ANNUAL REPORT 2005

G.A. HOLDINGS LIMITED
G.A. 控股有限公司

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

(Stock Code : 8126)

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

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

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

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

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

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

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. Yeung Chak Sang Johnson

QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson

COMPANY SECRETARY

Mr. Yeung Chak Sang Johnson

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

The Development Bank of Singapore Ltd.
Industrial and Commercial Bank of China, Singapore Branch
KBC Bank N.V., Singapore Branch
Malayan Banking Berhad (Maybank)

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
Hopewell Centre 46th Floor
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

COMPANY WEBSITE

www.ga-holdings.com

STOCK CODE

8126

Group Structure

- **G.A. Holdings Limited**
  - German Automobiles Pte Ltd "GAPL" (100%)
    - China Automobiles Asia Pte Ltd "CAAPL" (100%)
      - China National Auto Anhua (Tianjin) International Trade Co Ltd "CNAA" (70%)
    - Xiamen BMW Automobiles Service Co Ltd (100%)
      - Xiamen BMW Automobiles Services Co Ltd Honda Automobiles Service Centre (Branch)
    - Fuzhou BMW Automobiles Service Co Ltd (100%)
    - Xiamen Baoma Auto Control Equipment Co Ltd (100%)
    - Xiamen German Automobiles Trade Co Ltd (100%)
  - German Automobiles Ltd "GAL" (100%)

Dormant company

Chairman's Statement

The company is grateful to announce fruitful results in the year of 2005. Sales boosted up 58.3% as compared to last year. The upbeat news on the overall sales of the company is especially encouraging in the second half of the year.

The overall recovery of the economic atmosphere worldwide contributes to the increase in demand for motor vehicles in the PRC. As statistics shows, sales of BMW cars in Asia rose by 18% in 2005 from the previous year. Our company performs in line with the upward trend, with an increasing capacity in the emerging market of China. The increase in sales was mainly attributed to rising sales of the 7-series model; this further proves the immense purchasing power of the PRC luxurious market segment. With the increase in sales, the group once again proves its inherent strength and our relentless efforts in striving for the best of our service, and is recognized with respect.

Looking forward to the benefits on the PRC's adaptation of WTO's commitments on the automotive industry, the Group is managing to solidify its strategic market position. With low penetration rates, increasing per capita income of the PRC citizen and the booming of the PRC economy, as it is foreseen to be a gigantic market for motor vehicles. The Group will surely benefit from the gradual WTO effect which promised whereby both foreign and Chinese based automotive companies will be able to distribute automobiles and parts freely in any part of China.

PRC's adaptation of WTO's commitment will allow foreign companies to run their own sales and service networks which will make it possible for them to service their own vehicles. By then, the Group is able to figure out the long-term investment projects through mergers and acquisitions for further expansion of business with ease. Steady and modest growth is confidently anticipated. We look forward to benefiting from the further decrease in tariffs of imported cars in 2006 and in 2007. The company will align the market much more closely to the consumer demand in the PRC to grasp the best opportunity for market expansion.

As for our local car rental division, during the year, the Hertz division has taken a further step in expanding their market share by setting up another downtown centre located in the Hong Kong station. The setting up of the downtown centre not only offers a convenient service point for our clients, it also provides an opportunity for grasping the tourists' market share. We will continue to realize our initiatives by expanding our fleet size, and offering extensive services to our valued customers.

On behalf of the Board of Directors, I would like to extend my sincere gratitude to our business partners, customers and shareholders for their support throughout the year. My gratitude is also extend to our dedicated management team and committed staff for their hard work and continuous efforts. Looking forward, we will continue to seize every opportunity to raise our competitiveness in the market to bring lucrative returns to our valued shareholders.

By and on behalf of the board,
Chan Hing Ka Anthony
Chairman and Managing Director

Hong Kong, 29 March 2006

Management Discussion and Analysis

BUSINESS REVIEW

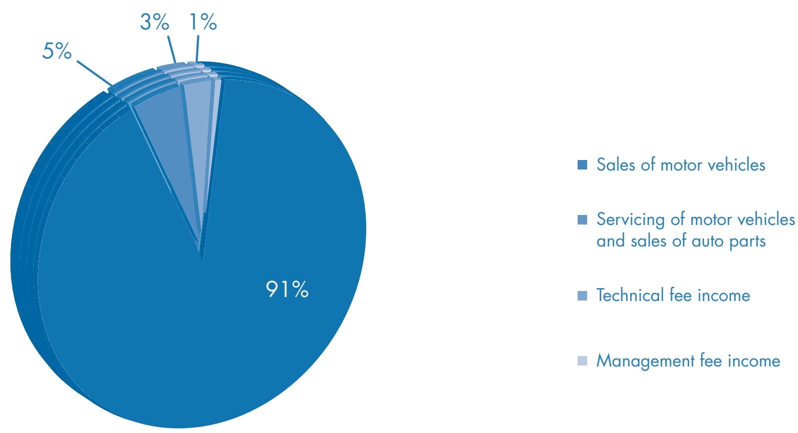
For the year ended 31 December 2005, the turnover of the Company and its subsidiaries (collectively the "Group") increased by approximately 58.3% as compared to the year of 2004. The increase was mainly a consequence of the rise in demand for high end vehicles in the PRC. The adaptations measures towards the entering of WTO of the PRC government, including the lowering of tariffs and other favourable fiscal policy help boosting the long-chilled automotive industry.

SALES OF MOTOR VEHICLES

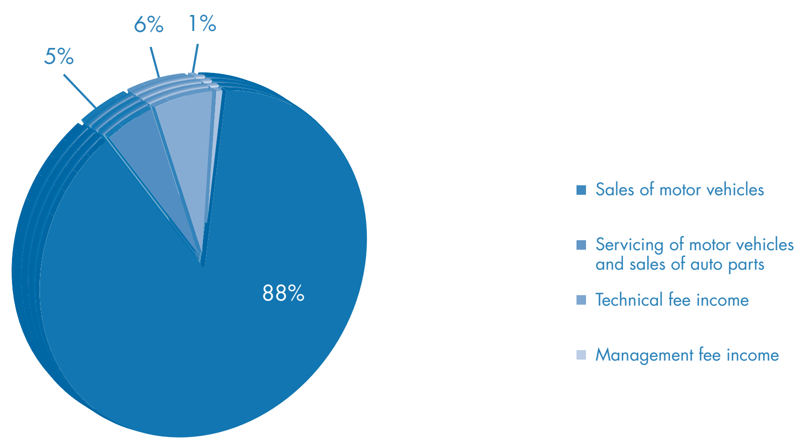
The Group mainly distributes imported motor vehicles to the PRC market. During the year, the turnover of this segment took up approximately 91.6% of the total Group turnover of the year.

