



# 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)*



2004 Interim Report

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The board (the “Board”) of directors (the “Directors”) of G.A. Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2004 (the “Interim Period”).

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2004

	Notes	<b>(Unaudited)</b> <b>three months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>six months ended</b> <b>30 June</b>	
		<b>2004</b> S\$'000	<b>2003</b> S\$'000	<b>2004</b> S\$'000	<b>2003</b> S\$'000
Turnover	3	33,251	33,572	63,679	58,349
Other revenues	3	149	94	247	179
Other income		49	47	86	56
		<u>(30,995)</u>	<u>(30,491)</u>	<u>(57,386)</u>	<u>(52,111)</u>
Cost of inventories					
Staff costs	4	(433)	(508)	(876)	(1,009)
Depreciation and amortisation		(242)	(200)	(462)	(390)
Minimum lease payments for operating expenses		(56)	(104)	(122)	(217)
Exchange differences, net		(383)	37	100	243
Other operating expenses		(1,274)	(1,326)	(2,430)	(2,298)
		<u>66</u>	<u>1,121</u>	<u>2,836</u>	<u>2,802</u>
Profit from operations					
Finance costs, net	4	(351)	(400)	(892)	(724)
		<u>(285)</u>	<u>721</u>	<u>1,944</u>	<u>2,078</u>
Profit/(Loss) from ordinary activities before taxation	4				
Taxation	5	(25)	(134)	(509)	(433)
		<u>(310)</u>	<u>587</u>	<u>1,435</u>	<u>1,645</u>
Profit after taxation but before minority interests					
Minority interests		5	5	10	12
		<u>5</u>	<u>5</u>	<u>10</u>	<u>12</u>
		<u>(305)</u>	<u>592</u>	<u>1,445</u>	<u>1,657</u>
Profit/(Loss) attributable to shareholders					
Earnings/(Losses) per share					
– Basic (Singapore cents)	6	(0.08)	0.15	0.36	0.41

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

		(Unaudited) As at 30 June 2004 S\$'000	(Audited) As at 31 December 2003 S\$'000
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,912	6,639
Prepaid rental expenses		8,746	8,685
Non-current receivables		1,722	1,722
<b>Total non-current assets</b>		<u>17,380</u>	<u>17,046</u>
<b>Current assets</b>			
Inventories		8,852	757
Trade receivables, net	8	27,931	37,087
Bills receivables		2,328	12,317
Prepayment, deposits and other current assets		15,903	10,956
Due from related companies		91	80
Pledged bank deposits		6,431	7,553
Bank balances and cash		4,540	2,031
<b>Total current assets</b>		<u>66,076</u>	<u>70,781</u>
<b>Current liabilities</b>			
Trade payables	9	(2,183)	(7,446)
Accruals and other payables		(7,907)	(4,036)
Bank overdraft		(4,806)	(1,642)
Bills payable to banks		(30,347)	(35,866)
Secured bank loans, current portion		(6,007)	(5,960)
Obligations under finance leases, current portion		(548)	(401)
Due to related companies		(530)	(515)
Due to directors		(26)	(608)
Taxation		(4,984)	(4,867)
<b>Total current liabilities</b>		<u>(57,338)</u>	<u>(61,341)</u>
<b>Net current assets</b>		<u>8,738</u>	<u>9,440</u>
<b>Total assets less current liabilities</b>		<u>26,118</u>	<u>26,486</u>
<b>Non-current liabilities</b>			
Secured bank loans, non-current portion		(113)	(2,231)
Obligations under finance leases, non-current portion		(642)	(490)
<b>Total non-current liabilities</b>		<u>(755)</u>	<u>(2,721)</u>
Minority interests		(441)	(452)
<b>NET ASSETS</b>		<u>24,922</u>	<u>23,313</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		9,040	9,040
Reserves		15,882	14,273
		<u>24,922</u>	<u>23,313</u>

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

	<b>Issued capital</b> <i>S\$'000</i>	<b>Share premium</b> <i>S\$'000</i>	<b>Capital reserve</b> <i>S\$'000</i>	<b>Translation reserve</b> <i>S\$'000</i>	<b>Accumulated profits</b> <i>S\$'000</i>	<b>Total</b> <i>S\$'000</i>
As at 1 January 2004	9,040	4,006	1,689	(302)	8,880	23,313
<b>Net gains (losses) not recognised in income statement</b>						
Translation difference	—	—	—	166	—	166
Shared by minority shareholder	—	—	—	(2)	—	(2)
Profit for the period	—	—	—	—	1,445	1,445
As at 30 June 2004	<u>9,040</u>	<u>4,006</u>	<u>1,689</u>	<u>(138)</u>	<u>10,325</u>	<u>24,922</u>
As at 1 January 2003	9,040	4,006	1,689	(67)	5,539	20,207
<b>Net gains (losses) not recognised in income statement</b>						
Translation difference	—	—	—	4	—	4
Shared by minority shareholder	—	—	—	8	—	8
Profit for the period	—	—	—	—	1,657	1,657
As at 30 June 2003	<u>9,040</u>	<u>4,006</u>	<u>1,689</u>	<u>(55)</u>	<u>7,196</u>	<u>21,876</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	(Unaudited) six months ended 30 June 2004 S\$'000	(Unaudited) six months ended 30 June 2003 S\$'000
Net cash inflow from operating activities	636	935
Net cash (outflow)/inflow from investment activities	481	(1,042)
Net cash (outflow)/inflow from financing activities	<u>(1,772)</u>	<u>(18)</u>
Net (decrease)/increase in cash and cash equivalents	(655)	(125)
Cash and cash equivalents, beginning of period	<u>389</u>	<u>5,190</u>
Cash and cash equivalents, end of period	<u><u>(266)</u></u>	<u><u>5,065</u></u>
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	4,540	6,513
Bank overdrafts	<u>(4,806)</u>	<u>(1,448)</u>
	<u><u>(266)</u></u>	<u><u>5,065</u></u>
<b>Major non-cash transaction</b>		
Inception of finance leases	<u><u>533</u></u>	<u><u>216</u></u>

