



G.A. HOLDINGS LIMITED

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



First Quarterly Report

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

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

The board (the “Board”) of directors (the “Directors”) of G.A. Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2004

| | | (Unaudited) | |
|--------------------------------------------------------|--------------|---------------------------|----------------|
| | | three months ended | |
| | | 31 March | |
| | | 2004 | 2003 |
| | <i>Notes</i> | S\$'000 | <i>S\$'000</i> |
| Turnover | 2 | 30,428 | 24,777 |
| Other revenue | | 98 | 85 |
| Other income | | 37 | 9 |
| Cost of inventories | | (26,391) | (21,620) |
| Staff costs | | (443) | (501) |
| Depreciation and amortisation | | (220) | (190) |
| Minimum lease payments for operating leases | | (66) | (113) |
| Exchange differences, net | | 483 | 206 |
| Other operating expenses | | (1,156) | (972) |
| Profit from operations | | 2,770 | 1,681 |
| Finance costs, net | | (541) | (324) |
| Profit from ordinary activities before taxation | | 2,229 | 1,357 |
| Taxation | 3 | (484) | (299) |
| Profit after taxation but before minority interests | | 1,745 | 1,058 |
| Minority interests | | 5 | 7 |
| Profit attributable to shareholders | | 1,750 | 1,065 |
| Earnings per share | | | |
| – Basic (<i>Singapore cents</i>) | 4 | 0.44 | 0.27 |

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2004 and 2003

| | Issued capital <i>S\$'000</i> | Share premium <i>S\$'000</i> | Capital reserve <i>S\$'000</i> | Translation reserve <i>S\$'000</i> | Accumulated profits <i>S\$'000</i> | Total <i>S\$'000</i> |
|----------------------------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|------------------------------------------|------------------------------------------|-------------------------|
| As at 1 January 2004 | 9,040 | 4,006 | 1,689 | (302) | 8,880 | 23,313 |
| Net losses not recognised in income statement | | | | | | |
| Translation difference | — | — | — | (181) | — | (181) |
| Profit for the period | — | — | — | — | 1,750 | 1,750 |
| As at 31 March 2004 | <u>9,040</u> | <u>4,006</u> | <u>1,689</u> | <u>(483)</u> | <u>10,630</u> | <u>24,882</u> |
| As at 1 January 2003 | 9,040 | 4,006 | 1,689 | (67) | 5,539 | 20,207 |
| Net gains not recognised in income statement | | | | | | |
| Translation difference | — | — | — | 26 | — | 26 |
| Profit for the period | — | — | — | — | 1,065 | 1,065 |
| As at 31 March 2003 | <u>9,040</u> | <u>4,006</u> | <u>1,689</u> | <u>(41)</u> | <u>6,604</u> | <u>21,298</u> |

NOTES:

1. Accounting Policies

The accounting policies adopted for the preparation of these unaudited consolidated results of the Group are consistent with those adopted by the Group in the preparation of annual audited financial statements for the year ended 31 December 2003.

2. Turnover

Turnover recognised by category is as follows:

| | (Unaudited) | |
|-----------------------------------------------------|---------------------------|----------------|
| | three months ended | |
| | 31 March | |
| | 2004 | 2003 |
| | <i>S\$'000</i> | <i>S\$'000</i> |
| Sales of motor vehicles | 27,791 | 21,575 |
| Servicing of motor vehicles and sales of auto parts | 1,157 | 1,945 |
| Technical fee income | 1,197 | 931 |
| Management fee income | 283 | 326 |
| | <u>30,428</u> | <u>24,777</u> |

3. Taxation

The charge comprises:

| | (Unaudited) | |
|-----------------------------------------------------------------------------|---------------------------|------------|
| | three months ended | |
| | 31 March | |
| | 2004 | 2003 |
| | S\$'000 | S\$'000 |
| Hong Kong profits tax | 154 | 111 |
| Overseas taxation (over-provision in prior period/current period provision) | 330 | 188 |
| | <u>484</u> | <u>299</u> |

Basis of taxation:

a. Hong Kong profits tax

Hong Kong profit tax has been provided at the rate of 17.5% on the estimated assessable profit of the Hong Kong subsidiary for the three months ended 31 March 2004 and 2003.

b. Overseas taxation

Overseas taxation relates to tax calculated based on the estimated assessable profit of Singapore subsidiaries at the rate of 22% for the three months ended 31 March 2004 and 2003.

c. PRC enterprise income tax

No income tax has been provided for PRC subsidiaries as they incurred losses for taxation purposes during the three months ended 31 March 2004 and 2003.

4. Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2004 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$1,750,000 and on the 400,000,000 ordinary shares in issue during the three months ended 31 March 2004.

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

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 31 March 2004 and 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Sales of motor vehicles

For the three months ended 31 March 2004, the turnover generated from sales of motor vehicles was approximately S\$27,791,000, representing an increase of approximately 28.8% as compared to the corresponding period in 2003. The increase was mainly due to the rise in sales of BMW motor vehicles. Comparing to the sales for the corresponding period in 2003, there recorded an increase of sales of BMW motor vehicles of approximately 132.8% for the three months ended 31 March 2004.

2. Servicing of motor vehicles and sales of auto parts

For the three months ended 31 March 2004, the turnover generated from servicing of motor vehicles and sales of auto parts decreased by approximately 40.5% to approximately S\$1,157,000. The decrease was mainly to the decrease in sales of auto parts.

3. Technical fee income

Technical fee income for the three months ended 31 March 2004 was approximately S\$1,197,000, increased by approximately 28.6% as compared to the corresponding period in 2003. Since the fourth quarter of 2003, the Group commenced the provision of management consulting and technical services to Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao") for its sales of the PRC manufactured BMW motor vehicles in return receiving technical fee income.

4. Management fee income

For the three months ended 31 March 2004, the management fee income was approximately S\$283,000. This represented a decrease of approximately 13.2% from the three months ended 31 March 2003. The decrease was as a result of the reduction of annual fee charge that mutually agreed between the three car rental sub-licensees and the Group.

5. Car rental business

The operation of car rental business in Hong Kong has been expanded steadily. A temporary office in Tsing Yi, Hong Kong has been set up and will be officially opened in the third quarter of this year. In addition to this extra service outlet, the Group acquired more cars and employed more staff to provide quality services to the car rental customers.

FINANCIAL REVIEW

Turnover

The unaudited consolidated turnover for the three months ended 31 March 2004 was increased to approximately S\$30,428,000 from approximately S\$24,777,000 for the corresponding period in 2003. This represented an increase of approximately 22.8%. The increase was mainly contributed by the increase of sales of motor vehicles and technical fee income. The sales of motor vehicles represented approximately 91.3% of the Group's turnover.

Gross profit

The gross profit for the three months ended 31 March 2004 was approximately S\$4,037,000, an increase of approximately 27.9% as compared to the corresponding period in 2003. The gross profit margin was approximately 13.3% for the three months ended 31 March 2004 and approximately 12.7% for the three months ended 31 March 2003.

Exchange gain

For the three months ended 31 March 2004, the exchange gain was approximately S\$483,000, an increase of approximately 134.5% as compared to the corresponding period in 2003. This was mainly due to the depreciation of euro against Singapore dollars and the Group's purchases were mainly denominated in euro.

Other operating expenses

For the three months ended 31 March 2004, other operating expenses were approximately S\$1,156,000 representing an increase of approximately 18.9% as compared to the corresponding period in 2003. This was mainly due to the increase in bank charges.

Profit attributable to shareholders

The profit attributable to shareholders for the three months ended 31 March 2004 was approximately S\$1,750,000, representing an increase of approximately 64.3% compared to the corresponding period in 2003.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004 (*three months ended 31 March 2003: Nil*).

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

As at 31 March 2004, 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Notes:

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

Save as disclosed above, as at 31 March 2004, 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 March 2004, 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 (<i>Note 1</i>) | 74,432,000 | 18.61% |
| Comfort Group Limited | Interest of a controlled corporation (<i>Note 2</i>) | 61,667,570 | 15.42% |
| PHEIM Asset Management (Asia) Pte Ltd. | Investment manager | 27,512,000 | 6.88% |

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 Ltd., the wholly owned subsidiary of Comfort Group Limited. By virtue of the SFO, Comfort Group Limited is deemed to be interested in the shares held by Comfort (China) Pte Ltd.