The long-chilled automotive industry in the PRC had begun to bottom out as the global economy enters into its phase of recovery. A remarkable growth of car sales is recorded as a benefit from the abolition of quotas on auto imports and tariffs cut under the gradual adaptations towards WTO obligations. With potent market competence backed by the soaring demand on luxurious sedans and sport utility vehicles in the PRC market, the Company's sales of motor vehicles grew by 64.9% as compared to the same period last year.

Revenue Composition in % 2005



Revenue Composition in % 2004



Management Discussion and Analysis

SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS

The 4-in-1 complex building in Haichang, Xiamen, includes a sales office, a workshop and a service centre. The service centre is designed and built in accordance to BMW standard, which was intended to provide one-stop services to our invaluable customers. The 4-in-1 service centre in Haichang definitely enhances the Group's quality of pre-sales and after-sales services.

Turnover generated from the servicing of motor vehicles and sales of auto parts for the year 2005 increased by 52.7% as a result of the increasing capacity following the relocation of service centre from the Xiamen Special Economic Zone to Haichang. With ascending demand for motor vehicles in the PRC, the car repair and servicing business sector benefited as a complement.

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, as the 5-year term non-exclusive management consulting and technical service agreement expired, the Group ceased to receive technical income from NAGC.

On the other hand, the Group received technical income from Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao"), for providing management consulting and technical assistance for its purchase for the locally manufactured BMW motor vehicles sold. The locally manufactured BMW motor vehicles were introduced in October 2003.

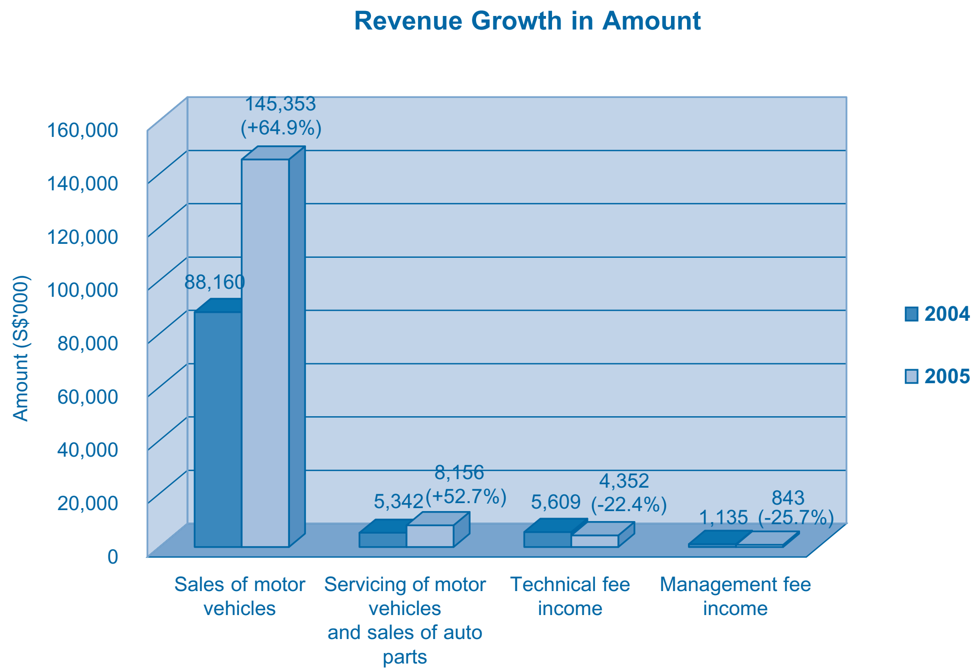
In 2005, the total technical fee income decreased by 22.4% as a result of the expiration of the 5-year term non-exclusive management consulting and technical service agreement with NAGC.

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 owned 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. During the year, as the 5-year term sub-licensees car rental agreement expired, the Group ceased to receive management fee income from the Three Sub-licensees.

In 2005, management fee income decreased by 25.7% as a result of the expiration of the 5-year term sub-licensees car rental agreement with the Three Sub-licensees.

Management Discussion and Analysis



CAR RENTAL BUSINESS

During the year 2005, the Hertz division has taken a further step in expanding their market share by setting up another downtown centre located in the Hong Kong station. The new service location commenced its operation in December 2005. The setting up of the downtown centre not only offers a convenient service point for our clients, it also provides an opportunity for grasping the tourists' market share. In addition to the establishing of an extra service location, the Group expanded its fleet size and more staffs were employed for offering high quality services to our valued customers' satisfaction. Increased fleet size and diversified marketing strategies sparks an extensive approach to reach out different targeted customer segments and thereby increased sales.

TERMINATION OF THE FUZHOU SERVICE CENTRE CO-OPERATION PROJECT AND RELEASE OF SECURITIES UNDER THE INDEMNITY AND GUARANTEE ARRANGEMENT

In 2003, the Group planned to establish a service centre in Fuzhou in Fujian Province. However, as the project ultimately was not completed by the deadline of 31 December 2004, it was terminated.

In pursuant to the circular issued on dated 11 April 2005 (the "Circular") and the resolution of the Extraordinary General Meeting of the Company held on 29 April 2005 (the "Resolution"), the Fuzhou Service Centre Co-operation Project was terminated and the Indemnifiers and the Guarantor were released from their obligations under the Deed of Indemnity and Guarantee (as supplemented by the Deed of Confirmation) as defined in the Circular and the Resolution. The information of the termination was summarized as follows:

- on 3 June 2005, the termination agreement was entered into among Xiamen BMW Automobiles Service Co., Ltd. ("Xiamen BMW"), Fuzhou BMW Automobiles Service Co., Ltd. ("Fuzhou BMW"), Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng") and NAGC terminating the Fuzhou Service Centre Co-operation Project;

Management Discussion and Analysis

- the prepayment in the amount of RMB6,650,000, being the amount paid by the Group to Jin Tian Cheng to finance the construction of the Fuzhou Service Centre Co-operation Project was repaid to the Group on 3 June 2005;

- on 11 July 2005, the Company executed the Deed of Release in favour of the Indemnifiers and the Guarantor releasing the Indemnifiers and the Guarantors from their respective obligations under the Deed of Indemnity and Guarantee (as supplemented by the Deed of Confirmation; and

- the Securities comprising 77,148,000 Shares, one share in each of Tycoons Investment and Affluence Investment and 2.2 million shares in the share capital of the Guarantor and cash in the amount of HK$10,370,524.26 (being the amount of HK$10,000,000 together with interest accrued thereon) were released to the Indemnifiers and the Guarantor on 11 July 2005 by the escrow agent.