Notes:

### 1. Basis of presentation

These unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practices 25 “Interim financial reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. (the “GEM Listing Rules”). These condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

### 2. Accounting Policies

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

### 3. Turnover and other revenue

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

Turnover and revenue recognised by category are as follows:

	<b>(Unaudited)</b> <b>three months ended</b>		<b>(Unaudited)</b> <b>six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Sales of motor vehicles	31,108	31,703	58,899	53,278
Servicing of motor vehicles and sales of auto parts	1,172	706	2,329	2,651
Technical fee income	681	895	1,878	1,826
Management fee income	290	268	573	594
	<u>33,251</u>	<u>33,572</u>	<u>63,679</u>	<u>58,349</u>
Other revenue				
Rental income	<u>149</u>	<u>94</u>	<u>247</u>	<u>179</u>
Total revenue	<u><u>33,400</u></u>	<u><u>33,666</u></u>	<u><u>63,926</u></u>	<u><u>58,528</u></u>

Turnover by geographic location is as follows:

	<b>(Unaudited)</b> <b>three months ended</b>		<b>(Unaudited)</b> <b>six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Hong Kong	6,266	20,095	11,374	35,787
PRC	26,985	13,477	52,305	22,562
	<u>33,251</u>	<u>33,572</u>	<u>63,679</u>	<u>58,349</u>

The Group is organised on a worldwide basis into four 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 German Automobiles Pte Ltd. ("GAPL") to German Automobiles Limited ("GAL") (i.e. intra-group)

For the six months ended 30 June 2004:

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Activity 4</b>	<b>Elimination</b>	<b>Total</b>
	<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	<u>60,777</u>	<u>2,329</u>	<u>573</u>	<u>2,301</u>	<u>(2,301)</u>	<u>63,679</u>
Segment results	<u>1,180</u>	<u>(255)</u>	<u>282</u>	<u>1,849</u>	<u>—</u>	<u>3,056</u>

For the six months ended 30 June 2003:

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Activity 4</b>	<b>Elimination</b>	<b>Total</b>
	<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	<u>55,104</u>	<u>2,651</u>	<u>594</u>	<u>2,074</u>	<u>(2,074)</u>	<u>58,349</u>
Segment results	<u>1,347</u>	<u>(217)</u>	<u>167</u>	<u>1,625</u>	<u>—</u>	<u>2,922</u>

#### 4. Profit before taxation

Profit before taxation is determined after charging (crediting):

	(Unaudited) three months ended 30 June		(Unaudited) six months ended 30 June	
	2004	2003	2004	2003
	S\$'000	S\$'000	S\$'000	S\$'000
<b>(a) Finance costs, net</b>				
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	317	378	822	681
Interest on other loans	38	32	75	62
Finance charges on obligations under finances leases	15	7	26	13
	<u>370</u>	<u>417</u>	<u>923</u>	<u>756</u>
Interest income	(19)	(17)	(31)	(32)
	<u>351</u>	<u>400</u>	<u>892</u>	<u>724</u>
<b>(b) Staff costs</b>				
Contributions to defined contribution plans	21	25	44	56
Salaries, wages and other benefits	412	483	832	953
	<u>433</u>	<u>508</u>	<u>876</u>	<u>1,009</u>
<b>(c) Other items</b>				
Depreciation of property, plant and equipment: Assets held for use under operating leases	74	44	135	82
Other assets	130	135	251	267
Amortisation of prepaid rental expenses	38	21	76	41
	<u>38</u>	<u>21</u>	<u>76</u>	<u>41</u>

## 5. Taxation

The charge comprises:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>three months ended</b>		<b>six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Hong Kong profit tax	160	170	314	281
Overseas taxation (overprovision in prior period/current period provision)	(135)	(36)	195	152
	<u>25</u>	<u>134</u>	<u>509</u>	<u>433</u>

## 6. Earnings/Losses per share

The calculation of basic losses per share for the three months ended 30 June 2004 was based on the unaudited consolidated loss attributable to shareholders of approximately S\$305,000 and on the 400,000,000 ordinary shares in issue during the three months ended 30 June 2004.

The calculation of basic earnings per share for the three months ended 30 June 2003 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$592,000 and on the 400,000,000 ordinary shares in issue during the three months ended 30 June 2003.

Diluted losses and earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 30 June 2004 and 2003 respectively.

The calculation of basic earnings per share for the six months ended 30 June 2004 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$1,445,000 and on the 400,000,000 ordinary shares in issue during the six months ended 30 June 2004.