Save as disclosed above, as at 31 March 2004, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

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

COMPETING INTERESTS

During the three months ended 31 March 2004, none of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

During the three months ended 31 March 2004, the Company did not adopt any share option scheme, nor did it have any options or securities in issue which are convertible or exchangeable into shares of the Company.

ADVANCES TO ENTITIES

Pursuant to 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 Company's market capitalisation, being computed using the average closing prices of the Company's shares as stated in the Exchange's daily quotation sheets for the 5 business days immediately preceding 25 March 2004 (the "Market Capitalisation"). As at 31 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.

TRADE RECEIVABLES, CAR RENTAL ADVANCES, PREPAID RENTAL EXPENSES, OTHER RECEIVABLES, GUARANTEES, ADVANCES TO NORTH ANHUA GROUP CORPORATION ("NAGC").

The total advances, guarantees and trade receivables provided to and due from North Anhua Group Corporation ("NAGC", together with its subsidiaries, 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 for the period ended 30 September 2003 to a total of approximately S\$27,965,000 (equivalent to approximately HK\$130,070,000) as at 31 March 2004. NAGC is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholder of the Company and its subsidiaries or any of their respective associates.

As at 31 March 2004, the total advances, guarantees and trade receivables provided to and due from NAGC Group represented approximately 235% of the Company's Market Capitalisation and represented approximately 34% of the unaudited total asset value of the Group as at 31 March 2004.

The details of the transactions to the NAGC Group, which were of trading nature and remain outstanding as at 31 March 2004, were set out as below:

| | As at | |
|------------------------------|----------------------|-----------------|
| | 31 March 2004 | |
| | <i>S\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | 3,074 | 14,297 |
| Car rental advances | 1,697 | 7,893 |
| Prepaid rental expenses | 7,437 | 34,591 |
| Other receivables | 702 | 3,265 |
| Guarantees | 7,314 | 34,019 |
| Advances to NAGC | 3,374 | 15,693 |
| Advances to Xiamen Zhong Bao | 4,367 | 20,312 |
| | <hr/> | <hr/> |
| Total | <u>27,965</u> | <u>130,070</u> |

Trade Receivables due from the NAGC Group

The trade receivables due from the 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 2003: S\$4,873,000 (equivalent to approximately HK\$22,251,000)*). Out of this amount, approximately S\$2,588,000 (equivalent to approximately HK\$12,037,000) (*as at 31 December 2003: S\$2,799,000 (equivalent to approximately HK\$12,781,000)*) represented technical fee arising from provision of management consulting and technical assistance to the NAGC Group. The remaining balance of approximately S\$486,000 (equivalent to approximately HK\$2,260,000) (*as at 31 December 2003: S\$2,074,000 (equivalent to approximately HK\$9,470,000)*) represented management fee charged on provision of management consulting and technical expertise to 3 PRC car rental operators, namely: (i) Beijing China National Automotive Anhua Automobiles Leasing Co., Ltd. (the "Beijing Sub-licensees"), a wholly owned subsidiary of NAGC, (ii) 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 (iii) Guangzhou China National Automotive Anhua Automobiles Services Co., Ltd. (the "Guangzhou Sub-licensees"), a company which is owned as to 90% by NAGC (collectively the "Three Sub-licensees"). Approximately S\$142,000 (equivalent to approximately HK\$660,000) (*as at 31 December 2003: S\$672,000 (equivalent to approximately HK\$3,068,000)*) were due from the Beijing Sub-licensees. Approximately S\$172,000 (equivalent to approximately HK\$800,000) (*as at 31 December 2003: S\$701,000 (equivalent to approximately HK\$3,201,000)*) were due from the Shanghai