FINANCIAL REVIEW

Overview

The majority of the Group's turnover during the year ended 31 December 2005 was derived by German Automobiles Pte Ltd. ("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 2005, the turnover of the Group amounted to S$158,704,000, an increase of approximately 58.3% as compared with that of the year ended 31 December 2004. This is mainly contributed by the increase in the sale of motor vehicle by 64.9% during the year, owing to the increase in demand for BMW passenger vehicles and other brand vehicles including Toyota and Mercedes arising from product diversification. For the year ended 31 December 2004, revenues generated from distributing BMW and other cars was approximately S$70,272,000 and S$17,888,000 respectively and increased to approximately S$113,915,000 and S$31,438,000 respectively for the year ended 31 December 2005. The Directors believe such increase was resulted from increasing customers' demand induced by the strong economic growth of the PRC.

For the year ended 31 December 2005, the income generating from servicing of motor vehicles and sales of auto parts was approximately S$8,156,000, representing an increase of approximately 52.7% as compared with that of the year ended 31 December 2004. The Directors believed that the increase in servicing income and sales of auto parts was due to the increase in servicing capacity of the Xiamen service centre.

The technical fee income decreased by approximately 22.4% to approximately S$4,352,000 for the year ended 31 December 2005 as compared with S$5,609,000 for the year ended 31 December 2004. This was mainly due to the expiration of the 5-year term non-exclusive management consulting and technical service agreement. From January 2005 onwards, the Group only receives technical fee income from Xiamen Zhong Bao.

Management fee income from the Three Sub-licensees was approximately S$843,000 for the year ended 31 December 2005, a decrease of approximately 25.7% as compared with S$1,135,000 for the year ended 31 December 2004. The decrease in management fee income was a result of the expiration of the 5-year term sub-licensees car rental agreement with the Three Sub-licensees from the third quarter of 2005 onwards.

Management Discussion and Analysis

Gross Profit

Gross profit margin for income from distribution of motor vehicles was approximately 11% and 11.5% respectively for the years ended 31 December 2005 and 2004. The gross profit margin of technical fee and car rental management fee income were 100% for both years ended 31 December 2005 and 2004. The slight decrease in gross profit margin resulted from the decrease in contribution from technical and management fee income on the total group turnover.

For the year ended 31 December 2005, the gross profit of the Group was approximately S$17,415,000 (2004: S$11,501,000), representing an increase of approximately 51.4% over that of the year ended 31 December 2004.

Other Operating Expenses

Other operating expenses for the year ended 31 December 2005, amounted to approximately S$8,182,000, an increase of 78.1% as compared with that of the year ended 31 December 2004. The increase was the result of increase in sales. As the need of processing trade finance documents increased, thereby proportionately increased bank charges.

Profit from ordinary activities attributable to shareholders

Profit from ordinary activities attributable to shareholders for the year ended 31 December 2005 was S$3,671,000 as compared with S$1,741,000 for the year ended 31 December 2004. The profit for 2005 increased by approximately 110.9% as compared with that of 2004.

Financial Resources and Liquidity

As at 31 December 2005, shareholders' fund of the Group amounted to approximately S$29,328,000 (2004: S$24,220,000). Current assets amounted to approximately S$88,864,000 (2004: S$56,790,000). Of which approximately S$25,342,000 (2004: S$11,060,000) were cash and bank deposits. Current liabilities amounted to approximately S$72,622,000 (2004: S$47,854,000) mainly represents trade payables, bills payables, bank loans, accruals and other payables and current account with affiliated companies. The Group had non-current liabilities amounted to S$1,639,000 (2004: S$2,106,000). The net asset value per share as at 31 December 2005 was S$0.074 (2004: S$0.061).

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 2005, the Group had a gearing ratio of 0.52 (2004: 0.52).

Foreign Exchange Exposure

During the year ended 31 December 2005, the Group had an exchange loss of approximately S$241,000 (2004: S$807,000), mainly due to the unstable exchange rate of Euro against SGD and HKD, whereas the purchases for BMW passenger vehicles were mainly denominated in Euro.

Charges on Group Assets

As at 31 December 2005, the Group pledged time deposits of approximately S$12,602,000 (2004: S$9,578,000) and charged plant and machinery of approximately S$151,000 (2004: S$183,000) to several banks for banking facilities for the Group and a related company of NAGC and to secure guarantees given by the bank to Hertz International Ltd., the principal of the "Hertz" system of car rental business (the "Car Rental Business").

As at 31 December 2005, the Group charged legal mortgages on leasehold land and buildings with net book value of approximately S$799,000 (2004: S$1,150,000) to banks to secure a mortgage loan.

Management Discussion and Analysis

Contingent Liabilities

As at 31 December 2005, the Group provided a bank guarantee of approximately S$4,738,000 (2004: S$4,581,000) to a bank in respect of banking facilities to a related company of NAGC. As at 31 December 2005, the Group provided bank guarantee amounted to S$24,035,000 in respect of banking facilities to Xiamen Zhong Bao (2004: S$6,930,000).

Employees

As at 31 December 2005, the total number of employee of the Group was 154. For the year ended 31 December 2005, the staff costs including directors' remuneration of the Group amounted to approximately S$2,148,000 (2004: 1,880,000), around 1.4% of the turnover of the Group and an increase of approximately S$268,000 or approximately 14.3% as compared to that of the year ended 31 December 2004. It is the Group's policy to review its employers' pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2005, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2004: Nil).

Significant Investment

As at 31 December 2005, the Group had no significant investment held (2004: Nil).

Material Investments or Capital Assets

As at 31 December 2005, the Group had no future plans for material investment.

Capital Structure of the Group in Debt Securities

During the year ended 31 December 2005, the Group had no debt securities in issue (2004: Nil).

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating activities. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than functional currencies. The Group entered into foreign exchange forward rate agreements in order to secure its exposure to fluctuations in foreign currency exchange rates.

Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

Management Discussion and Analysis

Interest rate risk

The interest rates and terms of repayment of the Group's bank loans are disclosed in note 26 of this annual report.

Fair values

The fair values of cash and bank balances, trade receivables, bill receivables, other receivables, trade payables, other payables and bank loans are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

BUSINESS PROSPECT

China will remain the largest emerging automotive market in the year 2006 backed up by soaring demand. Membership in the WTO not only encourages the development of automobile market in an open and rational manner, it will also mean reduction of tariffs and abolition of non-tariffs barrier to enhance a mature internationalized market.

Fiscal policies in the PRC makes a major influence on the market over the years. Under the WTO impact, from 1 January 2006 onwards, tariffs on imported motor vehicles are reduced from 30% to 28%. A further decrease is promised by 1 July 2006, which will bring the tariff bar to low as 25%. The average tariffs of automobile components will be decreased to 10% by 2006. Nonetheless, quotas on auto imports are removed. Cost on import vehicles is expected to decrease in the future and competitiveness of the Group will be enhanced.

Recently, the release of motor vehicle compulsory scrap standard in 2006, according to information revealed at the International Conference on China Motor Vehicle Scrap Management by the Ministry of Commerce, is believed to be a strong support for stabilizing the demand for vehicles within the territory. With constantly increasing demand, a prosperous growth of car sales is guaranteed in the near future.

Though competition will be keen as the PRC gradually opens up its auto market, the Group will firmly adhere to our working requirements of emphasizing on profit, risk management and focusing on steady cash flow by implementing stringent cost control policies, thus solidifies our strategic position as well as maximizing shareholder's return.

Looking forward, there will be major changes to our business structure. The restructuring of the settlement in RMB with the major suppliers will benefit the Group by stabilizing its foreign currencies risk exposure. The Group will continuously utilize its greatest endeavor to achieve a steady long term growth.

The Directors will review the business from time to time and the market environment to sketch out the expansion plan for the Group, by strengthening the relationship with our business partners and valuable customers and grasping the best opportunities for expansions. As for internal controls, the Group will amend and optimize the appraisal system and reward measures to further raise the enthusiasm of employees. Our company has been gaining ground in its attempt to be the best in the industry.

Biographical Information of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chan Hing Ka Anthony, age 38, 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 degree in business administration.

Mr. Loh Nee Peng, aged 38, 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 of experience in the PRC's auto industry. Mr. Loh graduated from the University of San Francisco in 1998 with a bachelor degree in business administration.

Mr. Xu Ming, aged 35, is an executive director of the Company. He joined the Group in October 2003. Mr. Xu Ming has more than 10 years of 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 50, 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 an 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 conveyance.

Mr. Yin Bin, aged 34, obtained a master degree in Economics from the 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. He has been appointed as an independent non-executive director of the Company since July 2004.

Mr. Zhang Lei, aged 35, is a member of the Chinese Institute Certified Public Accountant (CICPA) in the PRC and has more than 7 years of professional experience in the field of finance and accounting. Currently, Mr. Zhang is working as a senior manager in Shenzhen Jun He Certified Public Accountants Co. Ltd. He has been appointed as an independent non-executive director of the Company since July 2004.

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lim Tee Peng, aged 43, 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 authorized dealer of European luxury motor vehicles. Mr. Lim has extensive experience in trading of auto parts and accessories.

Mr. Tan Cheng Kim, aged 39, 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 authorized dealer of European luxury motor vehicles. Mr. Tan graduated from the Ngee Ann Polytechnic Singapore in 1987 with a diploma in mechanical engineering.

Mr. Yeung Chak Sang Johnson, aged 40, is the qualified accountant and the company secretary of the Group. He joined the Group in 2005 and has more than 15 years of experience in accounting, auditing and financial management. He holds a bachelor degree in business and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

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 2005.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2005 and up to the date of this report are:

Executive Directors
Mr. Chan Hing Ka Anthony *(Chairman and Managing Director)*
Mr. Loh Nee Peng
Mr. Xu Ming

Independent Non-executive Directors
Mr. Lee Kwok Yung
Mr. Zhang Lei
Mr. Yin Bin

In accordance with Article 87 of the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last re-elections and appointments. In accordance with these provisions, Mr. Loh Nee Peng and Mr. Lee Kwok Yung, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 2005, 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.

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 and 16 July 2004 respectively. 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 2005.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 12 to the financial statements, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2005 or at any time during the year.

GROUP'S EMOLUMENT POLICY

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are determined with regard to the performance of individuals, the Company's operating results and market standards.

Directors' Report

REMUNERATION OF DIRECTORS AND THE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors are set out in note 12 of this annual report.

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 subsidiary is set out in note 17 to the financial statements.

Analysis of the Group's turnover and other income are set out in note 5 and note 7 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2005, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales	
– The largest customer	15.82%
– The total of five largest customers	54.88%
Purchases	
– The largest supplier	64.99%
– The total of five largest suppliers	97.66%

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 2005 are set out in the consolidated income statement on page 30 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 79 of this annual report. 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 2005 (2004: Nil).

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

DISTRIBUTABLE RESERVES

As at 31 December 2005, the Company had reserves available for distribution to shareholders amounted to approximately S$1,689,000. It comprised share premium of approximately S$4,006,000 less accumulated loss of approximately S$2,317,000.

Directors' Report

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 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 of property, plant and equipment of the Group during the year ended 31 December 2005 are set out in note 13 to the financial statements.

RETIREMENT BENEFITS

Details of the retirement benefits schemes of the Group set out in note 33 to the financial statements.

CONNECTED TRANSACTIONS

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

1. on 11 June 1999, a tenancy agreement was entered into between Atland Properties 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$55,000 (2004: 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$9,000 (2004: S$11,000).

3. On 4 October 1999, a tenancy agreement was entered into between Xiamen L & B Property Co., Ltd., a company which is beneficially held as to 5% by Mr. Loh Kim Her and 95% by his family members, as the lessor and GAPL as the lessee in respect of a premises of 710 sq. metres in Xiamen, for a term of 21 years commencing on 1 November 1999. The annual rental expense incurred by the Group during the year was approximately S$77,000 (2004: S$55,000).

Directors' Report

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors are set out on pages 13 to 14 of this annual report.