The calculation of basic earnings per share for the six months ended 30 June 2003 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$1,657,000 and on the 400,000,000 ordinary shares in issue during the six months ended 30 June 2003.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2004 and 2003.

## 7. Related party transactions

Particulars of significant connected transactions between the Group and related companies during the three months and six months ended 30 June 2004 and 2003 are as follows:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>three months ended</b>		<b>six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Income Continuing				
Rental income from related companies ( <i>note a</i> )	6	5	11	10
Expenses Continuing:				
Rental expenses to related companies ( <i>note b</i> )	26	13	53	26

*Notes:*

- Rental income from Octavus Properties Pte Ltd. and Eng Kheng (S) Pte Ltd. for sub-lease of office premises in Singapore. As at 30 June 2004, Octavus Properties Pte Ltd. was a 100% owned by Mr. Chan Hing Ka Anthony, a director and shareholder of the Company; Eng Kheng (S) Pte Ltd. was 61% owned by Mr. Chan Hing Ka Anthony and 39% owned by Ms. Chan Xiao Li, sister of Mr. Chan Hing Ka, Anthony.
- Rental expenses to Atland Properties Pte Ltd. and Xiamen L&B Property Co., Ltd. for rental of office and showroom premises in Singapore and the PRC respectively. As at 30 June 2004, Atland Properties Pte Ltd. was 99.9% owned by Ms. Chan Xiao Li, sister of Mr. Chan Hing Ka Anthony, a director and shareholder of the Company; Xiamen L&B Property Co., Ltd. was 5% owned by Mr. Loh Kim Her, a director and shareholder of the Company and 95% owned by his family member.

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

## 8. Trade receivables

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

The aging analysis of trade receivables is as follows:

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2004</b>	<b>2003</b>
	<i>S\$'000</i>	<i>S\$'000</i>
0 to 3 months	12,294	11,692
3 to 6 months	3,462	13,048
6 to 9 months	12,762	12,933
9 to 12 months	—	—
Over 12 months	—	—
	<hr/>	<hr/>
	28,518	37,673
Less: Provision for doubtful debts	(587)	(586)
	<hr/>	<hr/>
	<b>27,931</b>	<b>37,087</b>
	<hr/> <hr/>	<hr/> <hr/>

## 9. Trade payables

The aging analysis of trade payables is as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2004</b> <i>S\$'000</i>	<b>(Audited)</b> <b>As at</b> <b>31 December</b> <b>2003</b> <i>S\$'000</i>
0 to 1 month	367	566
1 to 6 months	205	1,978
6 to 12 months	—	—
1 to 2 years	1,292	4,547
Over 2 years	319	355
	<u>2,183</u>	<u>7,446</u>

## 10. Commitments

### a. Operating lease commitments

As at 30 June 2004, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:-

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2004</b> <i>S\$'000</i>	<b>(Audited)</b> <b>As at</b> <b>31 December</b> <b>2003</b> <i>S\$'000</i>
– Within 1 year	160	226
– After 1 year but within 5 years	12	75
– After 5 years	—	—
	<u>172</u>	<u>301</u>

### b. Contingent liabilities

As at 30 June 2004, contingent liabilities not provided for are analysed as follows:-

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-licensure agreements to Hertz International Ltd. These car rental sub-licensees are subsidiaries of NAGC.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In view of the overheating of the PRC economy, the PRC government implemented austerity economic measures to cool down the dramatic but unhealthy economic growth. Such measures aimed at reducing the excessive increment of fixed assets investment and bank borrowings and resulting a soft landing of the economy.

The financing of motor vehicles was one of the areas covered by the austerity measures. The tightening of financing shrank the demand for motor vehicles. On other hand, the increase of production volume in the secondary industry required inputs of large amounts of raw materials, including steel, copper, oil, etc. The large amount of inputs led to the shortage and price increase. The price of oil affected the cost of driving a car and the demand for motor vehicles. The imbalance of demand for and supply of motor vehicles affected the profit margin of distribution of motor vehicles.

Nonetheless, the PRC government imposed the measures to prevent economic bubbles. The elimination of import quotas and further cut of import tariffs will be the factors contributing to the increase in demand of imported motor vehicles. It was evidenced by the increase in turnover generated from sales of motor vehicles.

### **FINANCIAL REVIEW**

#### **Turnover**

Turnover for the Interim Period rose by approximately 9.1% to approximately S\$63,679,000, as compared to the corresponding period in 2003. The increase was mainly attributed by the increase of sales of motor vehicles. For the Interim Period, the sales of motor vehicles increased by approximately 10.6%, while the turnover generated from servicing of motor vehicles and sales of auto parts and management fee income recorded decreases.

#### **Gross Profit**

The gross profit for the Interim Period was approximately S\$6,293,000, an increase of approximately 0.9% as compared to the corresponding period in 2003. The gross profit margin for the Interim Period was approximately 9.9%, a decrease of approximately 0.8% as compared to approximately 10.7% of the corresponding period in 2003. The decrease was mainly due to the imbalance of demand and supply of motor vehicles in the PRC market. The selling price of the motor vehicles was thus reduced to deal with the market situation.

