G.A. HOLDINGS LIMITED

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

ANNUAL REPORT 2004

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.

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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.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. Chan Hing Ka Anthony *(Chairman)*
Mr. Loh Nee Peng
Mr. Xu Ming
Mr. Lee Kwok Yung *
Mr. Yin Bin *
Mr. Zhang Lei *

* *Independent non-executive Directors*

AUDIT COMMITTEE

Mr. Yin Bin *(Chairperson)*
Mr. Lee Kwok Yung
Mr. Zhang Lei

COMPLIANCE OFFICER

Mr. Loh Nee Peng

AUTHORISED REPRESENTATIVES

Mr. Chan Hing Ka Anthony
Mr. Loh Nee Peng

QUALIFIED ACCOUNTANT

Mr. Chan Chi Fai, *FCPA, FCCA*

COMPANY SECRETARY

Mr. Chan Chi Fai, *FCPA, FCCA*

AUDITORS

Grant Thornton
Certified Public Accountants

SPONSOR

Celestial Capital Limited

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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PRINCIPAL PLACE OF BUSINESS

Unit 1206, 12th Floor
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Hong Kong

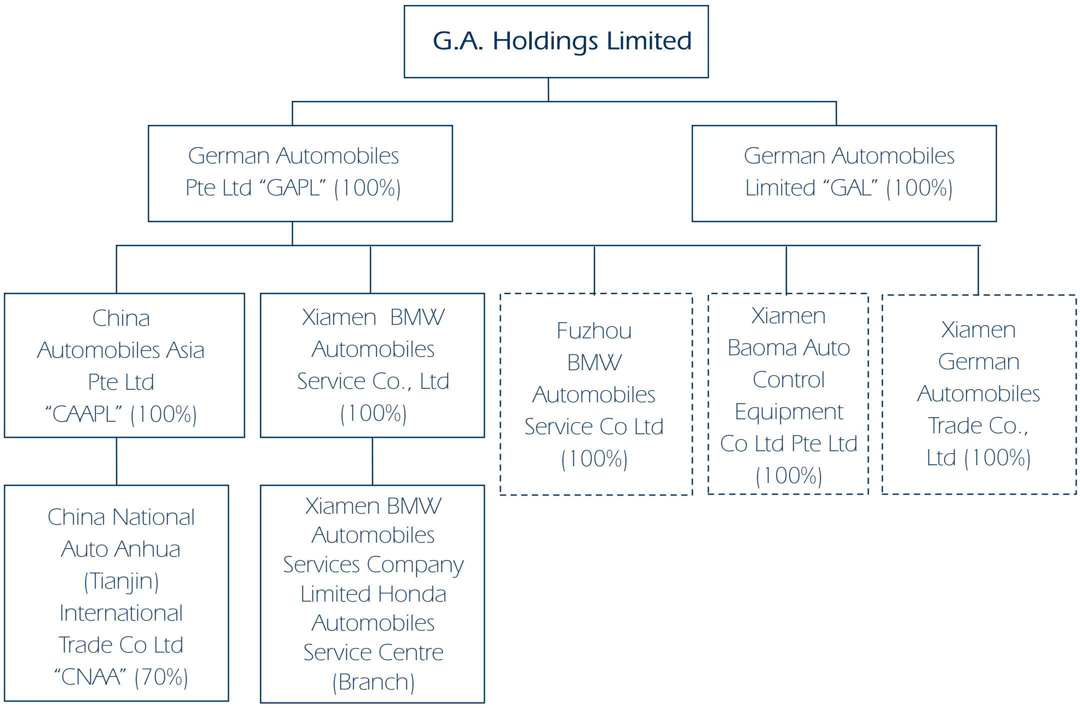
COMPANY WEBSITE

www.ga-holdings.com

STOCK CODE

8126

GROUP STRUCTURE



dormant company

CHAIRMAN'S STATEMENT

In 2004, the auto industry is disturbed by a combination of factors, including the PRC government's decision to implement austerity measures on the overheating economy, leading to tightened credit for auto loans; moreover, as the auto industry is going through retail price adjustment to stimulate sales, a scope for price stabilization is anticipated by customers. These slowed down car sales in recent months.

As investors anticipate a prosperous return on the automobile industry, keen competition is faced. Thus results in price adjustments of motor vehicles. However, price adjustment in this stage does not necessarily erode the overall revenue generated, as demand will definitely increase due to slash in prices for motor vehicles.

Even though the PRC government tightens credit for auto loans, news announced recently boost up an optimistic view on the automobile industry. With BMW Group and its business partner in the PRC agreed on banks being the authorized financial intermediaries to offer attractive auto loans to BMW Customers, it stimulates the demand for BMW autos. With increasing income of PRC citizens, an upsurge demand for luxurious vehicles is foreseen, which sheds light to the prosperity of auto industry in the near future.

Although some short-run factors may affect the industry in a temporary basis, China remains a potential automotive market. Upbeat forecasts are derived by financial analysts, citing that China will takeover the champion position of the automotive market in years. Thereof, short run factors are transformed to woo business in the long-run as it will definitely not foil the long-term growth of the industry.

On behalf of the Board of Directors, I would like to express my tribute to the fellow directors, management and staffs for their dedication to the success of the Group. I also would like to convey my heartfelt gratefulness to the resigned Director, Mr. Loh Kim Her, for his invaluable advice and guidance.

Chan Hing Ka Anthony
Chairman and Managing Director

Hong Kong, 31 March 2005

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2004, the turnover of the Group decreased by approximately 28.1% as compared to the year of 2003. The decrease was mainly a consequence of the austerity measures imposed by the PRC government to the slowing down of the overheating economy.

Sales of motor vehicles

The Group mainly distributes imported motor vehicles to the PRC market. During the year, the turnover of this segment took up approximately 87.9% of the total Group turnover.

In the light of the austerity measures implemented by the PRC government as to reduce the overall economic fluctuations, oil prices hike necessarily sheds light to a critical view on the automobile industry. With consistent adoption of the on-going austerity measures and customers' anticipation for future slash in car prices, cars sales during the twelve months ended December 2004 decreased when compared to the previous year.

Under WTO obligations, quotas on auto imports in the PRC are removed from Jan 2005. Moreover, the PRC will cut its tariffs on auto imports to 25% by mid-2006 from 34.2% at present. There is a huge potential for the market segment of luxurious sedans and sporty utility vehicles in the PRC to expand as the remarkable sales trend of the PRC backed the soaring demand for imported motor vehicles. For such reason, customer's anticipation on slash of car prices defer their purchases thus resulting a decrease in sales in year 2004.

Servicing of motor vehicles and sales of auto parts

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

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

To expand the geographical coverage of the servicing business, the Group is establishing another service centre in Fuzhou Municipality in Fujian Province. In February 2003, the Fuzhou City Planning Bureau has approved a piece of land located at Cangshan Science Park in Fuzhou City as the construction site of the Fuzhou service centre. However, the Group is pending the granting of land title certificates for the said land by the PRC's authority and the approval of layout plan of the service centre by the Beijing office of BMW AG. Once the aforementioned sanctions are obtained, the construction will commence. The Directors expect the Fuzhou service centre will be completed by the end of 2005. Upon the completion of this service centre, the servicing coverage of the Group will be further enhanced.

Technical fee income

The Group received technical fee income from the business partner, North Anhua Group Corporation ("NAGC"), for providing management consulting and technical assistance in relation to NAGC's sales of locally manufactured Honda's motor vehicles. During the year, the number of Honda's motor vehicles sold by NAGC was decreased because of tense competition from the substitutes by the local manufacturers.

In October 2003, the Group entered into an agreement with Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao"), an affiliated company of NAGC, to provide management consulting and technical assistance for its purchase for the locally manufactured BMW motor vehicles sold in return for technical fee income. The locally manufactured BMW motor vehicles were introduced in October 2003. During the year 2004, the amount of technical fee income increased because of increase in sales of cars as sales are being recorded on a full year basis.

Management fee income

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

During the year, the value-added service package including Corporate Plus Program, Global Traveler Program and Make a Leap package is developed and in use in Xiamen service centre. These served to simplified the rental procedures and enhance customer's satisfaction.

Car rental business

In July 2003, German Automobiles Ltd. ("GAL"), the wholly owned subsidiary of the Group, was appointed by Hertz International Limited as the licensee of Hertz car rental business in Hong Kong. Prior to the official appointment, GAL had operated a small car fleet to trial run the rental business. The car fleet comprised cars with various models and car sizes to fit customers' needs. The rental customers mainly focused on the expatriates of multinational corporations from the foreign countries. In May 2004, the Group established an outlet in The Rambler Crest, Tsing Yi ("The Rambler Crest"), as an operational office for the Hertz car rental business in Hong Kong. With expanding marketing strategies, the Group commenced offering car rental services to the residents of The Rambler Crest. Increased fleet size and diversified marketing strategies sparks an extensive approach to reach out different targeted customer segments, thereby increases sales.

Update of progress of the construction of service centre in Fuzhou

Xiamen BMW Automobiles Service Co., Ltd. ("Xiamen BMW"), a wholly owned subsidiary of the Company and Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng") entered into a project co-operation agreement for the construction of a service and maintenance centre in Fuzhou on 10 August 2001, as supplemented by agreements entered into among Xiamen BMW, Jin Tian Cheng and NAGC. Under the agreements, Jin Tian Cheng is responsible for constructing the service centre in accordance with the requirement of Fuzhou BMW and assisting Fuzhou BMW to obtain the required permits and the appropriate title certificates.

With reference to the announcement made dated 25 January 2005 ("the Announcement"), due to the lack of progress in the construction of the service centre, the Directors do not considerate appropriate to allow further extension to the deadline for completions of the construction of the service centre by Jin Tian Cheng. Jin Tian Cheng agreed to repay the Prepayment to the Group and the Group will not suffer any loss (tangible or intangible) as a result of the termination of co-operation. The construction of the service centre will be financed by the repayment from Jin Tian Cheng and the Group will construct the service centre by itself.

Establishments of subsidiaries in the PRC

The Group injected capital of approximately S$ 982,000 to establish Xiamen Baoma Auto-Control Equipment Co. Ltd. ("Xiamen Auto Control") in October 2004.

Xiamen Auto Control, which is a wholly owned subsidiary of the Group, was incorporated in the Investment Zone of Haichang Xiamen. The main

MANAGEMENT DISCUSSION AND ANALYSIS

operation of Xiamen Auto Control will be on the research and development, manufacturing, assembling and trading of auto parts and accessories such as intelligent car security system, electrical lighting, wiring sets and exhaust systems etc. As at the date of this report, Xiamen Auto Control has not yet commenced its operation.

FINANCIAL REVIEW

Overview

The majority of the Group's turnover during the year ended 31 December 2004 was derived by GAPL, a subsidiary operating in Singapore, principally engaged in the business of distributing motor vehicles, auto parts and accessories.

Turnover

For the year ended 31 December 2004, the turnover of the Group amounted to S$100,246,000, a decrease of approximately 28.1% as compared with that of the year ended 31 December 2003. This is mainly attributable to the decrease in the sale of motor vehicle by 32.3% during the year as the auto industry was severely affected by austerity measures including restriction on borrowing and auto financing implemented by the PRC government during 2004.

For the year ended 31 December 2004, the income generating from servicing of motor vehicles and sales of auto parts was approximately S$5,342,000, representing an increase of approximately 39.2% as compared with that of the year ended 31 December 2003. The Directors believed that the increase in servicing income and sales of auto parts was due to the increase in servicing income generated from the newly completed service centre in Xiamen.

With the commencement of provision of technical services to Xiamen Zhong Bao in October 2003, the technical fee income increased by approximately 36.5% to approximately S$5,609,000 for the year ended 31 December 2004 as compared with S$4,109,000 for the year ended 31 December 2003. This was mainly due to the effect of full year income in 2004 against 3 months' results in 2003.

Management fee income from the Three Sub-licensees was approximately S$1,135,000 for the year ended 31 December 2004, a slightly decrease of approximately 3.6% as compared with approximately S$1,177,000 for the year ended 31 December 2003.