Sub-licensees. Approximately S\$172,000 (equivalent to approximately HK\$800,000) (as at 31 December 2003: S\$701,000 (equivalent to approximately HK\$3,201,000)) were due from the Guangzhou Sub-licensees. The trade receivables due from the NAGC Group were unsecured, interest free and repayable in cash by 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 2003: S\$1,722,000 (equivalent to approximately HK\$7,863,000)) were advanced as the financial assistance through a subsidiary of the Company, 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 dated 10 June 2002 (the “Prospectus”). In 2002, no car rental advances were 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. Pursuant to the disclosure requirements of Rule 17.18 of the GEM Listing Rules, these advances were unsecured, interest free and repayable in cash by March 2006. The Group has 70% interest in CNA Anhua (Tianjin) while the remaining 30% is owned by NAGC. The Three Sub-licensees are not affiliated companies of the Group as defined in the GEM Listing Rules.

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 2003: S\$7,476,000 (equivalent to approximately HK\$34,137,000)) were made in accordance with the co-operation agreement dated March 2000 and entered between the Group and China National Automatic Anhua Hertz Services Centre Co. Ltd. (“CNA Anhua (Hertz)”) a wholly owned subsidiary of NAGC for the construction of three showrooms/service centres and related facilities in the Guangdong Province, Xiamen and Beijing. CNA Anhua (Hertz) is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules). As further disclosed under the section headed “Update on the Progress of the Co-operation Projects” in the circular regarding “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, 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 such facilities for 50 years from the date of completion of the developments. The prepaid rental expenses for the development project in Beijing were approximately S\$3,910,000 (equivalent to approximately HK\$18,186,000) (*as at 31 December 2003: S\$3,949,000 (equivalent to approximately HK\$18,032,000)*), such development project was completed in December 2001. The prepaid rental expenses for the development in Haichang, Xiamen amounted to approximately S\$3,527,000 (equivalent to approximately HK\$16,405,000) (*as at 31 December 2003: S\$3,527,000 (equivalent to approximately HK\$16,105,000)*). The development project in Haichang, Xiamen was completed in December 2003. The prepaid rental expenses were unsecured and interest free. The prepaid rental expenses for each of the said development projects are amortised on a straight line basis over 50 years from the date of completion.

Other Receivables due from the NAGC Group

The other receivables due from the NAGC Group as at 31 March 2004 amounted to approximately S\$702,000 (equivalent to approximately HK\$3,265,000) (*as at 31 December 2003: S\$665,000 (equivalent to approximately HK\$3,244,000)*) represented the payment made on behalf of CNA Anhua (Hertz) for purchasing the auto parts in Hong Kong and the PRC. The receivables were unsecured, interest free and repayable in cash by September 2004. The Directors considered that the receivables were made under normal commercial terms and in the ordinary course of business of the Group.

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 2003: S\$7,314,000 (equivalent to approximately HK\$33,397,000)*) have been provided to a bank in respect of banking facilities granted to Beijing China Automotive Anhua Spare Parts Ltd. (“BCNA”) (a company which is owned as to 45% by CNA Anhua (Hertz), a wholly owned subsidiary of NAGC) since May 2001. 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 Directors consider the guarantees given are under normal commercial terms and in the ordinary course of business of the Group. The above guarantees provided by certain Directors and German Automobiles Pte. Ltd had been released on 9 June 2004 and 16 June 2004 respectively. As advised by the Directors, BCNA is not an affiliated company of the Group as defined in the GEM Listing Rules.

Advances to the NAGC Group

The advances that has been made to BCNA since February 2003, which remained outstanding as at 31 March 2004, amounted to approximately S\$3,374,000 (equivalent to approximately HK\$15,693,000) (*as at 31 December 2003: S\$3,424,000 (equivalent to approximately HK\$15,635,000)*). The advances were used for the purchase of imported automobiles and related import tax expenses so as to leverage the distribution network of the NAGC Group for marketing and promotional purposes. In 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 the NAGC Group in 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 eligible to import motor vehicles into the PRC. NAGC is one of these eligible entities in the PRC which are allowed to import and distribute imported automobiles in the PRC. Since the Group relies on NAGC to promote sales of imported cars in the PRC, the Directors consider these advances to NAGC by the Group in this regard are in normal course of business of the Group and under normal commercial terms. Pursuant to the disclosure requirements of Rule 17.18 of the GEM Listing Rules, these advances were unsecured, interest free and repayable in cash by September 2004.