## **Other Operating Expenses**

For the Interim Period, the other operating expenses were approximately S\$2,430,000, representing an increase of approximately 5.7%, as compared to the corresponding period in 2003. The increase was mainly due to the increase in operating cost of the car rental business in Hong Kong. The car rental business was steadily expanded both in terms of the size of car fleet and service counters.

## **Profit Attributable to Shareholders**

The profit attributable to shareholders for the Interim Period amounted to approximately S\$1,445,000, representing a decrease of approximately 12.8%, as compared to the corresponding period in 2003. There recorded a loss attributable to shareholders for the three months ended 30 June 2004 of approximately S\$305,000.

## **Taxation**

GAL, a wholly-owned subsidiary of the Company, is an enterprise operating in Hong Kong. Hong Kong profits tax has been provided for both of the six months ended 30 June 2004 and 2003 at a rate of 17.5%.

GAPL, a wholly-owned subsidiary of the Company, is an enterprise operating in Singapore. Singapore income tax at a rate of 22% has been provided for both of the six months ended 30 June 2004 and 2003.

Xiamen BMW Automobiles Services Co., Ltd. ("Xiamen BMW"), a co-operative joint venture enterprise established and operating in the Xiamen Special Economic Zone of the PRC since 8 January 1994 was subject to the PRC enterprise income tax at a rate of 15%. Xiamen BMW Automobiles Service Co., Ltd. had been granted by the PRC tax bureau an exemption from tax for the first two profit-making years and a reduction of 50% income tax for the following three consecutive years. No income tax has been provided for the six months ended 30 June 2004 as the Company sustained a tax loss for the period.

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

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

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 June 2004, shareholders' fund of the Group amounted to approximately S\$24,922,000 (*31 December 2003: S\$23,313,000*). Current assets amounted to approximately S\$66,076,000 (*31 December 2003: S\$70,781,000*). Of which, approximately S\$10,971,000 (*31 December 2003: S\$9,584,000*) were cash and bank deposits. Current liabilities, amounted to approximately S\$57,338,000 (*31 December 2003: S\$61,341,000*), were mainly the trade payables, bills payables, bank loans, accruals and other payables, bank overdrafts and obligations under finance leases. The Group had non-current liabilities amounted to approximately S\$755,000 (*31 December 2003: S\$2,721,000*). The net asset value per share as at 30 June 2004 was approximately S\$0.062 (*31 December 2003: S\$0.058*).

## **GEARING RATIO**

The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30 June 2004, the gearing ratio of the Group was 0.49 (*31 December 2003: 0.52*).

## **EXPOSURE TO THE FLUCTUATIONS IN EXCHANGE RATE**

For the Interim Period, the exchange gain of the Group amounted to approximately S\$100,000, whereas exchange gain amounted to approximately S\$243,000 was recorded for the six months ended 30 June 2003. The exchange gain was mainly resulted from the translation of accounts receivables, accounts payables and inter-company balances from Euro and US dollars to Singapore dollars and the transactions of imports and exports bill denominated in Euro and US dollars.

## **CONTINGENT LIABILITIES**

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 car rental sub-licensees of all amounts payable under the respective sub-licensee agreements to Hertz International Ltd. These car rental sub-licensees are subsidiaries of NAGC.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2004, the Group pledged time deposits of approximately S\$6,431,000 (*31 December 2003: S\$7,553,000*) and charged plant and machinery of approximately S\$140,000 (*31 December 2003: S\$140,000*) to several banks for banking facilities for the Group and to secure guarantees given by the bank to Hertz International Ltd., the principal of the "Hertz" system of the Car Rental Business.

As at 30 June 2004, the Group mortgaged the property and land and building with net book value of approximately S\$819,000 to a bank to secure a mortgage loan (*31 December 2003: S\$1,169,000 to banks to secure 2 mortgage loans*).

### **EMPLOYEE INFORMATION**

As at 30 June 2004, the total number of employee of the Group was 86. For the Interim Period, the staff costs including directors' remuneration of the Group amounted to approximately 1.4% of the turnover of the Group and decrease of approximately S\$133,000 as compared to the corresponding period in 2003. It is the Group policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

### **RETIREMENT BENEFITS**

During the Interim Period and the six months ended 30 June 2004, the aggregate amount of the employer's contribution of the Group under Central Provident Fund in Singapore and Mandatory Provident Fund in Hong Kong amounted to approximately S\$44,000 and S\$56,000 in aggregate respectively.

As at 30 June 2004 and 2003, there was no material forfeited contribution available to reduce the employer's contribution payable in future periods.

### **CAPITAL STRUCTURE OF THE GROUP IN DEBT SECURITIES**

During the Interim Period and the corresponding period in 2003, the Group had no debt securities in issue.

### **MATERIALS ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the Interim Period and the corresponding period in 2003, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

### **MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As at 30 June 2004, the Group had no future plans for material investment and purchase of capital assets except the details set out in the section headed "Statement of business objectives" in the prospectus of the Company dated 10 June 2002 (the "Prospectus").

## COMPARISON BETWEEN BUSINESS OBJECTIVE AND ACTUAL RESULTS

The actual progress of the Group's business objectives for the Interim Period

**Business Objectives**  
*(as stated in the Prospectus)*

**Actual Business Progress**  
*(up to 30 June 2004)*

### 1. Expansion of Distribution Network

- To appoint licensed PRC resellers distribution agents in the central region of the PRC to further strengthen the Group's distribution network.
- The Group has not yet been notified by BMW the granting of authorised distributorship in the central region of the PRC, the Group has not appointed any resellers or distribution agents in the central region of the PRC.