Gross Profit

Gross profit margin for income from distribution of motor vehicles was approximately 4.8% and 7.6% respectively for the years ended 31 December 2004 and 2003. The gross profit margin of technical fee and car rental management fee income were 100% for both years ended 31 December 2004 and 2003. For the years ended 31 December 2004 and 2003, the gross profit margin of the Group was approximately 11.5% and 10.8% respectively. The increase in gross profit margin resulted from increase in contribution from technical income on the total group turnover.

For the year ended 31 December 2004, the gross profit of the Group was approximately S$11,501,000, representing a decrease of approximately 23.4% over that of the year ended 31 December 2003.

Operating expenses

Other operating expenses for the year ended 31 December 2004, amounted to approximately S$4,595,000, a decrease of 5.8% as compared with that of the year ended 31 December 2003. The decrease was the result of decrease in sales. As the need of processing trade finance documents decreases, thereby proportionately lowers bank charges.

Profit from ordinary activities attributable to shareholders

Profit attributable to shareholders for the year ended 31 December 2004 was approximately S$1,741,000 as compared with approximately S$3,341,000 for the year ended 31 December 2003. The profits for 2004 decreased by approximately 47.9% as compared with that of 2003.

Financial resources and liquidity

As at 31 December 2004, shareholders' fund of the Group amounted to approximately S$24,220,000 (2003:

S$23,313,000). Current assets amounted to approximately S$56,790,000 (2003: S$70,781,000). Of which approximately S$11,060,000 (2003: S$9,584,000) were cash and bank balances. Current liabilities amounted to approximately S$47,854,000 (2003: S$61,341,000) mainly represent trade payables, bills payables, bank loans, accruals and other payables. The Group had non-current liabilities amounted to approximately S$2,106,000 (2003: S$2,721,000). The net asset value per share as at 31 December 2004 was approximately S$0.061 (2003: S$0.058).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total assets. As at 31 December 2004, the Group had a gearing ratio of 0.52 (2003: 0.53).

Foreign Exchange Exposure

During the year ended 31 December 2004, the Group had an exchange loss of approximately S$807,000 (2003: S$1,751,000), mainly resulting from the appreciation of Euro against Singapore dollar, whereas the purchases for BMW passenger vehicles were mainly denominated in Euro.

Charges on Group Assets

As at 31 December 2004, the Group pledged time deposits of approximately S$9,578,000 (2003: S$7,553,000) and charged plant and machinery of approximately S$183,000 (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 car rental business (the "Car Rental Business").

As at 31 December 2004, the Group charged legal mortgages on leasehold land and buildings with net book value of approximately S$1,150,000 (2003: S$1,169,000) to banks to secure mortgage loans.

Contingent Liabilities

As at 31 December 2004, the Group provided a bank guarantee of approximately S$4,581,000 (2003: S$7,314,000) to a bank in respect of banking facilities to a related company of NAGC. As at 31 December 2004, the Group provided a bank guarantee of approximately S$6,930,000 (2003: Nil) to a bank in respect of banking facilities to Xiamen Zhong Bao.

The Group as the principal licensee of the Car Rental Business, has given corporate guarantees to the principal of the Car Rental Business, guaranteeing the performance and timely payment by the Three Sub-licensees of all amounts payable under the respective sub-licensees agreements to Hertz International Ltd. The Three Sub-licensees were subsidiaries of NAGC.

Employees

As at 31 December 2004, the total number of employees of the Group was 102. For the year ended 31 December 2004, the staff costs including directors' remuneration of the Group amounted to approximately 1.9% of the turnover of the Group and a decrease of approximately S$277,000 or approximately 12.8% as compared to that of the year ended 31 December 2003.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2004, the Group had no material acquisition and disposal of subsidiaries and affiliated companies (2003: Nil).

Significant Investment

As at 31 December 2004, the Group had no significant investment held (2003: Nil).

Material Investments or Capital Assets

As at 31 December 2004, the Group had no future plans for material investment except for the Fuzhou Service Centre as detailed in the "Update of progress of the construction of service centres" section above.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure of the Group in Debt Securities

During the year ended 31 December 2004, the Group had no debt securities in issue (2003: Nil).

BUSINESS PROSPECT

Commencing from 1 January 2004, the tariffs on imported motor vehicles further reduced from 38.2% to 34.2% for those cylinder capacity not exceeding 3,000c.c. and 43.0% to 37.6% for those cylinder capacity exceeding 3,000c.c.. Furthermore, quotas on auto imports are removed from Jan 2005 onwards. This serves as a stimulant to the automotive industry in the PRC. Cost on import vehicles is expected to decrease in the future and competitiveness of the Group will be enhanced.

Another favorable factor announced recently, with BMW Group and its business partner in the PRC agreed on banks being the authorized financial intermediaries to offer attractive auto loans to BMW customers. This can stimulate the demand for BMW autos, for sure, positive impacts channels the prosperity of the industry.

In order to further enhance the competitiveness, the Group would like to further expand its distribution network of other foreign manufactured vehicles, negotiations for authorized distributorship(s) are still in progress.

Moreover, as the new auto policy will allow foreign investors to establish more than two joint ventures in China to make the same types of vehicles (passenger vehicles, commercial vehicles and motorcycles), if they join forces with their existing Chinese partners to acquire other auto firms in China. As such, foreign investment will increase thereby serves as a leverage effect to the industry as a whole.

The locally manufactured BMW motor vehicles in Shenyang, Liaoning Province were introduced to the market in the last quarter of year 2003. The Group entered into an agreement with Xiamen Zhong Bao to provide management consulting and technical assistance in relation to its sales of locally manufactured BMW motor vehicles for technical fee income. Such arrangement helps the Group grasp the locally manufactured BMW motor vehicles and enhance the income source of the Group. From the trail of local manufacturing of other foreign brands, the Directors expect the growth in such technical fee income will be encouraging.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chan Hing Ka Anthony, aged 37, is the chairman and managing director of the Company and a co-founder of the Group, which was established in August 1993. Mr. Chan is responsible for the finance operation of the Group. Mr. Chan has established and maintained close relationship with BMW AG and enabled the Group to secure reliable supply of BMW passenger vehicles. Mr. Chan graduated from the University of San Francisco in 1988 with a bachelor's degree in business administration.

Mr. Loh Nee Peng, aged 37, is an executive director of the Company and a co-founder of the Group, which was established in August 1993. Mr. Loh is responsible for the business development in the PRC. Mr. Loh gained more than 10 years experience in the PRC's auto industry. Mr. Loh graduated from the University of San Francisco in 1988 with a bachelor's degree in business administration.

Mr. Xu Ming, aged 34, is an executive director of the Company. He joined the Group in October 2003. Mr. Xu has more than 10 years experience in managing business in the PRC. Mr. Xu is the founder, the chairman of the board and the Chief Executive Officer of Dalian Shide Group Co., Ltd. He also serves as the chairman of the board of Dalian Shide Football Club Co., Ltd. and the vice chairman of the board of Dalian City Commercial Bank. Mr. Xu completed the postgraduate course of Commercial Economy in Dongbei University of Finance & Economics in 1998.

Independent non-executive Directors

Mr. Lee Kwok Yung, aged 49, has been appointed as an independent non-executive director of the Company since June 2002. Mr. Lee is a solicitor admitted to practice law in Hong Kong and a member of the Law Society of Hong Kong. He is currently a partner at Messrs Hau, Lau, Li & Yeung, Solicitors & Notaries in Hong Kong. Mr. Lee has over 14 years of experience in law practicing. Mr. Lee holds a diploma from the College of Radiographers and a honours degree in law from the University of London and a postgraduate certificate in laws from the University of Hong Kong. Mr. Lee is experienced in commercial law, litigation and conveyancing.

Mr. Yin Bin, aged 33, obtained a master degree in Economics from Hunan University. Mr. Yin is the general manager of a trading financial service agent in the PRC and has extensive experience in trade and finance.

Mr. Zhang Lei, aged 34, is a member of the Chinese Institute Certified Public Accountant (CICPA) in the PRC and has more than seven-years professional experience in the field of finance and accounting. Currently, Mr. Zhang is working as a senior manager in Shengzhen Jun He Certified Public Accountants Co. Ltd.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lim Tee Peng, aged 42, is the general manager of the auto parts and accessories division of the Group. Prior to joining the group in August 1993, Mr. Lim was a sales manager of an authorised dealer of European luxury motor vehicles. Mr. Lim has extensive experience in trading of auto parts and accessories.

Mr. Tan Cheng Kim, aged 38, is the general manager of the motor vehicle distribution division of the Group. Mr. Tan has extensive experience in trading of motor vehicles in the PRC. Prior to joining of the Group in August 1993, Mr. Tan was an engineer of an authorised dealer of European luxury motor vehicles. Mr. Tan graduated from the Ngee Ann Polytechnic Singapore in 1987 with a diploma in mechanical engineering.

Mr. Chan Chi Fai, aged 39, is the Finance Manager and the Company Secretary of the Group and is responsible for its overall financial management function. He joined the Group in 2004 and has more than 16 years experience in financial sector. Mr. Chan holds a master degree in business administration from the University of Manchester. He is a fellow member of Chartered Association of Certified Accountants and a fellow member of Hong Kong Institute of Certified Public Accountants.

BUSINESS OBJECTIVES REVIEW

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS

The actual progress of the Group's business objectives for the year ended 31 December 2004, as set out in the Prospectus is as follows:

Business objectives for the year ended 31 December 2004 disclosed in the Prospectus Actual business progress for the year ended 31 December 2004

1. Expansion of Distribution Network

BMW

– To appoint licensed PRC resellers distribution agents in the central region of the PRC to further strengthen the Group's distribution network	– Due to change of PRC government's policy, the Group decided to delay in appointing resellers agents in the central region

Other brand representations

– To finalize negotiations with foreign motor vehicle manufacturer(s) for authorized distributorship in the PRC	– Negotiations with a Japanese and an European manufacturer for authorized distributorship are still in progress
– To initiate negotiations with other foreign motor vehicle manufacturer(s) for authorized distributorship in the PRC	– Negotiation is in progress with an Asian manufacturer to get authorized distributorship in the PRC

2. Enhancement of after-sales service

– To operate a service centre in the authorized region in the central part of the PRC through joint venture(s)	– Postpone due to change of PRC government's policy on auto industry
– To upgrade continually the computer systems and engineering equipment of the Group's workshops and service centres	– Computer systems and engineering equipment are being upgraded continually

BUSINESS OBJECTIVES REVIEW

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	– Have taken initial steps to look into the possibility in using this Global Positioning System in the PRC
– To enhance the value-added service packages	– Value-added service packages are in use in Xiamen service centre
– To appoint sub-licensees in area of Tianjin Municipality and the Xiamen Special Economic Zone	– The appointments of sub-licensees in Tianjin and Xiamen Special Economic Zone are in process.

4. Sales and Marketing

Motor vehicle distribution

– To launch an advertisement campaign to introduce the service centre in the central region of the PRC and promote group's products	– Not materialised due to change in the PRC government's policy on auto industry.
– To recruit 4 sales and marketing professionals for the distribution of motor vehicles in the PRC	– 4 sales and marketing professionals are recruited
– To hold marketing activities including golf tournament, exhibition, test drive in the PRC	– Test drive, car exhibition and promotional events are carried out in Xiamen

USE OF PROCEEDS

As use of proceeds for the year ended 31 December 2004 was not budgeted in the Prospectus, there is no provision for any actual amount used up to 31 December 2004.

DIRECTORS' REPORT

The Board of Directors is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in distribution of motor vehicles, servicing of motor vehicles, sales of auto parts, provision of technical services and provision of management services to car rental sub-licensees. The business of each principal subsidiary is set out in note 15 to the financial statements.

An analysis of the Group's turnover, other revenue and gains is set out in note 4 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2004, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales

–	The largest customer	17.7%
–	The total of five largest customers	50.1%

Purchases

–	The largest supplier	75.5%
–	The total of five largest suppliers	99.6%

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

RESULTS

The Group's results for the year ended 31 December 2004 are set out in the consolidated income statement on page 29 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 73 of this annual report. This summary does not form part of the audited financial statements.

DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2004 *(2003: Nil)*.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2004, the Company had reserves available for distribution to shareholders amounted to approximately S$2,261,000. It comprised share premium of approximately S$4,006,000 less accumulated loss of approximately S$1,745,000.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

RETIREMENT BENEFITS

Details of the retirement benefit schemes of the Group set out in note 31 to the financial statements.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

The connected transactions as specified in the Rules Governing The Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("GEM Listing Rules") undertaken by the Group are set out as below:

1. on 11 June 1999, a tenancy agreement was entered into between Atland Properties Pte Ltd., a company all shares of which are beneficially held by Ms. Chan Xiao Li, sister of Mr. Chan Hing Ka Anthony, as the lessor and GAPL as the lessee in respect of premises in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 6 September 2001 for a term of 12 months from 25 September 2001 to 24 September 2002. The agreement was further renewed on 27 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further renewed on 22 September 2004 for a term of 24 months commencing on 25 September 2004.The annual rental expense during the year was approximately S$51,000 (2003: S$51,000).

2. on 11 June, 1999, a tenancy agreement was entered into between GAPL as the lessor and Octavus Properties Pte Ltd., a company all shares of which are beneficially held by Mr. Chan Hing Ka Anthony, as the lessee in respect of premises of approximately 353 sq. ft. in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 10 September 2001 for a term of 12 months upon its expiration. The agreement was further renewed on 28 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further renewed on 23 September 2004 for a term of 24 months commencing on 25 September 2004.The annual rental income during the year was approximately S$11,000 (2003: S$11,000).

3. on 11 June 1999, a tenancy agreement was entered into between GAPL as the lessor and EKPL, a company which is held as to 61% by Mr. Chan Hing Ka Anthony, as the lessee in respect of premises of approximately 353 sq. ft. in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 10 September 2001 for a term of 12 months upon its expiration. The agreement was further renewed on 28 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further extended on 30 September 2004 for a term of 3 months commencing on 1 October 2004. The annual rental income during the year was approximately S$10,000 (2003: S$10,000).

4. on 4 October 1999, a tenancy agreement was entered into between Xiamen L & B Property Co., Ltd., a company which is beneficially held as to 5% by KH Loh and 95% by his family members, as the lessor and GAPL as the lessee in respect of premises of 710 sq. metres in Xiamen, for a term of 21 years commencing on 1 November 1999. The annual rental expense incurred by the Group during the year was approximately S$55,000 (2003: S$57,000).

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

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. Loh Kim Her	(Resigned on 9 June 2004)
Mr. Chan Hing Ka Anthony	(Appointed on 16 July 2001)
Mr. Loh Nee Peng	(Appointed on 5 June 2002)
Mr. Xu Ming	(Appointed on 23 October 2003)

Non-executive Director

Mr. Goh Chee Wee	(Resigned on 24 February 2004)

Independent non-executive Directors

Ms. Lam So Ying	(Resigned on 30 June 2004)
Mr. Lee Kwok Yung	(Appointed on 5 June 2002)
Mr. Yin Bin	(Appointed on 1 July 2004)
Mr. Zhang Lei	(Appointed on 16 July 2004)

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

Apart from Mr. Xu Ming, each of the remaining executive Directors has entered into a service contract with the Company for an initial term of three years, commencing from 1 January 2002, subject to early termination by the Company giving not less than three months notice of termination or payment in lieu. Mr. Xu Ming, has not entered into any service contract with the Company but is subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Two independent non-executive Directors, Mr. Yin Bin and Mr. Zhang Lei have entered into appointment letters with the Company for a term of two years commencing from 1 July 2004. Another independent non-executive Directors, Mr. Lee Kwok Yung has entered into appointment letter with the Company for a term of three years commencing from 1 June 2002.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors are set out on pages 10 to 11 of this annual report.

REMUNERATION OF DIRECTORS AND THE HIGHEST PAID EMPLOYEES

Details of the remuneration of Directors and the highest paid employees of the Group are set out in note 7 and note 8 to the financial statements respectively.

DIRECTORS' REPORT

DIRECTOR'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

		Number of ordinary shares held					
Name	**Capacity**	**Personal Interest**	**Family Interest**	**Corporate Interest**	**Other Interests**	**Total**	**Approximate percentage of shareholding**
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 held as to 32,000,000 shares by Tycoons Investment International Limited and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 49%, respectively by Mr. Chan Hing Ka Anthony. By virtue of SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Affluence Investment International Limited and Loh & Loh Construction Group Ltd.

2. The 106,432,000 shares held as to 32,000,000 shares by Big Reap Investment Limited and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 31 December 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 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the persons or corporations (other than directors or chief executive of the Company) who have interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh & Loh Construction Group Ltd.	Beneficial owner *(Note 1)*	74,432,000	18.61%
Comfort Group Limited	Interest of a controlled corporation *(Note 2)*	61,667,570	15.42%
PHEIM Asset Management (Asia) Pte Ltd.	Investment manager	33,308,000	8.33%
HSBC Trustee (Singapore) Limited	Trustee	20,108,000	5.03%

Notes:

1. Loh & Loh Construction Group Ltd. is held as to 49% by Mr. Chan Hing Ka Anthony, as to 15% by Mr. Loh Kim Her, as to 15% by Mr. Loh Nee Peng and as to 21% by Mr. Loh Boon Cha. Mr. Chan Hing Ka Anthony and Mr. Loh Nee Peng are Directors, Mr. Loh Kim Her is a former director and Mr. Loh Boon Cha is the brother of Mr. Loh Kim Her and the father of Mr. Loh Nee Peng.

2. The 61,667,570 shares are held by Comfort (China) Pte Limited., the wholly owned subsidiary of Comfort Group Limited. By virtue of SFO, Comfort Group Limited is deemed to be interested in the shares held by Comfort (China) Pte Ltd.

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

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

DIRECTORS' REPORT

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

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

COMPETING INTERESTS

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

SHARE OPTION SCHEME

For the year ended 31 December 2004, the Company has not adopted any share option scheme, nor does it have any options or securities in issue which are convertible or exchangeable into shares of the Company.

ADVANCES TO ENTITIES

Pursuant to the Rules 17.15 and 17.17, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Group's five day average market capitalization as defined in Chapter 19 of the GEM Listing Rules (the "Market Capitalization"). As at 31 January 2005, there were 400,000,000 shares of the Company in issue. Base on the average closing price of the Company's shares of HK$0.0756 as quoted on the Stock Exchange for the trading days from 24 January 2005 to 28 January 2005 (both days inclusive), being the five trading days immediately preceding 31 January 2005, the Company's Market Capitalization was approximately HK$30.24 million.

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

The total advancement, guarantees and receivables provided to and due from NAGC and its subsidiaries or any of their respective associates (collectively the "NAGC Group") are in aggregate of approximately S$43,546,000 (equivalent of approximately HK$207,361,000) as at 31 January 2005 *(as at 31 December 2003: S$31,090,000; equivalent to approximately HK$142,171,000)*. NAGC Group engages in a wide range of business operations including state-grant import and export business of motor vehicles. NAGC Group is the business partner of the Group with a nationwide distribution network in the PRC. It assists the Group in distribution of motor vehicles and setting up car rental business in the PRC. Besides, the Group provides technical services to the Honda automobiles distributed by NAGC in return for the technical fee. The details of transactions are illustrated as follow:

As at 31 January 2005, the total advances, guarantees and receivables provided to and due from NAGC Group represented approximately 686% of the Group's Market Capitalization and represented approximately 52% of the unaudited total asset value of the Group as at 30 June 2004.

The details of transactions to NAGC Group which are of trading nature and remain outstanding as at 31 January 2005 are announced as follows:

	31 January 2005		**31 December 2004**		**30 September 2004**		**31 December 2003**	
	S$'000	*HK$'000*	*S$'000*	*HK$'000*	*S$'000*	*HK$'000*	*S$'000*	*HK$'000*
Trade receivables	2,280	10,857	3,647	17,367	3,949	18,197	4,873	22,251
Car rental advances	1,663	7,919	1,663	7,919	1,747	8,050	1,722	7,863
Prepaid rental expenses	8,543	40,681	8,556	40,743	3,887	17,911	7,476	34,137
Other receivables	63	300	63	300	–	–	665	3,244
Guarantees to NAGC Group	4,581	21,814	4,581	21,814	4,581	21,814	7,314	33,397
Advances to NAGC Group	2,224	10,590	2,224	10,590	2,112	9,732	3,424	15,635
Advances to Xiamen Zhong Bao	17,262	82,200	13,702	65,671	3,464	15,962	5,616	25,644
Guarantee to Xiamen Zhong Bao	6,930	33,000	6,930	33,000	–	–	–	–
	43,546	**207,361**	**41,455**	**197,404**	**19,740**	**91,666**	**31,090**	**142,171**

Trade Receivables

The trade receivables due from NAGC Group as at 31 January 2005 amounted to approximately S$2,280,000 (equivalent to approximately HK$10,857,000) *(as at 31 December 2003: S$4,873,000; equivalent to approximately HK$22,251,000)*. Out of which, approximately S$1,452,000 (equivalent to approximately HK$6,914,000) *(as at 31 December 2003: S$2,799,000; equivalent to approximately HK$12,781,000)* was technical fee arisen from provision of technical fee to NAGC. The remaining of approximately S$828,000 (equivalent to approximately HK$3,943,000) *(as at 31 December 2003: S$2,074,000; equivalent to approximately HK$9,470,000)* was management fee charged on provision of management consulting and technical expertise to Thee Sub-licensees. Approximately S$276,000 (equivalent to approximately HK$1,314,000) (as at 31 December 2003: S$672,000; equivalent to approximately HK$3,068,000) was due from the Beijing Sub-licensees. Approximately S$276,000 (equivalent to approximately HK$1,314,000) *(as at 31 December 2003: S$701,000; equivalent to approximately HK$3,201,000)* was due from the Shanghai Sub-licensees. Approximately S$276,000 (equivalent to approximately HK$1,314,000) *(as at 31 December 2003: S$701,000; equivalent to approximately HK$3,201,000)* was due from the Guangzhou Sub-licensees. The trade receivables due from NAGC were unsecured, interest free and repayable in or before May 2005. 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

At 31 January 2005, approximately S$1,663,000 (equivalent to approximately HK$7,919,000) *(as at 31 December 2003: S$1,722,000; equivalent to approximately HK$7,863,000)* were advanced as the financial assistance through the subsidiary of the Group, China National Auto Anhua (Tianjin) International Trade Co Ltd ("CNA Anhua (Tianjin)"), to the Three Sub-licensees for car rental operation, as stated in the section headed "Statement of Business Objectives" in the Prospectus. These advances were unsecured, interest free and not repayable within one year. The Group has 70% interest of CNA Anhua (Tianjin) and remaining 30% interest is owned by NAGC.

DIRECTORS' REPORT

Prepaid rental Expenses due from NAGC

As at 31 January 2005, prepaid rental expenses of the amount of approximately S$8,543,000 (equivalent to approximately HK$40,681,000) *(as at 31 December 2003: S$7,476,000; equivalent to approximately HK$34,137,000).*

China National Automotive Anhua Hertz Services Centre Co., Ltd. ("CNA Anhua (Hertz)")

In accordance with the co-operation agreement in March 2000 and entered between the Group and China National Automotive 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 Guangdong Province, Xiamen and Beijing. CNA Anhua (Hertz) is not connected with the Company, the Directors, chief executive, substantial shareholders or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined under the GEM Listing Rules). As further disclosed in the circular under the section headed "Update on the Progress of the Co-operation Projects with North Anhua Group Corporation and its "Related Companies" issued by the Company dated 6 January 2004 ("the Circular"), according to the supplemental agreement entered between the Group and CNA Anhua (Hertz) dated 5 October 2002, the establishment of a showroom/service centre in Guangdong Province 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 there 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 expense for the development project in Beijing was completed in December 2001. The development in Haichang, Xiamen was completed in December 2003. The prepaid rental expenses were unsecured and interest free. The prepaid rental expenses for the development project in Beijing and Xiamen are amortized on a straight line basis over 50 years from the date of completion.

Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng")

As disclosed in the Prospectus and the Circular, Xiamen BMW Automobiles Service Co., Ltd. ("Xiamen BMW"), a wholly owned subsidiary of the Company and Jin Tian Chen entered into a project co-operation agreement for the construction of a service and maintenance centre in Fuzhou on 10 August 2001, as supplemented by an agreement dated 7 December 2001, an agreement dated 15 April 2002 and the Third Supplemental Agreement.

With reference to the announcement made regarding the Proposed Termination of the Fuzhou Service Centre Co-operation Project and Proposed Release of Securities Under the Indemnity and Guarantee Arrangement dated 25 January 2005, the Group has reached an agreement in principle with Jin Tian Cheng and North Anhua to terminate the Fuzhou Service Centre Co-operation Centre and the Director proposed that subject to approval by the Independent Shareholders to (i) terminate the Fuzhou Service Centre Co-operation Project and enter into a termination agreement (the "Termination Agreement"); (ii) not to enforce the rights of the Group under the relevant agreements to claim against North Anhua and Jin Tian Cheng and against the Indemnifiers that Jin Tian Cheng repays the prepayment to the Group in accordance with the proposed schedule; and (iii) release to the Indemnifiers and the Guarantor the Securities held in escrow to secure the performance of the obligations of the Indemnifiers and the Guarantor upon repayment of the prepayment by Jin Tian Cheng in full.

Under the Proposal, it is proposed that Jin Tian Cheng will repay the amount of RMB6,650,000 (without interest thereon), being the prepayment paid by the Group to Jin Tian Cheng to finance the construction cost of the Fuzhou service centre as to RMB1,000,000 upon the signing of the Termination Agreement; and as to RMB5,650,000 within three months after the signing of the Termination Agreement (the "Repayment Schedule"). The Repayment Schedule is based on the negotiation between the Group and Jin Tian Chen and NAGC taking into account the fact that Jin Tian Cheng would not agree to repay the Prepayment in one lump sum upon the signing of the termination agreement and the time cost that would involve in pursuing a claim against Jin Tian Cheng in the PRC. Jin Tian Cheng agreed in principal to repay the Prepayment according to the Repayment Schedule and the Group has not suffered any loss or damage as a result of the delay in the completion of the construction of the Fuzhou service centre.

Other Receivables

The other receivables due from NAGC amount to approximately S$63,000 (equivalent to approximately HK$300,000) represented the payment made on behalf of CNA Anhua (Hertz) for purchasing of auto parts in Hong Kong and the PRC.

Guarantees to NAGC Group

Guarantees in the amount of approximately S$4,581,000 (equivalent to approximately HK$21,814,000) *(as at 31 December 2003: S$7,314,000; equivalent to approximately HK$33,397,000)* were provided to a bank in respect of banking facilities granted to NAGC Group. The guarantees were for the banking facilities granted for the use in car rental business by the Three Sub-licensees. The Group is negotiating with the correspondent bank to release the above guarantees. The Group does not have any security or receive any considerations from NAGC Group by giving such guarantees.

Advances to NAGC Group

Approximately S$2,224,000 (equivalent to approximately HK$10,590,000) *(as at 31 December 2003: S$3,424,000; equivalent to approximately HK$15,635,000)* were advanced to NAGC Group. The advances were for their purchase of automobiles and related import tax expenses so as to leverage the distribution network of NAGC Group for marketing and promotional purposes. As disclosed under the section headed "Risk Factors" of the Prospectus, the PRC imposes restrictions on the imports of motor vehicles. Only certain entities are permitted to import and are eligible to import motor vehicles into the PRC. NAGC is one of these eligible entities in the PRC which is allowed to distribute imported automobiles in the PRC. The Directors considered that the Group's reliance on NAGC in promoting sales of imported cars in the PRC and the provision of advances to NAGC by the Group in this regard are normal commercial practice. The advances were unsecured, interest free and repayable in or before August 2005.

Advances to Xiamen Zhong Bao

As at 31 January 2005, advances of approximately S$17,262,000 (equivalent to approximately HK$82,200,000) *(as at 31 December 2003: S$5,616,000; equivalent to approximately HK$25,644,000)* were advanced to Xiamen Zhong Bao. Among the total advances, approximately S$15,160,000 (equivalent to approximately HK$72,190,000) *(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. The remaining balance of S$2,102,000 (equivalent to approximately HK$10,010,000) *(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.

DIRECTORS' REPORT

Guarantee to Xiamen Zhong Bao

Guarantee in the amount of approximately S$6,930,000 (equivalent to approximately HK$33,000,000) (as at 31 December 2003: S$Nil, equivalent to approximately HK$Nil) were provided to a bank in respect of banking facilities granted to Xiamen Zhong Bao. The guarantee were for the bank facilities granted for the use in car trade business of Xiamen Zhong Bao.

DISCLOSURE OF TRADE RECEIVABLES PURSUANT TO RULE 17.15 OF GEM LISTING RULES

	As at 31 January 2005		% of Total Market Capitalization	As at 31 December 2004	
	S$'000	*HK$'000*		*S$'000*	*HK$'000*
Beijing Hui Chuan Trading Co	403	1,919	6%	871	4,147
Beijing Hui Long Xin Trading Co	2,091	9,957	33%	2,091	9,957
Jung Xin Automobiles Co Ltd	1,302	6,200	21%	2,538	12,085
Tianjin Chi Meng International Trade Co Ltd	770	3,667	12%	953	4,538
Xiamen Bunlung Automobiles Co Ltd	912	4,343	14%	2,480	11,809
Xiamen C & D Inc	1,509	7,186	24%	1,509	7,186
Yuet Join Industrial Ltd	521	2,481	8%	2,122	10,105
Xiamen Feng Chi Automobiles Trading	2,210	10,524	35%	1,365	6,500

As at 31 January 2005, each of the following trade receivables from customers of the Group exceeds 8% of the Company's Market Capitalization.

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).

The trade receivables due from Beijing Hui Chuan Trading Ltd., an independent third party of the Group, as at 31 January 2005 amounted to approximately S$403,000 (equivalent to approximately HK$1,919,000). The receivables incurred as a result of sales of motor vehicles in the PRC to Hui Chuan and were considered as ordinary course of business and on normal commercial terms. The amounts were unsecured, interest free and repayable by the end of May 2005. The trade receivables due from Beijing Hui Chuan Trading Ltd were approximately 6% of the Group's Market Capitalization.

The trade receivables due from Beijing Hui Long Xin Trading Co. Ltd., an independent third party of the Group, as at 31 January 2005 amounted to approximately S$2,091,000 (equivalent to approximately HK$9,957,000). The receivables represented the outstanding balances of the distribution of motor vehicle in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in June 2005. The trade receivables due from Beijing Hui Long Xin Trading Co. Ltd. were approximately 33% of the Group's Market Capitalization.

The trade receivables due from Jung Xin Automobiles Co. Ltd., an independent third party of the Group, as at 31 January 2005 amounted to approximately S$1,302,000 (equivalent to approximately HK$6,200,000). The receivables were incurred as a result of sales of motor vehicles in the PRC to Jung 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 May 2005. The trade receivables due from Jung Xin Automobiles Co. Ltd. were approximately 21% of the Group's Market Capitalization.

The trade receivables due from Tianjing Chi Meng International Trade Co. Ltd., an independent third party of the Group, as at 31 January 2005 amounted to approximately S$770,000 (equivalent to approximately HK$3,667,000). The receivables represented the outstanding balances of the distribution of motor vehicle in ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured, interest free and repayable in June 2005. The trade receivables due from Tianjing Chi Meng International Trade Co. Ltd. were approximately 12% of the Group's Market Capitalization.

The trade receivables due from Xiamen Bunlung Automobiles Co. Ltd; an independent third party of the Group, as at 31 January 2005 amounted to approximately S$912,000 (equivalent to approximately HK$4,343,000). The receivables represented the outstanding balances of the distributing of motor vehicles in ordinary course of business and on normal commercial terms. The amounts were unsecured, interest free and repayable in June 2005. The trade receivables to Xiamen Bunlung Automobiles Co. Ltd. were approximately 14% of the Group's Market Capitalization.

The trade receivables due from Xiamen C & D Inc; an independent third party of the Group, as at 31 January, 2005 amounted to approximately S$1,509,000 (equivalent to approximately HK$7,186,000). The receivables represented the outstanding balances of the distributing of motor vehicles in ordinary course of business and on normal commercial terms. The amounts were unsecured, interest free and repayable in June 2005. The trade receivables to Xiamen C & D Inc. were approximately 24% of the Group's Market Capitalization.

The trade receivables due from Yuet Join Industrial Co Ltd., an independent third party of the Group, as at 31 January 2005 amounted to approximately S$521,000 (equivalent to approximately HK$2,481,000). The receivables represented the outstanding balances of the distributing of motor vehicles in ordinary course of business and on normal commercial terms. The amounts were unsecured, interest free and repayable in April 2005. The trade receivables to Yuet Join Industrial Co. Ltd. were approximately 8% of the Group's Market Capitalization.

The trade receivables due from Xiamen Feng Chi Automobiles Trading Co. Ltd., an independent third party of the Group, as at 31 January, 2005 amounted to approximately S$2,210,000 (equivalent to approximately HK$10,524,000). The receivables represented the outstanding balances of the distributing of motor vehicles in ordinary course of business and on normal commercial terms. The amounts were unsecured, interest free and repayable in June 2005. The trade receivables to Xiamen Feng Chi Automobiles Trading Co. Ltd. were approximately 35% of the Group's Market Capitalization.

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.

Neither of CASH, its directors, employees nor associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 31 December 2004.

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

DIRECTORS' REPORT

TITLE CERTIFICATES OF PRC PROPERTIES

As at 31 December 2004, the Group had not obtained the long term title certificate of a leasehold property in the PRC. The contract entered for acquiring the property has been registered in the relevant government authority in the PRC. The Directors had sought the PRC legal adviser's opinion that there will be no legal impediment for the Group to obtain the relevant title certificates. The Group had neither conducted any revaluation nor included any revaluation surplus in respect of the said property in the annual accounts.

COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. As at 31 December 2004, the audit committee comprises three independent non-executive Directors, namely Mr. Lee Kwok Yung, Mr. Zhang Lei and Mr. Yin Bin.

The duties of the audit committee include reviewing the Company's annual reports and accounts, half-year reports and quarterly reports and providing advice and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. During the year of 2004, four audit committee meetings were held.

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

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

AUDITORS

Moores Rowland Mazars were auditors of the Company for the years ended 31 December 2002 and 2003. The financial statements of the Company for those years were audited by Moores Rowland Mazars.