Advances to and trade receivables due from Xiamen Zhong Bao

As at 31 March 2004, the advances due from Xiamen Zhong Bao, a company owned as to 12.17% by NAGC, amounted to approximately S\$4,367,000 (equivalent to approximately HK\$20,312,000) (*as at 31 December 2003: S\$5,616,000 (equivalent to approximately HK\$25,644,000)*). Among the total advances, S\$3,822,000 (equivalent to approximately HK\$17,777,000) (*as at 31 December 2003: S\$5,176,000 (equivalent to approximately HK\$23,635,000)*) 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. According to this 5-years term agreement, the Group has to provide marketing management and technical services, after-sales services and financial assistance to Xiamen Zhag Bao. There were 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 2003: S\$440,000 (equivalent to approximately HK\$2,009,000)*) were 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. Pursuant to the disclosure requirements of Rule 17.18 of the GEM Listing Rules, the amounts due were unsecured, interest free and repayable in cash by September 2004. The Directors considered that granting of advances to and trade receivables from Xiamen Zhong Bao are under normal commercial terms and in the ordinary course of business of the Group.

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 Company's Market Capitalisation.

None of the following companies is an affiliated company of the Group as defined in the GEM Listing Rules. As advised by the Directors, the following companies are not subsidiaries, or substantial shareholders of the NAGC Group or its associates (as defined in the GEM Listing Rules).

| | As at | | % of Total Market Capitalisation |
|--------------------------------------------------|----------------------|-----------------|-------------------------------------------------|
| | 31 March 2004 | | |
| | <i>S\$'000</i> | <i>HK\$'000</i> | |
| Xiamen Bunlung Automobiles Co. Ltd. | 2,557 | 11,893 | 22% |
| Yuet Join Industrial Co. Ltd. | 3,051 | 14,191 | 26% |
| Xiamen Xin Cheng Gung Auto Co. Ltd. | 2,021 | 9,400 | 17% |
| Beijing Zhong Bao Trading Co. Ltd. | 3,602 | 16,754 | 30% |
| Beijing Hui Long Xin Trading Co. Ltd. | 2,910 | 13,535 | 24% |
| Xiamen Zi Kung Equipment Co. Ltd. | 2,211 | 10,284 | 19% |
| Cheongfuli (Hong Kong) Co. Ltd. | 1,888 | 8,781 | 16% |
| Xiamen Feng Chi Automobiles Trading Co. Ltd. | 1,619 | 7,530 | 14% |
| Tianjin Chi Meng International Trade Co. Ltd. | 1,999 | 9,298 | 17% |
| Xiamen C & D Inc. | 1,418 | 6,594 | 12% |
| Total | <u>23,276</u> | <u>108,260</u> | |

As at 31 March 2004, the trade receivables due from Xiamen Bunlung Automobiles Co. Ltd., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$2,557,000 (equivalent to approximately HK\$11,893,000). The receivables represented the outstanding balances arising from the sales of motor vehicles in the PRC and were considered as ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable by July 2004. The trade receivables due from Xiamen Bunlung Automobiles Co. Ltd. amounted to approximately 22% of the Company's Market Capitalisation.

As at 31 March 2004, the trade receivables due from Yuet Join Industrial Co. Ltd., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$3,051,000 (equivalent to approximately HK\$14,191,000). The receivables represented the outstanding balances arising from the sales of motor vehicles and were considered as ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable by May 2004. The trade receivables due from Yuet Join Industrial Co. Ltd. were approximately 26% of the Company's Market Capitalisation. The receivables were fully repaid by Yuet Join Industrial Co. Ltd. in May 2004.

As at 31 March 2004, the trade receivables due from Xiamen Xin Cheng Gung Auto Co. Ltd., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$2,021,000 (equivalent to approximately HK\$9,400,000). The receivables represented the outstanding balances arising from the sales of motor vehicles and were considered as 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 Company's Market Capitalisation.