The Group are still closely liaised with BMW for the distributorship in the central region of the PRC.

### 2. Enhancement of after-sales service

- To operate a service centre in the authorised region in the central part of the PRC through joint venture(s).
- As aforementioned, the Group has not been notified the authorised distributorship in the central region of the PRC, thus the Group has not commenced the establishment of the service centre in the region.

### 3. Management of Car Rental Business in the PRC

- To commence research on applications of the Global Positioning System in the PRC, the system is believed to be a value-added service to the car rental operation.
- The Group has commenced its research on applications of the Global Positioning System to the car rental sub-licensees' car rental operation to enhance the value-added service package.

### 4. Sales and Marketing

- To launch an advertisement campaign to introduce the service centre in the central region of the PRC and promote Groups products.
- The Group has not been notified by BMW the granting of authorised distributorship in the central region of the PRC, no advertisement campaign has been launched.

## USE OF PROCEEDS

As at 30 June, 2004, the net proceeds from the public listing have been applied as follows:

	<b>Budgeted amount disclosed in the Prospectus</b>		<b>Actual amount used up to 30 June 2004</b>	
	<i>S\$ million</i>	<i>HK\$ million</i>	<i>S\$ million</i>	<i>HK\$ million</i>
Expansion of distribution network	2.36	11.00	2.36	11.00
Enhancement of after sales service	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
	<hr/>	<hr/>	<hr/>	<hr/>
Total	5.81	27.00	5.35	24.80
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004 (*six months ended 30 June 2003: Nil*).

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

As at 30 June 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 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 are 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				Approximate percentage of Total shareholding
		Personal Interest	Family Interest	Corporate Interest	Other Interests	
Loh Kim Her	Interest of a controlled corporation	—	—	106,432,000 (Note 1)	—	106,432,000 26.61%
Chan Hing Ka Anthony	Interest of a controlled corporation	—	—	106,432,000 (Note 2)	—	106,432,000 26.61%
Loh Nee Peng	Interest of a controlled corporation	—	—	106,432,000 (Note 3)	—	106,432,000 26.61%

### Notes:

1. The 106,432,000 shares are held as to 16,000,000 shares by Affluence Investment International Limited, as to 16,000,000 shares by L & B Holdings Pte Ltd. and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100%, 18.94% and 15%, respectively by Mr. Loh Kim Her. By virtue of the SFO, Mr. Loh 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 International 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 International Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 30 June 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 are required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITION OF SHAREHOLDERS

As at 30 June 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:

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
Loh & Loh Construction Group Ltd.	Beneficial owner ( <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%

*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 30 June 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**

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 Interim Period, 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, 17.17 and 17.22 of the GEM Listing Rules, a disclosure obligation arises when the relevant advances to an entity from the Group exceeds 8% of the Group's market capitalisation, being calculated 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 30 June 2004 (the "Market Capitalisation"). As at 30 June 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\$0.0996 as quoted on the Stock Exchange for the trading days from 23 June 2004 to 29 June 2004 (both days inclusive), being the five trading days immediately preceding 30 June 2004, the Company's Market Capitalisation was approximately HK\$39.84 million.

## **TRADE RECEIVABLES, CAR RENTAL ADVANCES, PREPAID RENTAL EXPENSES, OTHER RECEIVABLES, GUARANTEES, ADVANCES TO NAGC**

The total advances, guarantees and trade receivables provided to and due from NAGC and its subsidiaries or any of their respective associates (collectively, the "NAGC Group"), decreased from a total of approximately S\$27,965,000 (equivalent to approximately HK\$130,070,000) as at 31 March 2004 as disclosed in the Group's latest quarterly report for the three months ended 31 March 2004 to a total of approximately S\$16,540,000 (equivalent to approximately HK\$74,843,000) as at 30 June 2004. NAGC is a business partner which is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholder of the Company.

As at 30 June 2004, the total advances, guarantees and trade receivables provided to and due from NAGC Group represented approximately 188% of the Group's Market Capitalisation and represented approximately 20% of the unaudited total asset value of the Group as at 30 June 2004.

Details of the transactions to the NAGC Group which are of trading nature and remain outstanding as at 30 June 2004 are announced as follows:

	<b>30 June 2004</b>		<b>31 March 2004</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Trade receivables	3,968	17,955	3,074	14,297
Car rental advances	1,747	7,905	1,697	7,893
Prepaid rental expenses	7,399	33,480	7,437	34,591
Other receivables	—	—	702	3,265
Guarantees	—	—	7,314	34,019
Advances to NAGC	41	186	3,374	15,693
Advances to Xiamen Zhong Bao	3,385	15,317	4,367	20,312
	<u>16,540</u>	<u>74,843</u>	<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 30 June 2004 amounted to approximately S\$3,968,000 (equivalent to approximately HK\$17,955,000) (*as at 31 March 2004: S\$3,074,000 (equivalent to approximately HK\$14,297,000)*). Out of this amount, approximately S\$3,055,000 (equivalent to approximately HK\$13,825,000) (*as at 31 March 2004: S\$2,588,000 (equivalent to approximately HK\$12,037,000)*) represented the technical fee arising from provision of management consulting and technical assistance to the NAGC Group. The remaining balance of approximately S\$913,000 (equivalent to approximately HK\$4,130,000) (*as at 31 March 2004: S\$486,000 (equivalent to approximately HK\$2,260,000)*) represented the 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-licensee”), a wholly subsidiary of NAGC, (ii) Shanghai China National Automotive Anhua Automobiles Services Co., Ltd. (the “Shanghai Sub-licensee”), 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-licensee”), a company which is owned as to 90% by NAGC (collectively the “Three Sub-licensees”). Approximately S\$285,000 (equivalent to approximately HK\$1,288,000) (*as at 31 March 2004: S\$142,000 (equivalent to approximately HK\$660,000)*) was due from the Beijing Sub-licensee. Approximately S\$314,000 (equivalent to approximately HK\$1,421,000) (*as at 31 March 2004: S\$172,000 (equivalent to approximately HK\$800,000)*) was due from the Shanghai Sub-licensee. Approximately S\$314,000 (equivalent to approximately HK\$1,421,000) (*as at 31 March 2004: S\$172,000 (equivalent to approximately HK\$800,000)*) was due from the Guangzhou Sub-licensee. The trade receivables due from the NAGC Group were unsecured, interest free and repayable in cash by the end of October 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 30 June 2004, approximately S\$1,747,000 (equivalent to approximately HK\$7,905,000) (as at 31 March 2004: S\$1,697,000 (equivalent to approximately HK\$7,893,000)) 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”). These advances were unsecured, interest free and repayable in cash by the end of 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 30 June 2004, prepaid rental expenses of the amount of S\$7,399,000 (equivalent to approximately HK\$33,480,000) (as at 31 December 2003: S\$7,437,000 (equivalent to approximately HK\$34,591,000)) were made in accordance with the co-operation agreement in 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 was approximately S\$3,907,000 (equivalent to approximately HK\$17,679,000) (as at 31 March 2004: S\$3,910,000 (equivalent to approximately HK\$18,186,000)), which was completed in December 2001. The prepaid rental expenses for the development in Haichang, Xiamen amounted to approximately S\$3,492,000 (equivalent to approximately HK\$15,801,000) (as at 31 March 2004: S\$3,527,000 (equivalent to approximately HK\$16,405,000)), which 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.

### *Advances to the NAGC Group*

The advances that has been made to BCNA since February 2003, which remained outstanding as at 30 June 2004, amounted to approximately S\$41,000 (equivalent to approximately HK\$186,000) (*as at 31 March 2004: S\$3,374,000 (equivalent to approximately HK\$15,693,000)*). The advances were used for the purchase of imported motor vehicles 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 were 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 cars 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. These advances were unsecured, interest free and repayable in cash by the end of September 2004.

### *Advances to and trade receivables due from Xiamen Zhong Bao Automobiles Co., Ltd. (“Xiamen Zhong Bao”)*

As at 30 June 2004, the advances due from Xiamen Zhong Bao, a company owned as to 12.17% by NAGC, amounted to approximately S\$3,385,000 (equivalent to approximately HK\$15,317,000) (*as at 31 March 2004: S\$4,367,000 (equivalent to approximately HK\$20,312,000)*). Among the total advances, S\$3,044,000 (equivalent to approximately HK\$13,774,000) (*as at 31 March 2004: S\$3,822,000 (equivalent to approximately HK\$17,777,000)*) 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 year term agreement, the Group has to provide marketing management and technical services, after-sales services and financial assistance to Xiamen Zhong Bao. The remaining balance of S\$341,000 (equivalent to approximately HK\$1,543,000) (*as at 31 March 2004: S\$545,000 (equivalent to approximately HK\$2,535,000)*) 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 cash by the end of 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 AND ADVANCES PURSUANT TO RULE 17.15 OF GEM LISTING RULES

As at 30 June 2004, each of the following trade receivables from customers of the Group exceeds 8% of the Group'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).

	<b>30 June 2004</b>		<b>Market</b>
	<i>S\$'000</i>	<i>HK\$'000</i>	<b>Capitalisation</b>
Xiamen Bunlung Automobiles Co. Ltd.	2,629	11,896	30%
Yuet Join Industrial Co. Ltd.	2,633	11,914	30%
Xiamen Xin Cheng Gung Auto Co. Ltd.	2,007	9,082	23%
Beijing Zhong Bao Trading Co. Ltd.	3,705	16,765	42%
Beijing Hui Long Xin Trading Co. Ltd.	2,988	13,520	34%
Xiamen Zi Kung Equipment Co. Ltd.	1,245	5,634	14%
Cheongfuli (Hong Kong) Co. Ltd.	1,224	5,538	14%
Xiamen Feng Chi Automobiles Trading Co. Ltd.	1,146	5,186	13%
Tianjin Chi Meng International Trade Co. Ltd.	1,342	6,072	15%
Xiamen C & D Inc.	1,432	6,480	16%
Beijing Hui Chuan Trading Co.	916	4,145	10%
Jung Xin Automobiles Co. Ltd.	875	3,959	10%
Forever Fortune Trading Co.	2,205	9,976	25%
Beijing Dong Shen Wei Ye Auto Sales Co. Ltd.	1,426	6,452	16%
Fuzhou Zhong Bao Trading Co. Ltd.	6,240	28,236	71%
Total	<u>32,013</u>	<u>144,855</u>	

As at 30 June 2004, the trade receivables due from Xiamen Bunlung Automobiles Co. Ltd. ("Xiamen Bunlung"), 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\$2,629,000 (equivalent to approximately HK\$11,896,000). The receivables represented the outstanding balances arising from the sales of motor vehicles in the PRC to Xiamen Bunlung 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 the end of October 2004. The trade receivables due from Xiamen Bunlung were approximately 30% of the Group's Market Capitalisation.