Grant Thornton were appointed as auditors of the Company by the Board on 10 August 2004 to fill the casual vacancy arising from the resignation of Moores Rowland Mazars on 19 July 2004. The financial statements of the Company for the year ended 31 December 2004 were audited by Grant Thornton, who will retire and a resolution to re-appoint Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chan Hing Ka Anthony
Managing Director

Hong Kong, 31 March 2005

AUDITORS' REPORT

Certified Public Accountants
Member of
Grant Thornton International

Grant Thornton
均富會計師行

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

We have audited the financial statements on pages 29 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong
31 March 2005

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 S$'000	2003 S$'000
Turnover	4	**100,246**	139,319
Other revenue and gains	4	**1,283**	1,240
Cost of sales	6	**(88,745)**	(124,310)
Staff costs	6	**(1,880)**	(2,157)
Depreciation and amortisation		**(1,123)**	(860)
Minimum lease payments for operating leases		**(269)**	(642)
Exchange differences, net		**(807)**	(1,751)
Other operating expenses		**(4,595)**	(4,880)
Profit from operating activities	6	**4,110**	5,959
Finance costs, net	6	**(1,493)**	(1,552)
Profit before tax		**2,617**	4,407
Tax	9	**(896)**	(1,088)
Profit before minority interests		**1,721**	3,319
Minority interests		**20**	22
Profit from ordinary activities attributable to shareholders	10	**1,741**	3,341
Earnings per share (Singapore cents)	11		
Basic		**0.44**	0.84
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	2004 S$'000	2003 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	6,896	6,639
Prepaid rental expenses	13	8,556	8,685
Deposit for acquisition of a land use right	14	693	–
Non-current receivables	16	1,663	1,722
		17,808	17,046
Current assets			
Inventories	17	7,123	757
Trade receivables	18	21,245	37,087
Bills receivable		1,685	12,317
Prepayments, deposits and other current assets	19	15,308	10,956
Due from related companies	20	101	80
Pledged deposits	21	9,578	7,553
Bank balances and cash	21	1,482	2,031
Due from directors	25	268	–
		56,790	70,781
Current liabilities			
Trade payables	22	727	7,446
Accruals and other payables		4,022	4,036
Bank overdrafts	23	1,659	1,642
Bills payable	23	30,339	35,866
Secured bank loans, current portion	23	4,483	5,960
Obligations under finance leases, current portion	24	688	401
Due to related companies	20	416	515
Due to directors	25	375	608
Tax payable	27	5,145	4,867
		47,854	61,341
Net current assets		8,936	9,440
Total assets less current liabilities		26,744	26,486

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	2004	2003
		S$'000	*S$'000*
Non-current liabilities			
Secured bank loans, non-current portion	23	**1,114**	2,231
Obligations under finance leases, non-current portion	24	**877**	490
Deferred tax	26	**115**	–
		2,106	2,721
Minority interests		**418**	452
Net assets		**24,220**	23,313
CAPITAL AND RESERVES			
Issued capital	28	**9,040**	9,040
Reserves	29	**15,180**	14,273
		24,220	23,313

Chan Hing Ka Anthony
Director

Loh Nee Peng
Director

BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	2004 S$'000	2003 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	15	12,170	12,917
Current assets			
Other receivables	19	–	66
Current liabilities			
Other payables		(224)	(208)
Net current liabilities		(224)	(142)
Net assets		11,946	12,775
CAPITAL AND RESERVES			
Issued capital	28	9,040	9,040
Reserves	29	2,906	3,735
		11,946	12,775

Chan Hing Ka Anthony
Director

Loh Nee Peng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2004

	Issued capital S$'000 (Note 28)	Share premium* S$'000 (Note 29)	Capital reserve* S$'000 (Note 29)	Translation reserve* S$'000 (Note 29)	Retained profits* S$'000	Total S$'000
At 1 January 2003	9,040	4,006	1,689	(67)	5,539	20,207
Net gains/(losses) not recognised in income statement						
Translation difference	–	–	–	(258)	–	(258)
Shared by a minority shareholder	–	–	–	23	–	23
Profit for the year	–	–	–	–	3,341	3,341
At 31 December 2003	9,040	4,006	1,689	(302)	8,880	23,313
Net gains/(losses) not recognised in income statement						
Translation difference	–	–	–	(848)	–	(848)
Shared by a minority shareholder	–	–	–	14	–	14
Profit for the year	–	–	–	–	1,741	1,741
At 31 December 2004	**9,040**	**4,006**	**1,689**	**(1,136)**	**10,621**	**24,220**

* *These reserve accounts comprise the consolidated reserves of S$15,180,000 (2003: S$14,273,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 S$'000	2003 S$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,617**	4,407
Adjustments for :			
Interest expenses	6	**1,465**	1,599
Interest element of finance lease rental payments	6	**65**	29
Interest income	6	**(37)**	(76)
Loss on disposal of property, plant and equipment	6	**30**	–
Depreciation of property, plant and equipment	6	**971**	778
Amortisation of prepaid rental expenses	6	**152**	82
Operating profit before working capital changes		**5,263**	6,819
(Increase)/decrease in inventories		**(6,366)**	89
Decrease in trade receivables		**15,842**	2,188
Increase in prepayments, deposits and other current assets		**(4,352)**	(8,138)
Net movement in balances with related companies		**(120)**	449
Net movement in balances with directors		**(501)**	357
Decrease in trade payables		**(6,719)**	(601)
(Decrease)/increase in accruals and other payables		**(14)**	704
Decrease/(increase) in bills receivable		**10,632**	(12,317)
(Decrease)/increase in bills payable		**(5,527)**	7,453
Translation adjustment		**(676)**	146
Cash generated from/(used in) operations		**7,462**	(2,851)
Interest received		**37**	76
Interest paid		**(1,465)**	(1,599)
Interest element of finance lease rental payments		**(65)**	(29)
Overseas tax paid		**(50)**	(113)
Hong Kong profits tax paid		**(453)**	(381)
Net cash generated from/(used in) operating activities		**5,466**	(4,897)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004	2003
		S$'000	*S$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(342)**	(1,796)
Proceeds from disposal of property, plant and equipment		**134**	–
Decrease in pledged deposits		**363**	283
Decrease/(increase) in non-current receivables		**59**	(1,722)
Purchase of a land use right	14	**(693)**	–
Net cash used in investing activities		**(479)**	(3,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**2,613**	8,115
Repayment of bank loans		**(5,207)**	(4,522)
Capital element of finance lease rental payments		**(571)**	(262)
Net cash (used in)/generated from financing activities		**(3,165)**	3,331
Net increase/(decrease) in cash and cash equivalents		**1,822**	(4,801)
Cash and cash equivalents at beginning of year		**389**	5,190
Cash and cash equivalents at end of year		**2,211**	389
Analysis of balances of cash and cash equivalents			
Bank balances and cash	21	**1,482**	2,031
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	21	**2,388**	–
Bank overdrafts	23	**(1,659)**	(1,642)
		2,211	389

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 5 July 2001. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies, Cayman Islands.

During the year, the Group was involved in the following principal activities:

– Sales of motor vehicles and provision of car-related technical services

– Servicing of motor vehicles and sales of auto parts

– Provision of management services in respect of car rental business

There were no significant changes in the nature of the Group's principal activities during the year.

2. RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("New HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these New HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these New HKFRSs but is not yet in a position to state whether these New HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances with the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

(c) Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the relevant services have been rendered;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(d) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Income tax

Income tax comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that its is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(f) Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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

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

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

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

(h) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher that carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

(i) Inventories

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

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

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

(j) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Singapore dollars using the net investment method. The income statement of overseas subsidiaries are translated into Singapore dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the translation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Singapore dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Singapore dollars at the weighted average exchange rates for the year.

(l) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquires, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(m) Related parties

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

4. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold after allowances for returns, trade discounts, other taxes related to sales where applicable, and services rendered.

Turnover and revenue recognised by category are as follows:

	The Group	
	2004	2003
	S$'000	*S$'000*
Turnover		
Sales of motor vehicles	**88,160**	130,195
Servicing of motor vehicles and sales of auto parts	**5,342**	3,838
Technical fee income	**5,609**	4,109
Management fee income	**1,135**	1,177
	100,246	139,319
Other revenue and gains		
Rental income	**801**	417
Other income and gains	**482**	823
	1,283	1,240

5. SEGMENT INFORMATION

Business segment

Segment information is presented by way of two segment formats : (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

5. SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

The Group is organised with four business segments, namely :

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

In determining the Group's geographical segment, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Business segment analysis as at and for the year ended 31 December 2004 is as follows:

	Activity 1 S$'000	Activity 2 S$'000	Activity 3 S$'000	Activity 4 S$'000	Inter-segment elimination S$'000	Group S$'000
Turnover						
Revenue from external customers	93,769	5,342	1,135	–	–	100,246
Inter-segment revenue	490	–	–	3,459	(3,949)	–
Segment turnover	94,259	5,342	1,135	3,459	(3,949)	100,246
Segment results	2,371	(459)	546	2,493	–	4,951
Unallocated expenses						(841)
Profit from operating activities						4,110
Finance costs, net						(1,493)
Tax						(896)
Minority interests						20
Profit from ordinary activities attributable to shareholders						1,741
Assets						
Segment assets	38,769	4,870	2,731	–		46,370
Unallocated assets	–	–	–	–		28,228
Total assets						74,598
Liabilities						
Segment liabilities	30,166	878	195	–		31,239
Unallocated liabilities	–	–	–	–		18,721
Total liabilities						49,960
Other information						
Capital expenditure incurred during the year	273	966	1,041	–		2,280
Depreciation	83	505	383	–		971
Amortisation of prepaid rental expenses	–	–	152	–		152

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

5. SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

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

	Activity 1 S$'000	Activity 2 S$'000	Activity 3 S$'000	Activity 4 S$'000	Inter-segment elimination S$'000	Group S$'000
Turnover						
Revenue from external customers	134,304	3,838	1,177	–	–	139,319
Inter-segment revenue	490	–	–	5,200	(5,690)	–
Segment turnover	134,794	3,838	1,177	5,200	(5,690)	139,319
Segment results	2,742	(751)	570	4,255	–	6,816
Unallocated expenses						(857)
Profit from operating activities						5,959
Finance costs, net						(1,552)
Tax						(1,088)
Minority interests						22
Profit from ordinary activities attributable to shareholders						3,341
Assets						
Segment assets	48,996	9,838	7,786	–		66,620
Unallocated assets						21,207
Total assets						87,827
Liabilities						
Segment liabilities	43,766	1,521	137	–		45,424
Unallocated liabilities						18,638
Total liabilities						64,062
Other information						
Capital expenditure incurred during the year	61	1,645	669	–		2,375
Depreciation	52	315	411	–		778
Amortisation of prepaid rental expenses	–	–	82	–		82

5. SEGMENT INFORMATION *(Continued)*

Geographical segment

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

	2004	2003
	S$'000	*S$'000*
The PRC	**84,163**	89,191
Hong Kong	**16,083**	50,128
	100,246	139,319

An analysis of the Group's carrying amount of segment assets as at 31 December 2004 and total capital expenditure incurred during the year by location of assets is as follows:

	Segment assets		**Capital expenditure**	
	2004	2003	**2004**	2003
	S$'000	*S$'000*	***S$'000***	*S$'000*
The PRC	**42,765**	46,897	**966**	1,709
Hong Kong	**27,441**	36,298	**1,041**	666
Singapore	**4,392**	4,632	**273**	–
	74,598	87,827	**2,280**	2,375

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting) :

		2004	2003
		S$'000	S$'000
(a)	**Finance costs, net**		
	Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	1,465	1,599
	Finance charges on obligations under finance leases	65	29
		1,530	1,628
	Interest income	(37)	(76)
		1,493	1,552
(b)	**Staff costs (including directors' emoluments - note 7)**		
	Contributions to defined contribution plans *(note 31)*	87	83
	Salaries, wages and other benefits	1,793	2,074
		1,880	2,157
(c)	**Cost of sales**		
	Cost of inventories sold	83,914	120,810
	Cost of services rendered	4,831	3,500
		88,745	124,310
(d)	**Other items**		
	Auditors' remuneration	74	79
	Depreciation of property, plant and equipment*	971	778
	Loss on disposal of property, plant and equipment	30	–
	Amortisation of prepaid rental expenses	152	82

* *Amount included depreciation charge of S$372,000 (2003: S$185,000) for the Group's leased assets.*

7. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year disclosed pursuant to the Rules Governing The Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows :

	The Group	
	2004	2003
	S$'000	*S$'000*
Fees	**75**	54
Other emoluments:		
Salaries, allowances and other benefits in kind	**361**	610
Bonus	**–**	140
Retirement scheme contributions	**17**	33
	453	837

The remuneration of each of the directors is as follows:

	The Group	
	2004	2003
	S$'000	*S$'000*
Executive directors :		
A*	**–**	236
B	**189**	256
C	**189**	256
D	**–**	–
	378	748
Non-executive directors :		
E* #	**13**	35
F #	**26**	27
G *	**–**	27
H ** #	**18**	–
I ** #	**18**	–
	75	89

* *resigned during the year ended 31 December 2004*

** *appointed during the year ended 31 December 2004*

\# *Independent non-executive directors*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

8. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2003: three) are directors whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the other three (2003: two) non-director, highest paid employees for the year are as follows:

	The Group	
	2004	2003
	S$'000	*S$'000*
Salaries, allowances and other benefits in kind	**270**	212
Retirement scheme contributions	**12**	14
	282	226

The remuneration of each of the non-director, highest paid employees is as follows:

	The Group	
	2004	2003
	S$'000	*S$'000*
Non-director, highest paid employees :		
X	**107**	131
Y	**93**	95
Z	**82**	–
	282	226

During the year, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. TAX

	The Group	
	2004	2003
	S$'000	*S$'000*
Current - Hong Kong		
Charge for the year	**387**	706
Over-provision in prior years	**–**	(30)
Current - Elsewhere	**394**	412
Deferred *(note 26)*	**115**	–
	896	1,088

Hong Kong profits tax has been provided at the rate of 17.5% (2003:17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	The Group	
	2004	2003
	S$'000	*S$'000*
Profit before tax	**2,617**	4,407
Tax at applicable rate of 29.8% (2003 : 25.4%)	**780**	1,118
Non-deductible expenses	**54**	104
Tax exempt revenue	**(3)**	(15)
Recognition of previously unrecognised deferred (assets)/liabilities	**115**	(103)
Over-provision in prior years	**–**	(30)
Others	**(50)**	14
Tax expense for the year	**896**	1,088

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

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FOR THE YEAR ENDED 31 DECEMBER 2004

10. PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

Of the consolidated profit from ordinary activities attributable to shareholders of S$1,741,000 (2003: S$3,341,000), a loss of S$829,000 (2003: S$554,000) has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit from ordinary activities attributable to shareholders for the year of S$1,741,000 (2003: S$3,341,000) and 400,000,000 (2003: 400,000,000) ordinary shares in issue during the year.

