional 1,999,000,000 shares.
- (b) On 5 June 2002, an aggregate of 319,999,999 shares were issued, allotted and credited as fully paid at HK\$0.10 per share as consideration and in exchange for the acquisition of the entire issued share capital of GAPL. The excess of the fair value of the shares of GAPL, determined on the basis of the consolidated net assets of GAPL at that date, over the nominal value of the Company's shares issued in exchange therefor, amounting to S\$645,000 was credited to the Company's capital reserve.
- (c) On 17 June 2002, 80,000,000 new shares of HK\$0.10 each were issued at HK\$0.50 per share pursuant to the Placing, details of which are set out in the Company's prospectus dated 10 June 2002.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

25. ISSUED CAPITAL *(Continued)*

A summary of the above movements in the issued share capital of the Company is as follows:

	Note	Number of shares	Issued share capital	
			HK\$'000	S\$'000
Issued share capital at 1 January 2002		1	—	—
9 shares issued to Mr. Chan Hing Ka, Anthony	(a)	9	—	—
Share consolidation	(a)	(9)	—	—
		1	—	—
Share issued as consideration for the acquisition of the entire issued share capital of GAPL	(b)	319,999,999	32,000	7,232
Proforma issued capital as at 1 January 2002		320,000,000	32,000	7,232
Issue of new shares pursuant to the Placing	(c)	80,000,000	8,000	1,808
Issued share capital as at 31 December 2002 and 2003		400,000,000	40,000	9,040

26. RESERVES

Share premium

The share premium account of the Group and the Company represents the premium arising from the issue of shares, net of Placing expenses.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group represents the difference between the then combined net assets value of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefor.

The capital reserve of the Company represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefor.

Translation reserve

The translation reserve has been set up and is dealt with in accordance with the accounting policy for foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

27. CASH (USED IN) GENERATED FROM OPERATIONS

(a) Cash (used in) generated from operations

	2003 S\$'000	2002 S\$'000
Profit before taxation	4,407	4,154
Interest expenses	1,628	1,833
Interest income	(76)	(74)
Provision for doubtful trade debts	250	—
Write-back of provision for inventory obsolescence	—	(410)
Depreciation of property, plant and equipment	778	353
Amortisation of prepaid rental expenses	82	82
Impairment loss on property, plant and equipment	—	229
Changes in working capital:		
Prepaid rental expenses	(70)	(37)
Inventories	89	3,988
Trade receivables, net	1,938	(24,006)
Prepayments, deposits and other current assets	(8,068)	4,493
Due from related companies	485	(530)
Trade payables	(601)	6,269
Accruals and other payables	704	1,467
Bills receivable	(12,317)	—
Bills payable	7,453	8,720
Due to related companies	(36)	130
Due to directors	357	48
Translation adjustment	146	121
Cash (used in) generated from operations	<u>(2,851)</u>	<u>6,830</u>

(b) Analysis of cash and cash equivalents

Pledged bank deposits of approximately S\$7,553,000 (2002: S\$7,836,000) are excluded from cash and cash equivalents because they may not be realisable as they are fully pledged to banks for banking facilities granted to the Group and a related company of NAGC as disclosed in note 19.

28. RETIREMENT BENEFITS

Following the introduction of the Mandatory Provident Fund legislation in Hong Kong, the subsidiary in Hong Kong participates in the defined contribution mandatory provident fund since 1 December 2000. Both the subsidiary and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contribution of the Group and the employees are subject to a cap of S\$222 (HK\$1,000) per month and thereafter contributions are voluntary.

Employees in Singapore participate in a defined contribution provident fund, which is managed by an independent trustees. The employees make monthly contributions of 20% of the employees' basic salaries. The Group makes monthly contributions at 16% of the employees' basic salaries. As defined under the Central Provident Fund legislation, the Group's contribution is subject to a cap computed based on S\$1,200 per month.

As stipulated by the rules and regulations in the PRC, the PRC subsidiaries are required to contribute to a state-sponsored social insurance scheme for all of its employees at rates ranging from 6% to 30% of the basic salary of its employees. The state-sponsored retirement plan was responsible for the entire pension obligations payable to all retired employees and the subsidiaries had no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year, the aggregate amount of the Group's employer contributions amounted to approximately S\$83,000 (2002: S\$77,000). As at the balance sheet date, there was no forfeited contribution available to reduce the Group's employer contribution payable in future periods.