As at 30 June 2004, the trade receivables due from Yuet Join Industrial Co. Ltd. (“Yuet Join”), 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\$2,633,000 (equivalent to approximately HK\$11,914,000). The receivables represented the outstanding balances arising from the sales of motor vehicles in the PRC to Yuet Join 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 the end of October 2004. The trade receivables due from Yuet Join Industrial Co. Ltd. were approximately 30% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Xiamen Xin Cheng Gung Auto Co. Ltd. (“Xiamen Xin Cheng Gung”), 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\$2,007,000 (equivalent to approximately HK\$9,082,000). The receivables represented the outstanding balances arising from the sales of motor vehicles in the PRC to Xiamen Xin Cheng Gung 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 the end of October 2004. The trade receivables due from Xiamen Xin Cheng Gung were approximately 23% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Beijing Zhong Bao Trading Co. Ltd. (“Beijing Zhong Bao”), 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\$3,705,000 (equivalent to approximately HK\$16,765,000). Out of this amount, approximately S\$2,756,000 (equivalent to approximately HK\$12,471,000) were trade receivables, representing the outstanding balances arising from the sales of motor vehicles in the PRC to Beijing Zhong Bao were considered as ordinary course of business and on normal commercial terms. The balances of approximately S\$949,000 (equivalent to approximately HK\$4,294,000) were advances for the marketing activities of the PRC manufactured BMW motor vehicles that commenced in October 2003 and considered as ordinary course of the Group’s business and on normal commercial terms. The amounts were unsecured, interest free and repayable in cash by the end of October 2004. The trade receivables due from Beijing Zhong Bao were approximately 42% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Beijing Hui Long Xin Trading Co. Ltd. (“Beijing Hui Long Xin”), 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\$2,988,000 (equivalent to approximately HK\$13,520,000). The receivables represented the outstanding balances arising from the sales of motor vehicles in the PRC to Beijing Hui Long Xin 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 the end of October 2004. The trade receivables due from Beijing Hui Long Xin were approximately 34% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Xiamen Zi Kung Equipment Co. Ltd. (“Xiamen Zi Kung”), 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\$1,245,000 (equivalent to approximately HK\$5,634,000). The receivables represented the outstanding balances arising from sales of motor vehicles in the PRC to Xiamen Zi Kung 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 the end of October 2004. The trade receivables due from Xiamen Zi Kung were approximately 14% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Cheongfuli (Hong Kong) Co. Ltd. (“Cheongfuli”), 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\$1,224,000 (equivalent to approximately HK\$5,538,000). The receivables represented the outstanding balances arising from sales of motor vehicles in the PRC to Cheongfuli 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 the end of October 2004. The trade receivables due from Cheongfuli were approximately 14% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Xiamen Feng Chi Automobiles Trading Co. Ltd. (“Xiamen Feng Chi”), 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\$1,146,000 (equivalent to approximately HK\$5,186,000). The receivables represented the outstanding balances arising from sales of motor vehicles in the PRC to Xiamen Feng Chi 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 the end of October 2004. The trade receivables due from Xiamen Feng Chi were approximately 13% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Tianjing Chi Meng International Trade Co. Ltd. (“Tianjing Chi Meng”), 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\$1,342,000 (equivalent to approximately HK\$6,072,000). The receivables represented the outstanding balances arising from sales of motor vehicles in the PRC to Tianjin Chi Meng 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 the end of October 2004. The trade receivables due from Tianjin Chi Meng were approximately 15% of the Group’s Market Capitalisation.

As at 30 June 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\$1,432,000 (equivalent to approximately HK\$6,480,000). The receivables represented the outstanding balances arising from sales of motor vehicles in the PRC to Xiamen C & D Inc. 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 the end of October 2004. The trade receivables due from Xiamen C & D Inc. were approximately 16% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Beijing Hui Chuan Trading Co. (“Beijing Hui Chuan”), 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\$916,000 (equivalent to approximately HK\$4,145,000)). The receivables represented the outstanding balances arising from the sales of motor vehicles in the PRC to Beijing Hui Chuan 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 the end of October 2004. The trade receivables due from Beijing Hui Chuan were approximately 10% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Jung Xin Automobiles Co. Ltd. (“Jung Xin”), which is not connected with the Company, the Directors, chief executives, substantial shareholders 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\$875,000 (equivalent to approximately HK\$3,959,000). The receivables were incurred as a result of sales of motor vehicles in the PRC to Jung Xin and the Directors considered such receivables as ordinary course of the Group’s business and on normal commercial terms. The receivables were unsecured, interest free and repayable by the end of November 2004. The trade receivables due from Jung Xin were approximately 10% of the Group’s Market Capitalisation.