No diluted earnings per share amounts have been presented for the two years ended 31 December 2004 and 2003 as no dilutive potential ordinary shares existed during those years.

12. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings	Leasehold improvement	Plant and machinery	Motor vehicles	Furniture and equipment	Total
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Cost						
At 1 January 2004	1,292	1,366	3,502	2,201	965	9,326
Additions	–	116	31	1,339	101	1,587
Disposal	–	–	–	(185)	–	(185)
Translation adjustment	–	(50)	(111)	(112)	(25)	(298)
At 31 December 2004	**1,292**	**1,432**	**3,422**	**3,243**	**1,041**	**10,430**
Accumulated depreciation and impairment loss						
At 1 January 2004	123	18	1,358	700	488	2,687
Charge for the year	19	59	304	521	68	971
Disposal	–	–	–	(21)	–	(21)
Translation adjustment	–	(3)	(46)	(40)	(14)	(103)
At 31 December 2004	**142**	**74**	**1,616**	**1,160**	**542**	**3,534**
Net book value						
At 31 December 2004	**1,150**	**1,358**	**1,806**	**2,083**	**499**	**6,896**
At 31 December 2003	1,169	1,348	2,144	1,501	477	6,639

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

At 31 December 2004, the leasehold land and buildings included a leasehold property located in the PRC at the net book value of approximately S$337,000 (2003: S$342,000) for which the Group is still in the process of obtaining the relevant title certificate (the "Certificate"). As confirmed by the Group's legal advisors, there will be no legal impediment for the Group to obtain the Certificate. Once the Group has obtained the Certificate, the Group has the right to assign, lease or mortgage the property.

All leasehold land and buildings and certain plant and machinery with an aggregate carrying value of S$1,333,000 (2003: S$1,309,000) are pledged to the banks for facilities granted to the Group as disclosed in note 23 to the financial statements.

The net book value of the motor vehicles, plant and machinery of the Group includes an amount of S$1,820,000 (2003: S$982,000) in respect of assets held under finance leases.

13. PREPAID RENTAL EXPENSES

	The Group	
	2004	2003
	S$'000	*S$'000*
Opening carrying amount	**8,837**	8,986
Translation adjustment	**23**	(67)
Charge for the year	**(152)**	(82)
Closing carrying amount	**8,708**	8,837
Less:		
Current portion of prepaid rental expenses *(note 19)*	**(152)**	(152)
Non-current portion	**8,556**	8,685

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

13. PREPAID RENTAL EXPENSES *(Continued)*

(i) China National Automotive Anhua Hertz Services Centre Co., Ltd. ("CNA Anhua (Hertz)")

In March 2000, the Group entered into a project development co-operation agreement (the "Agreement") with CNA Anhua (Hertz), in which a director of the Company, Mr Loh Nee Peng had significant influence through his directorship in CNA Anhua (Hertz) before 12 March 2003. Pursuant to the Agreement, CNA Anhua (Hertz) is responsible for the development of land and buildings for use as motor vehicle showrooms, service centres, auto parts factories and other related facilities in the Guangdong Province (the "Guangdong Project"), Fujian Province (the "Fujian Project") and Beijing Municipality (the "Beijing Project"). Pursuant to the Agreement, all land title certificates and ownership of facilities will belong to CNA Anhua (Hertz), while the Group will have use of such facilities for 50 years from the date of completion of the developments without additional consideration.

Accordingly, the advances made in respect of the Agreement have been classified as prepaid rental expenses and have been charged to the consolidated income statement over 50 years, commencing from the date of completion of the respective development projects.

The development in the Beijing Project in respect of prepaid rental expense of approximately S$4,113,000 (2003: S$4,113,000) was completed in 2001 and its charge for the year amounting to S$82,000 (2003: S$82,000).

In October 2002, the Group decided to abandon the Guangdong Project. The sum prepaid was transferred for the construction of the enlarged Fujian Project. The Fujian Project in respect of prepaid rental expense of approximately S$3,527,000 (2003: S$3,527,000) was completed in December 2003 and its charge for the year amounting to S$70,000 (2003: Nil).

(ii) Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng")

In August 2001, the Group also entered into another project development co-operation agreement (the "JTC Agreement") with Jin Tian Cheng, a company in which North Anhua Group Corporation ("NAGC") is a shareholder, for the development of a motor vehicle maintenance and service centre ("Motor Vehicles Centre") in Fuzhou Municipality of Fujian Province (the "Fuzhou Development Project"). Pursuant to the JTC Agreement, all land title certificates and ownership of facilities will belong to Jin Tian Cheng while the Group will have the rights to use of the Motor Vehicles Centre for a nominal consideration of S$2,150 (RMB10,000) per month for 20 years from the date of completion of the development. The total advance made in respect of the JTC Agreement amounted to RMB6,650,000 (approximately S$1,315,000) (the "JTC Prepayment") and have been classified as prepaid rental expenses and to be charged to the consolidated income statement over 20 years, commencing from the date of completion of the Fuzhou Development Project.

13. PREPAID RENTAL EXPENSES *(Continued)*

(ii) Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng") *(Continued)*

Subsequent to the balance sheet date, as disclosed in the Company's announcement dated 25 January 2005, the Group has reached an agreement in principle with Jin Tian Cheng and NAGC to terminate the Fuzhou Development Project. The directors of the Company proposed, subject to approval by the independent shareholders of the Company, to terminate the Fuzhou Development Project and enter into the termination agreement with Jian Tian Cheng and NAGC in relation to the termination of the Fuzhou Development Project (the "Termination Agreement").

It is proposed that Jian Tian Cheng will repay the JTC Prepayment to the Group, of which RMB1,000,000 (approximately S$197,000) will be repaid to the Group upon signing of the Termination Agreement while the remaining amount of RMB5,650,000 (approximately S$1,118,000) will be repaid to the Group within three months after signing of the Termination Agreement (the "JTC Repayment Schedule"). The details of the termination of the Fuzhou Development Project are set out in note 36.

Pursuant to a deed of indemnity and guarantee dated 5 June 2002 (the " Deed of Indemnity and Guarantee "), Mr Chan Hing Ka Anthony ("Anthony Chan"), a director of the Company, and Mr Loh Kim Her ("KH Loh"), a former director of the Company, (collectively, the "Indemnifiers") have undertaken to indemnify the Group in respect of the failure of CNA Anhua (Hertz), NAGC and Jin Tian Cheng to perform their respective obligations under the agreements for the above projects. The obligations of the Indemnifiers under the Deed of Indemnity and Guarantee are guaranteed by Loh & Loh Construction Group Ltd. (the "Guarantor"), a substantial shareholder of the Company. The respective obligations of the Indemnifiers and the Guarantor are secured by:

(a) 77,148,000 ordinary shares of the Company (as to 32,000,000 shares provided by KH Loh and registered in the name of Affluence Investment International Limited ("AIIL"); as to 16,000,000 shares provided by Anthony Chan and registered in the name of Tycoons Investment International Limited ("TIIL"); and as to 29,148,000 shares provided by the Guarantor);

(b) one share in each of TIIL and AIIL and 2.2 million shares in the capital of the Guarantor; and

(c) cash in the amount of HK$10 million (approximately S$2.1 million), being the sale proceeds from the sale of 20,000,000 shares of the Company by the Guarantor in connection with the listing of the Company's shares on the GEM of the Stock Exchange (collectively, the "Project Securities").

All of the Project Securities are being held in escrow by the escrow agent, Scotiatrust (Asia) Limited, at the balance sheet date.

Subsequent to the balance sheet date, as disclosed in the Company's announcement dated 25 January 2005, the directors of the Company proposed, subject to approval by the independent shareholders of the Company, not to enforce the rights of the Group under the relevant agreements to claim against NAGC and Jin Tian Cheng and against the Indemnifiers under the Deed of Indemnity and Guarantee provided that Jin Tian Cheng repays the JTC Prepayment to the Group in accordance with the JTC Repayment Schedule and to release to the Indemnifiers and the Guarantor the Project Securities held in escrow upon repayment of the JTC Prepayment by Jin Tian Cheng in full, details of which are set out in note 36.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

14. DEPOSIT FOR ACQUISITION OF A LAND USE RIGHT

On 27 July 2004, the Group entered into a land purchase agreement (the "Land Agreement") with the Management Office of Cangshan Technology Park (the "MOCTP") for the acquisition of the land use right of a piece of land located in Cangshan Technology Park, Fuzhou Municipality of Fujian Province, the PRC (the "Cangshan Land"), at an aggregate consideration of RMB6,891,500 (approximately S$1,365,000), for the Fuzhou Development Project (note 13). At the balance sheet date, RMB3,500,000 (approximately S$693,000) (the "Land Deposit") has been paid by the Group.

During the year, the Group was informed by the MOCTP that the local State Land Bureau had received objections from other business entities in relation to the transfer of the Cangshan Land to the Group. Accordingly, the State Land Bureau could not issue the confirmation for the transfer of the land use right of the Cangshan Land under the Land Agreement. The Group was informed that the MOCTP is in the process of discussing the matter with the State Land Bureau to resolve the objections to the transfer of the Cangshan Land. The Group was advised by its legal advisor on PRC laws that failure to obtain the required confirmation from the State Land Bureau as a result of the objections to the transfer of the Cangshan Land is a force majeure event under the Land Agreement. The Group has also been advised by its legal advisor on PRC laws that in the event that the confirmation cannot be obtained within a reasonable period of time, the Group can terminate the Land Agreement and request for a refund of the Land Deposit. Details of the status of the transfer of the land use right of the Cangshan Land are set out in the Company's announcement dated 25 January 2005.

15. INTERESTS IN SUBSIDIARIES

The Company

	2004	2003
	S$'000	*S$'000*
Unlisted shares, at cost	**7,882**	7,882
Due from a subsidiary	**4,623**	5,336
	12,505	13,218
Due to subsidiaries	**(335)**	(301)
	12,170	12,917

The balances with subsidiaries are unsecured, interest-free and are not repayable within one year.

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
GAPL ###	Singapore	7,876,996 shares of S$1 each	100%	–	Distribution of motor vehicles and provision of technical services
GAL ###	Hong Kong	20,000 shares of HK$1 each	100%	–	Sales liaison and trading of spare parts for motor vehicles
Xiamen BMW Automobiles Service Co., Ltd. ("Xiamen BMW")#	The PRC	Registered and paid-in capital of US$6,000,000 (2003 : US$5,000,000)	–	100%	Provision of repair and maintenance services of high-end automobiles
China Automobile Asia Pte Ltd. ###	Singapore	2 shares of S$1 each	–	100%	Investment holding and provision of management services
China National Auto Anhua (Tianjin) International Trade Co., Ltd.##	The PRC	Registered and paid-in capital of US$1,000,000	–	70%	Car related business

*registered as a wholly-foreign owned enterprise under the PRC law.*

*registered as a sino-foreign joint venture under the PRC law.*

*incorporated as a limited liability company under local jurisdiction.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Subsequent to the balance sheet date on 19 January 2005, the registered capital of Xiamen BMW was approved to increase by US$4,000,000 (the "Additional Capital") to US$10,000,000. At the date of these financial statements, the Group did not make contribution of the Additional Capital.