29. TRANSACTIONS WITH NAGC GROUP

As stated in note 14 to these financial statements, NAGC has been a key element in the Group's business development.

- (a) During the year, the Group had the following significant transactions with NAGC and its subsidiaries.
 - (i) The Group earned management fee income of S\$1,177,000 (2002: S\$1,301,000) from three car rental sub-licensees, which are subsidiaries of NAGC.
 - (ii) The Group earned technical fee income of S\$3,221,000 (2002: S\$4,284,000) from NAGC.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

29. TRANSACTIONS WITH NAGC GROUP *(Continued)*

- (b) At the balance sheet date, the Group had the following exposures to NAGC, its subsidiaries and related companies.
- (i) Prepaid rental expenses as disclosed in note 12 to the financial statements. Two directors of the Company have undertaken to indemnify the Group against all losses in the event that NAGC or Jin Tian Cheng fail to obtain the appropriate title certificate or to repay or refund the Group. Such indemnities are secured by 64,664,000 shares of the Company and bank deposits of approximately S\$446,000 (2002: S\$452,000) and 12,484,000 shares of the Company and bank deposits of approximately S\$1,744,000 (2002: S\$1,768,000) for losses relating to project development co-operation agreements with CNA Anhua (Hertz) and Jin Tian Cheng respectively.
 - (ii) Advances made as disclosed in note 14 to the financial statements.
 - (iii) Included in "Trade receivables" are management fee income receivable from the three car rental sub-licensees of S\$2,075,000 (2002: S\$1,301,000), technical fee income receivable from NAGC of S\$2,798,000 (2002: S\$1,453,000) and commission receivable from Xiamen Zhong Bao of S\$440,000 (2002: Nil).
 - (iv) Amount due from CNA Anhua (Hertz) as disclosed in note 17 to the financial statements.
 - (v) Certain fixed deposits of the Group were pledged to a bank to secure banking facilities of up to approximately S\$7,314,000 (2002: S\$7,446,000) granted to a related company of NAGC as disclosed in note 19 to the financial statements.
 - (vi) Contingent liabilities arising from the transactions as disclosed in note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

30. COMMITMENTS UNDER OPERATING LEASES

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	The Group	
	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>
Within 1 year	226	340
After 1 year but within 5 years	75	645
After 5 years	—	490
	301	1,475

31. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for are analysed as follows:

	The Group		The Company	
	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>	2003 <i>S\$'000</i>	2002 <i>S\$'000</i>
(a) Guarantees provided to banks in respect of banking facilities granted to the following parties to the extent of:				
(i) A related company of NAGC	7,314	7,446	—	—
(ii) Subsidiaries of the Company	—	—	57,748	43,373
	7,314	7,446	57,748	43,373

The Group

Fixed deposits of approximately S\$1,765,000 (2002: S\$1,788,000) are pledged to secure these banking facilities at the balance sheet date (see note 19(a)). The bank agreed unconditionally to release the Company as corporate guarantor from the above guarantees, and the legal procedure are in progress.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2003

31. CONTINGENT LIABILITIES *(Continued)*

- (b) The Group as the principal licensee of the “Hertz” system 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.

32. POST BALANCE SHEET EVENTS

- (a) On 5 February 2004, the Group entered into an agreement with an investor of Xiamen Zhong Bao (“Zhong Bao Investor”) of which Zhong Bao Investor agreed to provide assistance to the Group in obtaining and handling necessary documents for importing automobiles and in sales of automobiles, spare parts and maintenance equipments. The directors are of opinion that such arrangement would facilitate the Group’s business in importing motor vehicles. Pursuant to the terms of the agreement, the Group had advanced approximately S\$4,779,000 to Zhong Bao Investor. However, both parties subsequently found out that there were practical difficulties in the operations. As a result, the Group and Zhong Bao Investor entered into another agreement to cancel and terminate the original agreement on 31 May 2004 which has released both parties from the performance of any obligations of the original agreement. Zhong Bao Investor had refunded approximately S\$3,313,000 of the advance to the Group and has agreed to refund the remaining balance of S\$1,466,000 by 31 December 2004.
- (b) On 1 April 2004, the Group made an advance of approximately S\$237,000 to Mr. Loh Nee Peng, an executive director of the Company. The advance is unsecured and interest bearing at 5% per annum and repayable within 6 months after the date of advances.