DIRECTOR'S INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, 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 position in shares

Name	Capacity	Number of ordinary shares held: 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 1)*	–	106,432,000	26.61%
Loh Nee Peng	Interest of a controlled corporation	–	–	106,432,000 *(Note 2)*	–	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 2005, 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 POSITION OF SHAREHOLDERS

As at 31 December 2005, the persons or corporations (other than directors or chief executive of the Company) who have interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh & Loh Construction Group Ltd.	Beneficial owner *(Note 1)*	74,432,000	18.61%
Comfort Group Limited	Interest of a controlled corporation *(Note 2)*	61,667,570	15.42%
Loh Kim Her	Interest of a controlled corporation *(Note 3)*	27,164,800	6.79%

Notes:

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

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

3. The 27,164,800 shares held as to 16,000,000 shares by Affluence Investment International Limited, and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15% respectively by Mr. Loh Kim Her. By virtue of SFO, Mr. Loh Kim Her is deemed to be interested in the shares held by Affluence Investment International Limited, and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 31 December 2005, the Directors are not aware of any other person or corporation having an interests or short positions 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 2005, 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 28 February 2006, there were 400,000,000 shares of the Company in issue. Base on the average closing price of the Company's shares of HK$ 0.073 as quoted on the Stock Exchange for the trading days from 21 February 2006 to 27 February 2006 (both days inclusive), being the five trading days immediately preceding 28 February 2006, the Company's Market Capitalization was approximately HK$28.48 million.

	28 February 2006		31 December 2005		30 September 2005		31 December 2004	
	S$'000	HK$'000	S$'000	HK$'000	S$'000	HK$'000	S$'000	HK$'000
NAGC Group:								
Trade receivables	–	–	112	514	854	3,936	3,647	17,367
Car rental advances	1,697	8,120	1,756	8,055	1,747	8,051	1,663	7,919
Prepaid rental expenses	7,144	34,182	7,170	32,890	7,208	33,217	8,556	40,743
Other receivables	–	–	–	–	65	300	63	300
Guarantees to NAGC Group	4,547	21,756	4,738	21,734	4,721	21,756	4,581	21,814
Advances to NAGC Group	6,908	33,053	7,517	34,482	4,992	23,005	2,224	10,590
	20,296	**97,111**	**21,293**	**97,675**	**19,587**	**90,265**	**20,734**	**98,733**
Zhong Bao Group*:								
Advances to Xiamen Zhong Bao	10,732	51,349	19,148	87,835	14,169	65,295	13,702	65,671
Guarantees to Zhong Bao Group*	24,035	115,000	24,035	110,252	7,280	33,548	6,930	33,000
	34,767	166,349	43,183	198,087	21,449	98,843	20,632	98,671
	55,063	**263,460**	**64,476**	**295,762**	**41,036**	**189,108**	**41,366**	**197,404**

* *Being Xiamen Bao and certain of its subsidiaries and related companies ("Zhong Bao Group")*

Directors' Report

Trade Receivables, Car Rental Advances, Prepaid Rental Expenses, Guarantees, Advances to NAGC and Zhong Bao Group

The total advances, guarantees and receivables provided to and due from NAGC and its subsidiaries or any of their respective associates (collectively the "NAGC Group") and Zhong Bao Group are in aggregate of approximately S$55,063,000 (equivalent of approximately HK$263,460,000) as at 28 February 2006 (as at 31 December 2004: S$41,366,000; equivalent to approximately HK$197,404,000). 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 technical fee.

Zhong Bao Group engages in the operation of distribution of locally manufactured BMW motor vehicles in the PRC. On the other hand, the Group provide technical expertise and financial assistance to Zhong Bao Group. Technical agreement was entered between Zhong Bao Group and the Group which set out the basis for the amount of technical fee charged by the Group.

As the 5-year term sub-licensees car rental agreement and the 5-year non-exclusive management consulting and technical service agreement entered into between the Group and NAGC expire during the year, the Group ceased to receive technical fee income nor management fee income from NAGC. The details of transactions and explanations are illustrated as follow:

As at 28 February 2006, the total advances, guarantees and receivables provided to and due from NAGC Group and Zhong Bao Group represented approximately 925% of the Group's Market Capitalization and represented approximately 52.9% of the audited total asset value of the Group as at 31 December 2005.

The details of transactions to NAGC Group which are of trading nature and remain outstanding as at 28 February 2006 are announced as follows:

Trade Receivables due from NAGC

For the car rental business in the PRC, as stated in the section under "Business of the Group" in the prospectus dated 10 June 2002 ("Prospectus"), the sub-licensees car rental agreement entered into between CNA Anhua (Tianjin), subsidiary of the Group, to CNA Anhua (Beijing), CNA Anhua (Shanghai) and CNA Anhua (Guangzhou) Car Rental Companies (collectively known as the "Three Sub-licensees") expires in August 2006.

The trade receivables due from NAGC comprised of the technical and management fee income arisen from the provision of management consulting and technical expertise to the Three Sub-licensees. However, these sub-licensees agreements were expired during the year. As at 28 February 2006, the trade receivables were settled and there were no receivables remained outstanding from NAGC (as at 31 December 2004: S$3,647,000; equivalent to approximately HK$17,367,000).

Car Rental Advances due from NAGC

At 28 February 2006, approximately S$1,697,000 (equivalent to approximately HK$8,120,000) (as at 31 December 2004: S$1,663,000; equivalent to approximately HK$7,919,000) 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. These advances were unsecured, interest free and repayable on demand. 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 28 February 2006, prepaid rental expenses of the amount of approximately S$7,144,000 (equivalent to approximately HK$34,182,000) (as at 31 December 2004: S$8,556,000; equivalent to approximately HK$40,743,000) were made 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, which 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.

Guarantee to NAGC Group

Guarantee in the amount of approximately S$4,547,000 (equivalent to approximately HK$21,756,000) (as at 31 December 2004: S$4,581,000; equivalent to approximately HK$21,814,000) was provided to a bank in respect of banking facilities granted to NAGC Group. The guarantee was 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 did not have any security or receive any considerations from NAGC Group by giving such guarantee.

Advances to NAGC Group

Approximately S$6,908,000 (equivalent to approximately HK$33,053,000) (as at 31 December 2004: S$2,224,000; equivalent to approximately HK$10,590,000) 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. NAGC Group is one of the eligible entities in the PRC which are allowed to distribute imported automobiles in the PRC. The Directors considered that the Group's reliance on NAGC Group in promoting sales of imported cars in the PRC and the provision of advances to NAGC Group by the Group in this regard are normal commercial practice. The advances were unsecured, interest free and repayable in or before August 2006.