As at 31 March 2004, the trade receivables due from Beijing Zhong Bao Trading Co. Ltd., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$3,602,000 (equivalent to approximately HK\$16,754,000). Out of this amount, approximately S\$2,681,000 (equivalent to approximately HK\$12,470,000) were trade receivables, representing the outstanding balances arising from the sales of motor vehicles that were considered as ordinary course of business and on normal commercial terms. The balances of approximately S\$921,000 (equivalent to approximately HK\$4,284,000) were advances for the marketing activities of the PRC manufactured BMW motor vehicles that commenced in October 2003, and the advances were considered in the ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in cash by July 2004. The trade receivables due from Beijing Zhong Bao Trading Co. Ltd. were approximately 30% of the Company's Market Capitalisation.

As at 31 March 2004, the trade receivables due from Beijing Hui Long Xin Trading Co. Ltd., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$2,910,000 (equivalent to approximately HK\$13,535,000). The receivables represented the outstanding balances arising from the sales of motor vehicles and were considered as ordinary course of the Group's business and on normal

commercial terms. The amounts were unsecured, interest free and repayable by July 2004. The trade receivables due from Beijing Hui Long Xin Trading Co. Ltd. were approximately 24% of the Company's Market Capitalisation.

As at 31 March 2004, the trade receivables due from Xiamen Zi Kung Equipment Co. Ltd., which is not connected with the Company, the Directors chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$2,211,000 (equivalent to approximately HK\$10,284,000). The receivables represented the outstanding balances arising from sales of motor vehicles and were considered as ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable by July 2004. The trade receivables due from Xiamen Zi Kung Equipment Co. Ltd. were approximately 19% of the Company's Market Capitalisation.

As at 31 March 2004, the trade receivables due from Cheongfuli (Hong Kong) Co. Ltd., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$1,888,000 (equivalent to approximately HK\$8,781,000). The receivables represented the outstanding balances arising from sales of motor vehicles and were considered as ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable by June 2004. The trade receivables due from Cheongfuli (Hong Kong) Co. Ltd. were approximately 16% of the Company's Market Capitalisation.

As at 31 March 2004, the trade receivables due from Xiamen Feng Chi Automobiles Trading Co. Ltd., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$1,619,000 (equivalent to approximately HK\$7,530,000). The receivables represented the outstanding balances arising from sales of motor vehicles and were considered as ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable by July 2004. The trade receivables due from Xiamen Feng Chi Automobiles Trading Co. Ltd. were approximately 14% of the Company's Market Capitalisation.

As at 31 March 2004, the trade receivables due from Tianjing Chi Meng International Trade Co. Ltd., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$1,999,000 (equivalent to approximately HK\$9,298,000). The receivables represented the outstanding balances arising from sales of motor vehicles and were considered as ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable by July 2004. The trade receivables due from Tianjin Chi Meng International Trade Co. Ltd. were approximately 17% of the Company's Market Capitalisation.

As at 31 March 2004, the trade receivables due from Xiamen C & D Inc., which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), amounted to approximately S\$1,418,000 (equivalent to approximately HK\$6,594,000). The receivables represented the outstanding balances arising from sales of motor vehicles and were considered as ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable by July 2004. The trade receivables due from Xiamen C & D Inc. were approximately 12% of the Company'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 Rules for the period from 17 June 2002 (being the listing date) to 31 December 2004.

As at 31 March 2004, an associate of CASH held 7,384,000 shares of the Company. Save as disclosed above, none of CASH, its directors, employees or associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 31 March 2004.

COMPLIANCE WITH RULE 5.34 TO 5.45 OF THE GEM LISTING RULES

During the three months ended 31 March 2004, none of the Directors of the Company was aware of any information that would reasonable indicate that the Company or any of its subsidiaries was not in compliance with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 31 March 2004.

The Directors as at the date of this report are:

Executive Directors

Mr. Chan Hing Ka Anthony (*Chairman and Managing Director*)

Mr. Loh Kim Her

Mr. Loh Nee Peng

Mr. Xu Ming

Independent non-executive Directors

Ms. Lam So Ying

Mr. Lee Kwok Yung

By Order of the Board

Chan Hing Ka Anthony

Chairman and Managing Director

Hong Kong, 28 June 2004