As at 30 June 2004, the trade receivables due from Forever Fortune Trading Co. (“Forever Fortune”), which is not connected with the Company, the Directors, chief executives, substantial shareholders 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\$2,205,000 (equivalent to approximately HK\$9,976,000). The receivables were incurred as a result of sales of motor vehicles in the PRC to Forever Fortune and the Directors considered such receivables as ordinary course of the Group’s business and on normal commercial terms. The receivables were unsecured, interest free and repayable by the end of November 2004. The trade receivables due from Forever Fortune were approximately 25% of the Group’s Market Capitalisation.

**THE ADVANCES DUE FROM BEIJING DONG SHEN WEI YE AUTO SALES CO. LTD.  
 (“DONG SHEN”)**

As at 30 June 2004, the advances due from Dong Shen, which is not connected with the Company, the Directors, chief executives, substantial shareholders or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), were originally paid pursuant to an agreement between Dong Shen dated 5 February 2004. The agreement required Dong Shen to provide assistance to the Group in obtaining and handling necessary documents for importing automobiles, spare parts and maintenance equipment. However, as a result of the practical difficulties, the Group and Dong Shen mutually agreed and entered into a supplemental agreement on 31 May 2004 to terminate the agreement dated 5 February 2004 and released both parties from the performance of any obligations of the agreement dated 5 February 2004. The aggregate advances amounted to approximately S\$4,779,000 (equivalent to approximately HK\$21,625,000). Dong Shen had refunded approximately S\$3,353,000 (equivalent to approximately HK\$15,173,000) in June 2004 and the remaining balance of S\$1,426,000 (equivalent to approximately HK\$6,452,000) will be repaid by the end of December 2004. The Directors considered such advances as ordinary course of the Group’s business and on normal commercial terms. The advances were unsecured and interest free. The advances due from Dong Shen were approximately 16% of the Group’s Market Capitalisation.

The advances from the Group to Dong Shen are for the payment of the import license and custom clearance fee and other custom related charges for imported cars which were shipped to the Group’s customers via Tianjin Free Port. The payment is calculated on the basis of number of imported motor vehicles being shipped. As disclosed under the section headed “Risk Factors” of the prospectus of the Company dated 10 June 2002, the PRC imposes restriction on the imports of motor vehicles. Only certain entities are eligible to import motor vehicles into the PRC. Dong Shen is one of these eligible entities in the PRC which are allowed to import and distribute imported motor vehicles in the PRC. The advances will be repaid to the Group once the imported motor vehicles are successfully sold and delivered to the customers. The Directors consider that this practice is a common practice in the automobile industry in the PRC.

## **THE TRADE RECEIVABLES DUE FROM FUZHOU ZHONG BAO TRADING CO. LTD. ("FUZHOU ZHONG BAO")**

As at 30 June 2004, the trade receivables due from Fuzhou Zhong Bao, which is not connected with the Company, the Directors, chief executives, substantial shareholders 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\$6,240,000 (equivalent to approximately HK\$28,236,000). The receivables were for the marketing activities of the PRC manufactured BMW motor vehicles in the PRC that commenced in October 2003 and the Directors considered such receivables as ordinary course of the Group's business and on normal commercial terms. The receivables were unsecured, interest free and repayable by the end of December 2004. The receivables due from Fuzhou Zhong Bao were approximately 71% of the Group's Market Capitalisation.

The Group has entered with Xiamen Zhong Bao Automobiles Co. Ltd. ("Xiamen Zhong Bao") a management and technical service contract (the "Contract") in October 2003. According to the Contract, the Group has to provide management, technical and marketing services, after-sales service, warranty service and providing financial assistance to Xiamen Zhong Bao and its affiliated companies, including Fuzhou Zhong Bao. In return, the Group receives a fee of arranging from RMB8,000 to 13,000 for each motor vehicle sold by Xiamen Zhong Bao or its affiliated companies, including Fuzhou Zhong Bao. The Directors consider that it is a common practice in the automobile industry in the PRC.

## **SPONSORS INTERESTS**

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

As at 30 June 2004, an associate of CASH held 7,384,000 shares of the Company. Saved as disclosed above, none of CASH, its directors, employees or associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 June 2004.

## **COMPLIANCE WITH RULE 5.35 TO 5.45 OF THE GEM LISTING RULES**

During the Interim Period, none of the Directors of the Company is aware of any information that would reasonable indicate that the Company or any of its subsidiaries is not in compliance with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.35 to 5.45 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the Interim Period, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exactly than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

## **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 three independent non-executive Directors, namely Mr. Yin Bin, Mr. Lee Kwok Yung and Mr. Zhang Lei and one executive Director, Mr. Chan Hing Ka Anthony. The duties of the audit committee include reviewing the Company's annual reports and accounts, half-year reports and quarterly reports and providing advice and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Interim Period.

## **DIRECTORS OF THE COMPANY**

Executive Directors of the Company as at the date hereof are Mr. Chan Hing Ka Anthony, Mr. Loh Nee Peng and Mr. Xu Ming. Independent non-executive Directors of the Company as at the date hereof are Mr. Yin Bin, Mr. Lee Kwok Yung and Mr. Zhang Lei.

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

Hong Kong, 12 August 2004