The above table lists the subsidiaries of the Company which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. NON-CURRENT RECEIVABLES

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

The Group has also established a close working relationship with Xiamen Zhong Bao Automobiles Co., Limited ("Xiamen Zhong Bao") and certain of its subsidiaries and related companies ("Zhong Bao Group"), in which Mr Loh Nee Peng, a director of the Company, is director and shareholder. In the opinion of the directors, Zhong Bao Group is the key partner of the Group in developing the Group's potential business in the distribution of locally manufactured BMW motor vehicles.

		The Group	
	Notes	**2004**	2003
		S$'000	*S$'000*
Advances to NAGC Group	*(a)*	**3,950**	5,811
Advances to Zhong Bao Group	*(b)*	**11,690**	6,213
		15,640	12,024
Portion classified as current asset *(note 19)*	*(c)*	**(13,977)**	(10,302)
Non-current portion		**1,663**	1,722

Notes:

(a) The advances made were principally for the operation of the car rental and the distribution of motor vehicles business in the PRC. The amounts due from NAGC Group are unsecured, interest-free and have no fixed repayment terms, except for the amount of S$1,663,000 (2003: S$1,722,000) which, in the opinion of the directors, are not repayable within one year. During the year, the maximum outstanding balances due amounted to S$14,040,000.

16. NON-CURRENT RECEIVABLES *(Continued)*

(b) Pursuant to a technical and management service agreement (the "Technical Agreement") entered into between the Group and Xiamen Zhong Bao on 7 October 2003, the Group would provide technical expertise and financial assistance to the Zhong Bao Group. Advances were made for the operation of distribution of locally manufactured BMW motor vehicles in the PRC by the Zhong Bao Group. On 28 September 2004, the Group entered into a supplementary agreement to the Technical Agreement with Xiamen Zhong Bao which set out the basis for the amount of technical fee charged by the Group to Xiamen Zhong Bao. The charge is based on agreed terms with reference to the monthly closing balance of the current accounts between the Group and the Zhong Bao Group. During the year, the maximum outstanding balances due amounted to S$16,236,000.

Subsequent to the balance sheet date, on 18 March 2005, the Group has entered into an agreement (the "ZB Payment Agreement") with Xiamen Zhong Bao in respect of the settlement of the outstanding balance receivable from Xiamen Zhong Bao (the "ZB Advance"). Pursuant to the ZB Payment Agreement, Xiamen Zhong Bao agreed to settle the outstanding balance amounted to S$11,690,000 as at 31 December 2004 (the "2004 ZB Advance") to the Group on or before 31 December 2005. All of the existing motor vehicles purchased by Xiamen Zhong Bao have been pledged to the Group. The Group have taken physical possession of the motor vehicles purchased by Xiamen Zhong Bao as well as the related title documents of these motor vehicles. Prior to the full settlement of the ZB Advance by Xiamen Zhong Bao, all of the motor vehicles to be purchased by Xiamen Zhong Bao will also be pledged to the Group. The Group will take physical possession of the motor vehicles to be purchased by Xiamen Zhong Bao as well as the related title documents of these motor vehicles. The Group will release the motor vehicles and the related title documents to Xiamen Zhong Bao upon receiving 80% of the sales proceeds of the respective motor vehicles. A personal undertaking has also been provided by Mr Loh Nee Peng, a director of the Company, in favour of the Group, as to the obligation of Xiamen Zhong Bao for the full repayment of the 2004 ZB Advance.

In the opinion of the Group's legal advisor, the terms and conditions set out in the ZB Payment Agreement is legally enforceable under the PRC laws.

Following the signing of the ZB Payment Agreement, on 29 March 2005, Xiamen Zhong Bao has made the repayment of S$1.8 million to the Group.

(c) The directors believe that these advances are crucial to the Group in coping with the anticipated tremendous growth of the motor vehicles distribution and related business in the forthcoming years in the PRC. No credit loss has been recorded by the Group for the advances and balances due from NAGC Group and Zhong Bao Group in the past. Accordingly, the directors are of the opinion that they will ultimately be recovered, of which S$13,977,000 (2003: S$10,302,000) will be collectable within one year.

17. INVENTORIES

	The Group	
	2004	2003
	S$'000	*S$'000*
Motor vehicles	**5,959**	145
Auto parts and accessories	**1,164**	612
	7,123	757

The amount of inventories included above carried at net realisable value is approximately S$564,000 (2003: S$612,000).

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18. TRADE RECEIVABLES

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

	The Group	
	2004	2003
	S$'000	*S$'000*
0 – 90 days	**12,140**	11,692
91 – 180 days	**7,657**	13,048
181 – 365 days	**2,013**	12,933
	21,810	37,673
Less : Provision for doubtful debts	**(565)**	(586)
	21,245	37,087

In addition to the advances to NAGC Group and Zhong Bao Group as disclosed in note 16, the Group's trade receivables included trade balances of S$3,647,000 (2003: S$4,873,000) due from NAGC Group and of S$2,012,000 (2003: S$440,000) due from Zhong Bao Group as at the balance sheet date.

19. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2004	2003	**2004**	2003
	S$'000	*S$'000*	***S$'000***	*S$'000*
Current portion of non-current receivables *(note 16)*	**13,977**	10,302	**–**	–
Current portion of prepaid rental expenses *(note 13)*	**152**	152	**–**	–
Other prepayments, deposits and other current assets	**1,179**	502	**–**	66
	15,308	10,956	**–**	66

20. BALANCES WITH RELATED COMPANIES

In addition to those balances detailed elsewhere in these financial statements, the Group had the following balances with related companies. Particulars of the amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

The Group

Name of related company	31 December 2004	Maximum amount outstanding during the year	1 January 2004
	S$'000	*S$'000*	*S$'000*
Octavus Properties Pte. Ltd.	66	66	56
Eng Kheng (S) Pte. Ltd. ("EKPL")	35	35	24
	101		80

Anthony Chan, a director of the Company, is a director and shareholder of Octavus Properties Pte. Ltd and EKPL.

The balances with related companies are unsecured, interest-free and repayable on demand.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	The Group 2004	2003
		S$'000	*S$'000*
Bank balances and cash		1,482	2,031
Pledged deposits:			
For banking facilities granted to the Group *(note 23(a))*		5,803	5,695
For banking facilities granted to NAGC Group	*(a)*	1,705	1,765
For banking facilities granted to Xiamen Zhong Bao	*(b)*	1,980	–
Others	*(c)*	90	93
		9,578	7,553
		11,060	9,584

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

Notes:

(a) The banking facilities were granted up to approximately S$4,581,000 (2003: S$7,314,000) which were fully utilised as at 31 December 2004.

(b) A fixed deposit of approximately S$1,980,000 (2003: Nil) is pledged to a bank to secure the credit facilities given by the bank to Xiamen Zhong Bao, in which Mr Loh Nee Peng, a director of the Company, is director and shareholder. As at the balance sheet date, these credit facilities were fully utilised by Xiamen Zhong Bao.

(c) A fixed deposit of approximately S$90,000 (2003: S$93,000) is pledged to a bank to secure the guarantees given by the bank to the principal of the "Hertz" system, Hertz International Ltd. (see note 34(b)), in respect of the Group's guarantee under the license agreement with Hertz International Ltd.

At the balance sheet date, the cash and bank balances of the Group denominated in Renmibi ("RMB") amounted to approximately S$3,075,000 (2003: S$1,074,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	The Group	
	2004	2003
	S$'000	*S$'000*
0 – 30 days	**43**	566
31 – 180 days	**174**	1,978
181 – 365 days	**100**	–
1 to 2 years	**82**	4,547
Over 2 years	**328**	355
	727	7,446

23. BANK AND CREDIT FACILITIES

The Group

	Bank overdrafts (Note a)		Bills payable to banks (Note a)		Secured bank loans (Note b)		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	S$'000	*S$'000*	***S$'000***	*S$'000*	***S$'000***	*S$'000*	***S$'000***	*S$'000*
Current portion:								
Within one year or on demand	**1,659**	1,642	**30,339**	35,866	**4,483**	5,960	**36,481**	43,468
Non-current portion:								
In the second year	**–**	–	**–**	–	**1,051**	1,091	**1,051**	1,091
In the third to fifth years, inclusive	**–**	–	**–**	–	**63**	1,140	**63**	1,140
	–	–	**–**	–	**1,114**	2,231	**1,114**	2,231
	1,659	1,642	**30,339**	35,866	**5,597**	8,191	**37,595**	45,699

(a) Bank overdrafts and bills payable to banks

At the balance sheet date, the bank overdrafts and bills payable to banks are secured by the Group's fixed deposits amounting to approximately S$5,803,000 (2003: S$5,695,000) (note 21), joint and several guarantees from three directors of the Company and their family members, as well as corporate guarantees from L & B Holdings Pte Ltd., in which Mr KH Loh is shareholder and director, and EKPL. In addition, the Group charged and assigned its interests and rights in certain proceeds under trade and bills receivables and certain inventories in favour of a bank.

(b) Secured bank loans

Secured bank loans comprise:

		The Group	
	Notes	**2004**	2003
		S$'000	*S$'000*
Mortgage loans	*(i)*	**201**	443
Term loans	*(ii)*	**5,396**	7,748
		5,597	8,191

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

23. BANK AND CREDIT FACILITIES *(Continued)*

(b) Secured bank loans *(Continued)*

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

- Legal mortgage on the Group's leasehold land and buildings with net book value of approximately S$1,150,000 (2003: S$1,169,000) at the balance sheet date; and
- Joint and several guarantees by two directors of the Company, Anthony Chan and Mr. Loh Nee Peng.

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

- Pledge of bank deposit of approximately S$1,157,000 (2003: S$1,194,000), which is part of the fixed deposits of S$5,803,000 in note 23(a) above;
- Legal charge over the plant and machinery with net book value of S$183,000 (2003: S$140,000); and
- Corporate guarantees provided by the Company (note 34 (a)).

24. OBLIGATIONS UNDER FINANCE LEASES

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	**2004**	2003
	S$'000	*S$'000*	***S$'000***	*S$'000*
Amounts payable:				
Within one year	**752**	439	**688**	401
In second year	**537**	361	**511**	337
In the third to fifth years, inclusive	**351**	157	**326**	153
After five years	**48**	–	**40**	–
Total minimum finance lease payments	**1,688**	957	**1,565**	891
Future finance charges	**(123)**	(66)		
Total net finance lease payables	**1,565**	891		
Portion classified as current liabilities	**(688)**	(401)		
Long term portion	**877**	490		

25. BALANCES WITH DIRECTORS

Particulars of the amounts due from directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

The Group

Name	31 December 2004 S$'000	Maximum amount outstanding during the year S$'000	1 January 2004 S$'000
Loh Nee Peng	**266**	266	–
KH Loh	**2**	2	–
	268		–

The balances with directors are unsecured, interest-free and repayable on demand.

26. DEFERRED TAX

The movements in the Group's deferred tax liabilities during the year are as follows:

	Accelerated tax depreciation S$'000
At 1 January 2003	–
Deferred tax charged to the income statement during the year	–
Deferred tax liabilities at 31 December 2003 and 1 January 2004	–
Deferred tax charged to the income statement during the year *(note 9)*	115
Deferred tax liabilities at 31 December 2004	115

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

27. TAX PAYABLE

Included in tax payable was an amount of approximately S$3,160,000 (2003: $3,200,000) being tax payable by a subsidiary of the Company incorporated in Singapore to the Inland Revenue of Singapore ("IRAS") for prior years of assessments. Under the Singapore Income Tax Act ("ISTA"), IRAS may take actions to recover the outstanding tax payable including penalties and interest. As stipulated under the ISTA, these includes the power of the authority to freeze the bank accounts of the subsidiary operated in Singapore. The subsidiary is currently negotiating with the IRAS for a repayment schedule in order to manage the cash flows of the subsidiary. As of the date of these financial statements, the subsidiary has not received immediate payment demand notice from the IRAS. After taking into account the advice from the Group's legal advisor and tax advisor, the directors of the Company estimated that the potential charges and penalties associated with the outstanding payable as of the year-end date were approximately S$158,000 which was fully provided for as at the balance sheet date. In view of the recent status of negotiation with the IRAS and the legal and tax advices, the directors of the Company are of the opinion that the Group's tax provision is fairly presented.