Directors' Report

The details of transactions to Zhong Bao Group which are of trading nature outstanding as at 28 February 2006 are announced as follows:

Advances to Xiamen Zhong Bao

As at 28 February 2006, advances of approximately S$10,732,000 (equivalent to approximately HK$51,349,000) (as at 31 December 2004: S$13,702,000; equivalent to approximately HK$65,671,000) were advanced to Xiamen Zhong Bao. Among the total advances, approximately S$10,010,000 (equivalent to approximately HK$47,894,000) (as at 31 December 2004: S$15,160,000; equivalent to approximately HK$72,190,000) were made for the marketing activities 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$722,000 (equivalent to approximately HK$3,455,000) (as at 31 December 2004: S$2,102,000; equivalent to approximately HK$10,010,000) 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.

Guarantee to Zhong Bao Group

Guarantee in the amount of approximately S$24,035,000 (equivalent to approximately HK$115,000,000) (as at 31 December 2004: S$6,930,000; equivalent to approximately HK$33,000,000) were provided to a bank in respect of banking facilities granted to Zhong Bao Group. The guarantee were for the banking facilities granted for the use in car trade business of Zhong Bao Group.

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

	As at 28 February 2006		% of Total Market Capitalization	As at 31 December 2005	
	S$'000	HK$'000		S$'000	HK$'000
Beijing Hui Long Xin Trading Co. Ltd.	1,839	8,799	31%	2,644	12,297
Jung Xin Automobiles Co. Ltd.	2,468	11,809	42%	2,539	11,809
Tianjin Chi Meng International Trade Co. Ltd.	2,833	13,555	48%	2,915	13,556
Xiamen Xin Cheng Gung Auto Co. Ltd.	2,195	10,502	37%	2,689	12,567
Xiamen C & D Inc.	1,674	8,010	28%	526	2,447
Forever Fortune Trading Co. Ltd.	1,791	8,569	30%	1,842	8,567
Xiamen Feng Chi Automobiles Trading Co. Ltd.	2,545	12,177	43%	2,643	12,291
Xiamen Zhong Bao Automobiles Co. Ltd.	5,422	25,943	91%	7,944	36,947

As at 28 February 2006, 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 Long Xin Trading Co. Ltd., an independent third party of the Group, as at 28 February 2006 amounted to approximately S$1,839,000 (equivalent to approximately HK$8,799,000). 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 2006. The trade receivables due from Beijing Hui Long Xin Trading Co. Ltd. were approximately 31% of the Group's Market Capitalization.

Directors' Report

The trade receivables due from Jung Xin Automobiles Co. Ltd., an independent third party of the Group, as at 28 February 2006 amounted to approximately S$2,468,000 (equivalent to approximately HK$11,809,000). 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 2006. The trade receivables due from Jung Xin Automobiles Co. Ltd. were approximately 42% 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 28 February 2006 amounted to approximately S$2,833,000 (equivalent to approximately HK$13,555,000). 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 2006. The trade receivables due from Tianjing Chi Meng International Trade Co. Ltd. were approximately 48% of the Group's Market Capitalization.

The trade receivables due from Xiamen Xin Cheng Gung Auto Co. Ltd., an independent third party of the Group, as at 28 February 2006 amounted to approximately S$2,195,000 (equivalent to approximately HK$10,502,000). 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 2006. The trade receivables to Xiamen Xin Cheng Gung Auto Co. Ltd. were approximately 37% of the Group's Market Capitalization.

The trade receivables due from Xiamen C & D Inc., an independent third party of the Group, as at 28 February 2006 amounted to approximately S$1,674,000 (equivalent to approximately HK$8,010,000). 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 2006. The trade receivables to Xiamen C & D Inc. were approximately 28% of the Group's Market Capitalization.

The trade receivables due from Forever Fortune Trading Co. Ltd., an independent third party of the Group, as at 28 February 2006 amounted to approximately S$1,791,000 (equivalent to approximately HK$8,569,000). 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 May 2006. The trade receivables to Forever Fortune Trading Co. Ltd. were approximately 30% 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 28 February 2006 amounted to approximately S$2,545,000 (equivalent to approximately HK$12,177,000). 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 2006. The trade receivables to Xiamen Feng Chi Automobiles Trading Co. Ltd. were approximately 43% of the Group's Market Capitalization.

The trade receivables due from Xiamen Zhong Bao Automobiles Co. Ltd., an independent third party of the Group, as at 28 February 2006 amounted to approximately S$5,422,000 (equivalent to approximately HK$25,943,000). 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 2006. The trade receivables to Xiamen Zhong Bao Automobiles Co. Ltd. were approximately 91% of the Group's Market Capitalization.

Directors' Report

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence has been received from each of Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors to be independent.

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 2005, the audit committee comprises of 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 2005, 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 2005.

AUDITORS

Moores Rowland Mazar resigned as auditors of the Company on 19 July 2004. Grant Thornton were appointed as auditors of the Company by the Board on 10 August 2004 to fill the casual vacancy.

The financial statements of the Company for the year ended 31 December 2005 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
Chairman and Managing Director

Hong Kong, 29 March 2006

Corporate Governance Report

APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group. The Group has applied in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") with these objectives in mind.

Subject to the deviations disclosed below, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 (the "Code") of the GEM Listing Rules during the year.

Under the code provision, a listed issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. It was not until August 2005 that the Company established a remuneration committee as required under the code provision.

Under the code provision, every director should be subject to retirement by rotation at least once every three years. The existing articles of association of the Company provide that no Directors holding office as chairman and / or managing director shall be subject to retirement by rotation. Accordingly, as at the date of this announcement, Mr. Chan Hing Ka Anthony, being the chairman of the Company, is not subject to retirement by rotation. In order to comply with the code provision, Mr. Loh Nee Peng and Mr. Lee Kwok Yung will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

Under the code provision, a listed issuer should establish a nomination committee with specific terms of reference which deal clearly with its authority and duties. The Company has not established a nomination committee as to the date of this report but the Board is seeking for the appropriate personnels to establish the nomination committee as soon as possible.

SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the directors of the Company, all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors.

BOARD COMPOSITION

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman and the management.