33. COMPARATIVE FIGURES

Comparative information regarding non-current receivables has been restated to conform with current year’s presentation.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2003 S\$'000	2002 S\$'000	2001 S\$'000	2000 S\$'000
Turnover	139,319	101,877	57,322	26,887
Other revenue	417	210	82	21
Other income	823	446	8	169
Cost of inventories	(124,310)	(87,698)	(47,820)	(19,138)
Staff costs	(2,157)	(2,029)	(1,440)	(1,152)
Depreciation and amortisation	(860)	(435)	(170)	(171)
Minimum lease payments for operating leases	(642)	(498)	(453)	(252)
Exchange differences, net	(1,751)	(816)	494	912
Other operating expenses	(4,880)	(5,144)	(2,634)	(3,680)
Profit from operations	5,959	5,913	5,389	3,596
Share of profits of a joint venture	—	—	—	295
Finance costs, net	(1,552)	(1,759)	(1,362)	(1,663)
Profit from ordinary activities before taxation	4,407	4,154	4,027	2,228
Taxation	(1,088)	(1,330)	(1,261)	(1,073)
Profit after taxation but before minority interests	3,319	2,824	2,766	1,155
Minority interests	22	25	11	(90)
Profit attributable to shareholders	3,341	2,849	2,777	1,065
Dividends	—	—	—	—
Basic earnings per share (Singapore cents)	0.84	0.78	0.87	0.35

ASSETS AND LIABILITIES

	As at 31 December			
	2003 S\$'000	2002 S\$'000	2001 S\$'000	2000 S\$'000
Total assets	87,827	71,039	49,834	36,354
Total current liabilities	(61,341)	(49,518)	(35,037)	(26,445)
Total non-current liabilities	(2,721)	(817)	(2,565)	(646)
Minority interests	(452)	(497)	(541)	(514)
Net assets	23,313	20,207	11,691	8,749

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “AGM”) of G.A. Holdings Limited (the “Company”) will be held at Unit 1206, 12th Floor, 9 Queen’s Road Central, Hong Kong on 19 July 2004 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2003;
2. To re-elect the retiring director and to authorise the board (the “Board”) of directors (the “Directors”) to fix the remuneration of the Director;
3. To appoint auditors and to authorise the Board to fix their remuneration; and
4. To consider and, if thought fit, pass with or without amendments, as ordinary resolutions:

ORDINARY RESOLUTIONS

- I. “THAT:
 - (a) subject to paragraph (c) below, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power, subject to and in accordance with the requirements of the GEM Listing Rules (as amended from time to time), be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted and approved by the shareholders of the Company for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) an issue of shares as scrip dividend pursuant to the Company’s articles of association from time to time; (iv) an issue of shares in the Company upon the exercise of the subscription rights attaching to any warrants which may be issued by the Company provided that the issue of such warrants (and the consequent obligation to issue such shares) has been approved by the shareholders

of the Company, either by specific resolutions or as part of a general approval, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company’s articles of association, the Companies Law (Revised) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting.

“Rights Issue” means an offer of shares in the Company or an offer of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations, or the expense and delay in determining the extent of any resolutions or obligations, under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong which are applicable to the Company).”

II. “THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined in paragraph 4I(d)) of all the powers of the Company to repurchase shares of the Company on the GEM or on any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the GEM Listing Rules (as amended from time to time) be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase shares at a price determined by the Directors;

- (c) the aggregate nominal amount of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly;"

III. "THAT:

conditional upon the passing of the resolutions set out in paragraphs 4I and 4II set out in the notice convening the AGM, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares pursuant to the resolution set out in paragraph 4I set out in the notice convening the AGM be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company purchased by the Company under the authority granted pursuant to the resolution 4II set out in the notice convening the AGM, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution."

5. To transact any other business.

By order of the Board
G.A. Holdings Limited
Chan Hing Ka Anthony
Chairman and Managing Director

Hong Kong, 16 June 2004

Notes:

1. Any shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint one or more separate proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the AGM or any adjourned AGM.