28. ISSUED CAPITAL

	2004	2003
Authorised:		
2,000,000,000 (2003: 2,000,000,000) ordinary shares of HK$0.10 each	**HK$200,000,000**	HK$200,000,000

	2004	2003
	S$'000	*S$'000*
Issued and fully paid:		
400,000,000 (2003: 400,000,000) ordinary shares of HK$0.10 each	**9,040**	9,040

29. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of this annual report.

(b) The amounts of the Company's reserve and the movements therein for the current and prior years are presented as follows:

The Company

	Share premium *S$'000*	Capital reserve *S$'000*	Accumulated losses *S$'000*	Total *S$'000*
At 1 January 2003	4,006	645	(362)	4,289
Loss for the year	–	–	(554)	(554)
At 31 December 2003	4,006	645	(916)	3,735
Loss for the year	–	–	(829)	(829)
At 31 December 2004	**4,006**	**645**	**(1,745)**	**2,906**

Share premium

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

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

Capital reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

29. RESERVES *(Continued)*

Translation reserve

The translation reserve has been set up and is dealt with in accordance with the accounting policy for foreign currencies as stated in note 3 to the financial statements.

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of S$1,245,000. (2003: S$579,000)

31. RETIREMENT BENEFITS

Following the introduction of the Mandatory Provident Fund legislation in Hong Kong, the Company's subsidiary incorporated in Hong Kong participates in the defined contribution mandatory provident fund since 1 December 2000. Both the subsidiary of the Company and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation.

Employees of the Company's subsidiaries incorporated in Singapore participate in The Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. During the year, the employees make monthly contributions of 20% of the employees' basic salaries. The Group makes monthly contributions at 13% (2003: 16%) of the employees' basic salaries.

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

During the year, the aggregate amount of the Group's employer contributions amounted to approximately S$87,000 (2003: S$83,000). As at the balance sheet date, there was no forfeited contribution available to reduce the Group's employer contribution payable in future periods.

32. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP

As stated in note 16 to these financial statements, NAGC Group and Zhong Bao Group have been key elements in the Group's business operations and development.

I. NAGC Group

During the year, the Group had the following significant transactions with NAGC Group:

(i) The Group earned the management fee income of S$1,135,000 (2003: S$1,177,000) from three car rental sub-licensees of NAGC Group.

(ii) The Group earned the technical fee income of S$2,880,000 (2003: S$3,221,000) from NAGC Group.

At the balance sheet date, the Group had the following exposures to the NAGC Group:

(i) Prepaid rental expenses made to the NAGC Group and Jin Tian Cheng as disclosed in note 13 to the financial statements.

(ii) Advances made as disclosed in note 16 to the financial statements.

(iii) Trade balances of S$3,647,000 (2003: S$4,873,000) receivable from NAGC Group as included in "Trade receivables".

(iv) Certain fixed deposits of the Group of approximately S$1,705,000 (2003: S$1,765,000) pledged to a bank to secure banking facilities up to approximately S$4,581,000 (2003: S$7,314,000) granted to the NAGC Group as disclosed in note 21 to the financial statements.

(v) Contingent liabilities arising from the transactions as disclosed in note 34 to the financial statements.

II. Zhong Bao Group

During the year, the Group earned technical fee income of S$2,729,000 (2003: $440,000) from Xiamen Zhong Bao, the details of which have been disclosed in note 16 to the financial statements.

At the balance sheet date, the Group had the following exposures to the Zhong Bao Group:

(a) Advances made as disclosed in note 16 to the financial statements.

(b) Technical fee income receivable from Xiamen Zhong Bao of S$2,012,000 (2003: S$440,000) as included in "Trade receivables".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

32. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP *(Continued)*

II. Zhong Bao Group *(Continued)*

(c) A fixed deposit of the Group of approximately S$1,980,000 (2003: Nil) pledged to a bank to secure the credit facilities given by the bank to Xiamen Zhong Bao as disclosed in note 21 to the financial statements.

(d) Contingent liabilities arising from transactions as disclosed in note 34 to the financial statements.

In the opinion of the directors of the Company, all of the above transactions were entered into in the ordinary course of the Group's business.

33. COMMITMENTS

At the balance sheet date, the Group and the Company had the following outstanding commitments:

(i) Commitments under operating leases:

(a) As lessor

The Group sub-leases its office premises and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years.

At 31 December 2004, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	The Group		Company	
	2004	2003	**2004**	2003
	S$'000	*S$'000*	***S$'000***	*S$'000*
Within one year	**388**	107	**–**	–
After one year but within five years	**238**	74	**–**	–
	626	181	**–**	–

33. COMMITMENTS *(Continued)*

(i) Commitments under operating leases: *(Continued)*

(b) As lessee

The Group leases certain of its office properties and furniture and equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years.

At 31 December 2004, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group		Company	
	2004	2003	**2004**	2003
	S$'000	*S$'000*	***S$'000***	*S$'000*
Within one year	**192**	226	**–**	–
After one year but within five years	**189**	75	**–**	–
	381	301	**–**	–

(ii) Capital commitments

At 31 December 2004, the Group had commitments in respect of acquisition of land use rights in Fuzhou Municipality of Fujian Province (note 14) amounting to approximately S$672,000 (2003: Nil).

34. CONTINGENT LIABILITIES

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

	Notes	The Group		Company	
		2004	2003	**2004**	2003
		S$'000	*S$'000*	***S$'000***	*S$'000*
(a) Guarantees provided to banks in respect of banking facilities granted to the following parties to the extent of :					
(i) NAGC Group	*(1)*	**4,581**	7,314	**–**	–
(ii) Xiamen Zhong Bao	*(2)*	**6,930**	–	**–**	–
(iii) Subsidiaries of the Company		**–**	–	**69,049**	57,748
		11,511	7,314	**69,049**	57,748

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

34. CONTINGENT LIABILITIES *(Continued)*

Notes:

(1) In addition, the Group's fixed deposits of approximately S$1,705,000 (2003: S$1,765,000) are pledged to secure these banking facilities at the balance sheet date (see note 21(a)).

(2) In addition, the Group's fixed deposits of approximately S$1,980,000 (2003: Nil) are pledged to secure these banking facilities at the balance sheet date (see note 21(b))

(b) The Group, as the principal licensee of the "Hertz" system of the car rental business (the "Car Rental Business"), has given corporate guarantees to Hertz International Ltd., the principal of the Car Rental Business, guaranteeing the performance and timely payment by the three car rental sub-licensees of all amounts payable under the respective sub-licensees agreements to Hertz International Ltd.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material related party transactions:

(i) on 11 June 1999, a tenancy agreement was entered into between Atland Properties Pte Ltd., a company all shares of which are beneficially held by Ms. Chan Xiao Li, sister of Anthony Chan, as the lessor and GAPL as the lessees in respect of premises in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 6 September 2001 for a term of 12 months from 25 September 2001 to 24 September 2002. The agreement was further renewed on 27 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further renewed on 22 September 2004 for a term of 24 months commencing on 25 September 2004. The annual rental expense during the year was approximately S$51,000 (2003: S$51,000).

(ii) on 11 June 1999, a tenancy agreement was entered into between GAPL as the lessor and Octavus Properties Pte Ltd., a company all shares of which are beneficially held by Anthony Chan, as the lessee in respect of premises of approximately 353 sq. ft. in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 10 September 2001 for a term of 12 months upon its expiration. The agreement was further renewed on 28 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further renewed on 23 September 2004 for a term of 24 months commencing on 25 September 2004. The annual rental income during the year was approximately S$11,000 (2003: S$11,000).

(iii) on 11 June 1999, a tenancy agreement was entered into between GAPL as the lessor and EKPL, a company which is held as to 61% by Anthony Chan, as the lessee in respect of premises of approximately 353 sq. ft. in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 10 September 2001 for a term of 12 months upon its expiration. The agreement was further renewed on 28 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further extended on 30 September 2004 for a term of 3 months commencing on 1 October 2004. The annual rental income during the year was approximately S$10,000 (2003: S$10,000).

35. RELATED PARTY TRANSACTIONS *(Continued)*

(iv) On 4 October 1999, a tenancy agreement was entered into between Xiamen L&B Property Co., Ltd., a company which is beneficially held as to 5% by KH Loh and 95% by his family members, as the lessor and GAPL as the lessees in respect of premises of 710 sq. metres in Xiamen, for a term of 21 years commencing on 1 November 1999. The annual rental expense incurred by the Group during the year was approximately S$55,000 (2003: S$57,000).

In the opinion of the directors of the Company, all of the above transactions were entered into in the ordinary course of the Group's business.

36. POST BALANCE SHEET EVENTS

In addition to those detailed elsewhere in these financial statements, the Group had the following significant post balance sheet events:

In January 2005, the Group has reached an agreement in principle with Jin Tian Cheng and NAGC to terminate the Fuzhou Development Project and the directors of the Company proposed, subject to approval by the independent shareholders of the Company:

(a) to terminate the Fuzhou Development Project and enter into the Termination Agreement;

(b) not to enforce the rights of the Group to claim against NAGC and Jin Tian Cheng and against the Indemnifiers under the Deed of Indemnity and Guarantee provided that Jin Tian Cheng repays the JTC Prepayment to the Group in accordance with the JTC Repayment Schedule; and

(c) to release to the Indemnifiers and the Guarantor the Project Securities held in escrow upon repayment of the JTC Prepayment by Jin Tian Cheng in full (collectively, the "Proposal").

The Proposal is subject to approval by the independent shareholders of the Company. Upon approval of the Proposal by the independent shareholders of the Company, the Company will execute the Termination Agreement. The release of the Project Securities in favour of the Indemnifiers and the Guarantor will be given by the Company upon the repayment of the JTC Prepayment in full by Jin Tian Cheng.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 29 to 72 were approved and authorised for issue by the board of directors on 31 March 2005.

FINANCIAL SUMMARY

Results

	Year ended 31 December				
	2004	2003	2002	2001	2000
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Turnover	**100,246**	139,319	101,877	57,322	26,887
Other revenue and gains	**1,283**	1,240	656	90	190
Cost of sales	**(88,745)**	(124,310)	(87,698)	(47,820)	(19,138)
Staff costs	**(1,880)**	(2,157)	(2,029)	(1,440)	(1,152)
Depreciation and amortisation	**(1,123)**	(860)	(435)	(170)	(171)
Minimum lease payments for operating leases	**(269)**	(642)	(498)	(453)	(252)
Exchange differences, net	**(807)**	(1,751)	(816)	494	912
Other operating expenses	**(4,595)**	(4,880)	(5,144)	(2,634)	(3,680)
Profit from operating activities	**4,110**	5,959	5,913	5,389	3,596
Share of profits of a joint venture	**–**	–	–	–	295
Finance costs, net	**(1,493)**	(1,552)	(1,759)	(1,362)	(1,663)
Profit before tax	**2,617**	4,407	4,154	4,027	2,228
Tax	**(896)**	(1,088)	(1,330)	(1,261)	(1,073)
Profit before minority interests	**1,721**	3,319	2,824	2,766	1,155
Minority interests	**20**	22	25	11	(90)
Profit from ordinary activities attributable to shareholders	**1,741**	3,341	2,849	2,777	1,065
Dividends	**–**	–	–	–	–
Basic earnings per share (Singapore cents)	**0.44**	0.84	0.78	0.87	0.35

Assets and Liabilities

	31 December				
	2004	2003	2002	2001	2000
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Total assets	**74,598**	87,827	71,039	49,834	36,354
Total current liabilities	**(47,854)**	(61,341)	(49,518)	(35,037)	(26,445)
Total non-current liabilities	**(2,106)**	(2,721)	(817)	(2,565)	(646)
Minority interests	**(418)**	(452)	(497)	(541)	(514)
Net assets	**24,220**	23,313	20,207	11,691	8,749