The Board comprises a total of six directors, with three Executive Directors, namely, Mr. Chan Hing Ka Anthony (Chairman and Managing Director), Mr. Loh Nee Peng, Mr. Xu Ming; and three Independent Non-Executive Directors, namely, Mr. Lee Kwok Yung, Mr. Zhang Lei and Mr. Yin Bin. More than one Independent Non-Executive Directors have appropriate professional qualifications, accounting and financial management expertise.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2005, the Board held four meetings. The attendance record of each member of the Board is set out below:

	Attendance
Executive Directors	
Chan Hing Ka Anthony	4/4
Loh Nee Peng	3/4
Xu Ming	1/4
Independent Non-Executive Directors	
Lee Kwok Yung	4/4
Yin Bin	3/4
Zhang Lei	3/4

REMUNERATION OF DIRECTORS

As mentioned above, a remuneration committee was formed in August 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment for a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for executive directors and senior management and to make recommendations to the Board on the remuneration of non-executive directors.

The Remuneration Committee is made up of all the Company's Independent Non-Executive Directors, namely, Mr. Lee Kwok Yung, Mr. Yin Bin and Mr. Zhang Lei.

No meeting has been held in 2005 to review the remuneration packages of Executive Directors as well as Independent Non-Executive Directors, which are nominal by market standards, as the Company does not see a need to review them.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2006.

AUDITOR'S REMUNERATION

The remuneration provision in respect of audit services for the year 2005 as provided by the auditors, Grant Thornton, amounts to HK$368,000 (approximately S$80,000).

AUDIT COMMITTEE

The Company's Audit Committee was formed on 5th June 2002 and is currently composed of namely, Mr. Lee Kwok Yung, Mr. Zhang Lei and Mr. Yin Bin. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and the internal control procedures of the Group.

Corporate Governance Report

In 2005, the Audit Committee held four meetings. The attendance record of each. Member of the Committee is set out as below:

	Attendance
Lee Kwok Yung *(Chairman)*	4/4
Zhang Lei	3/4
Yin Bin	2/4

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in HKSE Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during 2005.

A statement of director responsibilities for preparing the financial statements is set out in this Annual Report. The Auditor's Report states auditors' reporting responsibilities.

The Directors have reviewed and are satisfied with the effectiveness of the Group's internal control system, including financial, operational and compliance controls and risk management functions.

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 30 to 77 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 Hong Kong Standards on Auditing 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 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
Hong Kong

29 March 2006

For the year ended 31 December 2005

Consolidated Income Statement

	Notes	2005 S$'000	(Restated) 2004 S$'000
Revenue	5	**158,704**	100,246
Other income	7	**2,369**	1,283
Cost of sales	8.2	**(141,289)**	(88,745)
Employee benefits expenses	12	**(2,148)**	(1,880)
Depreciation and amortisation		**(1,067)**	(1,123)
Operating lease charges		**(308)**	(269)
Exchange differences, net		**(241)**	(807)
Other operating expenses		**(8,182)**	(4,595)
Profit from operating activities		**7,838**	4,110
Finance costs, net	8.1	**(2,649)**	(1,493)
Profit before income tax		**5,189**	2,617
Income tax expense	9	**(1,537)**	(896)
Profit for the year		**3,652**	1,721
Attributable to:			
Equity holders of the Company		**3,671**	1,741
Minority interests		**(19)**	(20)
Profit for the year	10	**3,652**	1,721
Earnings per share for profit attributable to the equity holders of the Company during the year	11	**Singapore cent**	Singapore cent
Basic		**0.92**	0.44
Diluted		**N/A**	N/A

As at 31 December 2005

Consolidated Balance Sheet

	Notes	2005 S$'000	(Restated) 2004 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**5,594**	6,238
Leasehold land	14	**647**	658
Prepaid rental expenses	15	**7,017**	8,556
Deposit for acquisition of a land use right	16	**132**	693
Non-current receivables	18	**1,756**	1,663
		15,146	17,808
Current assets			
Inventories	19	**2,477**	7,123
Trade receivables	20	**24,734**	21,245
Bills receivable		**3,842**	1,685
Prepayments, deposits and other current assets	21	**32,353**	15,308
Due from related companies	22	**112**	101
Due from directors	27	**4**	268
Pledged deposits	23	**12,602**	9,578
Bank balances and cash	23	**12,740**	1,482
		88,864	56,790
Current liabilities			
Trade payables	24	**7,188**	727
Accruals, deposit received and other payables	25	**6,089**	3,950
Pension and other employee obligations	33	**20**	72
Bills payable	26	**43,242**	30,339
Borrowings	26	**9,627**	6,830
Due to related companies	22	**484**	416
Due to directors	27	**489**	375
Tax payable	29	**5,483**	5,145
		72,622	47,854
Net current assets		**16,242**	8,936
Total assets less current liabilities		**31,388**	26,744

As at 31 December 2005

Consolidated Balance Sheet

	Notes	2005 S$'000	(Restated) 2004 S$'000
Non-current liabilities			
Borrowings	26	**1,429**	1,991
Deferred tax	28	**210**	115
		1,639	2,106
		29,749	24,638
EQUITY			
Equity attributable to Company's equity holders			
Share capital	30	**9,040**	9,040
Reserves	31	**20,288**	15,180
		29,328	24,220
Minority interests		**421**	418
Total equity		**29,749**	24,638

Chan Hing Ka Anthony
Director

Loh Nee Peng
Director

As at 31 December 2005

Balance Sheet

	Notes	2005 S$'000	2004 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	**11,645**	12,170
Current asset			
Other receivables	21	**22**	–
Current liabilities			
Other payables		**(136)**	(224)
Due to directors	27	**(157)**	–
		(293)	(224)
Net current liabilities		**(271)**	(224)
Total assets less current liabilities		**11,374**	11,946
EQUITY			
Issued capital	30	**9,040**	9,040
Reserves	31	**2,334**	2,906
Total equity		**11,374**	11,946

Chan Hing Ka Anthony
Director

Loh Nee Peng
Director

For the year ended 31 December 2005

Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of the Company					Minority interest	Total
	Issued capital	Share premium*	Capital reserve*	Translation reserve*	Retained profits*		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	(Note 31)	(Note 32)	(Note 32)	(Note 32)			
At 31 December 2003	9,040	4,006	1,689	(302)	8,880	452	23,765
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	(20)	1,721
Total recognised income/ expenses	**–**	**–**	**–**	**(834)**	**1,741**	**(34)**	**873**
At 31 December 2004	9,040	4,006	1,689	(1,136)	10,621	418	24,638
Net gains/(losses) not recognised in income statement							
Translation difference	–	–	–	1,437	–	22	1,459
Shared by a minority shareholder							
Profit for the year	–	–	–	–	3,671	(19)	3,652
Total recognised income/ expenses	**–**	**–**	**–**	**1,437**	**3,671**	**3**	**5,111**
At 31 December 2005	**9,040**	**4,006**	**1,689**	**301**	**14,292**	**421**	**29,749**

* *These reserves accounts comprise the consolidated reserves of S$20,288,000 (2004: S$15,180,000) in the consolidated balance sheet.*

For the year ended 31 December 2005

Consolidated Cash Flow Statement

	Notes	2005 S$'000	(Restated) 2004 S$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		5,189	2,617
Adjustments for:			
Interest expenses	8.1	**2,553**	1,465
Interest element of finance lease rental payments	8.1	**101**	65
Interest income	8.1	**(5)**	(37)
(Gain)/Loss on disposal of property, plant and equipment	8.3	**(15)**	30
Depreciation of property, plant and equipment	8.3	**906**	960
Impairment loss of property, plant and equipment	8.3	**2,285**	–
Annual charges of prepaid operating lease payment	8.3	**11**	11
Amortisation of prepaid rental expenses	8.3	**153**	152
Operating profit before working capital changes		**11,178**	5,263
Decrease/(Increase) in inventories		**4,646**	(6,366)
(Increase)/Decrease in trade receivables		**(3,489)**	15,842
Increase in prepayments, deposits and other current assets		**(17,045)**	(4,352)
Net movement in balances with related companies		**57**	(120)
Net movement in balances with directors		**378**	(501)
Increase/(Decrease) in trade payables		**6,461**	(6,719)
Decrease in pension and other employee obligations		**(52)**	–
Increase/(Decrease) in accruals, deposit received and other payables		**2,139**	(14)
(Increase)/Decrease in bills receivable		**(2,157)**	10,632
Increase/(Decrease) in bills payable		**12,903**	(5,527)
Cash generated from operations		**15,019**	8,138
Interest received		**5**	37
Interest paid		**(2,553)**	(1,465)
Interest element of finance lease rental payments		**(101)**	(65)
Overseas tax paid		**(90)**	(50)
Hong Kong profits tax paid		**(1,014)**	(453)
Net cash generated from operating activities		**11,266**	6,142

For the year ended 31 December 2005

Consolidated Cash Flow Statement

	Notes	2005 S$'000	(Restated) 2004 S$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Refund of prepaid rental expense	15	1,390	–
Purchase of property, plant and equipment		(596)	(342)
Proceeds from disposal of property, plant and equipment		151	134
(Decrease)/Increase in pledged deposits		(5,412)	363
Decrease/(Increase) in non-current receivables		(93)	59
Refund of a land use right payment	16	693	–
Purchase of a land use right	16	(132)	(693)
Net cash used in investing activities		(3,999)	(479)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		1,172	2,613
Repayment of bank loans		(872)	(5,207)
Capital element of finance lease rental payments		(960)	(571)
Net cash used from financing activities		(660)	(3,165)
Net increase in cash and cash equivalents		6,607	2,498
Translation adjustment		1,213	(676)
Cash and cash equivalents at beginning of year		2,211	389
Cash and cash equivalents at end of year		10,031	2,211
Analysis of balances of cash and cash equivalents			
Bank balances and cash	23	12,740	1,482
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	23	–	2,388
Bank overdrafts	26	(2,709)	(1,659)
		10,031	2,211

1. GENERAL INFORMATION

G. A. Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of Cayman Islands as an exempted company with limited liability on 5 July 2001. The 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 and its principal place of business is unit 1206, 12th Floor, 9 Queen's Road Central, Hong Kong.

The Company and its subsidiaries (the "Group") are principally engaged in the sales of motor vehicles and provision of car-related technical services, servicing of motor vehicles and sales of auto parts, and 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.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 29 March 2006.

For the year ended 31 December 2005

Notes to the financial statements

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 January 2005, the Group has adopted the new or revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to owners of the parent company is now presented as an allocation of the net result of the year.

2.2 Adoption of HKAS 17

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at cost less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively. Where the land and buildings elements cannot be allocated reliably, the entire lease payments continues to be treated as finance leases and included in property, plant and equipment.

2. ADOPTION OF NEW OR REVISED HKFRS *(Continued)*

2.3 Other standards adopted

The adoption of HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 32, 33, 36, 37, 39 and HKFRS 3 did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.4 New Standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following Standards or interpretations that have been issued but are not yet effective. The adoption of such Standards and Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 1& HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains A Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006

For the year ended 31 December 2005

Notes to the financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with HKFRS. The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation

The consolidated financial statements are presented in Singapore Dollars (S$). The functional currency of the parent company is Hong Kong Dollars ("HK$").

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

In the consolidated financial statements, all separate financial statements of subsidiaries originally presented in a currency different from the Group's presentation currency, have been converted into Singapore dollars. Assets and liabilities have been translated into Singapore dollars at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been charged/(credited) to the currency translation reserve in equity.

3.5 Income and expenses recognition

Revenue comprises the fair value for the sales of goods and services, net of rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sale of goods are recognised upon transfer of risk to the customer and significant risks and rewards of ownership have been transferred to the buyer, provided that collectibility of the related receivable is reasonably assured and the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the good sold.

Services fee are recognised when the relevant services are rendered.

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the interest rate applicable.

Operating expenses are recognised in the income statement upon utilisation of the service.

Notes to the financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Property, plant and equipment

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

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Buildings	1.5% per annum
Leasehold improvement	10% to 50% per annum
Plant and machinery	10% to 33.3% per annum
Motor vehicles	20% to 33.3% per annum
Furniture and equipment	10% to 33.3% per annum

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 assets useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.7 Impairment of assets

The Group's property, plant and equipment and the Company's interest in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units with an indefinite useful life of those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Impairment of assets *(Continued)*

An impairment loss is recognised in the income statement for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement, ie depreciation methods and useful lives correspond to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

All other leases are treated as operating lease agreements. Operating lease payments are recognised as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

3.9 Financial assets

The Group's financial assets include trade and other receivables, amounts due to directors and related companies, bank and cash balances and pledged deposits.

Loans and receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment. Any change in their value is recognised in income statement.

3.10 Inventories

Inventories comprise fully-assembled motor vehicles and auto parts. Cost includes purchase and other costs incurred in bringing the inventories to their present location and condition using First-in First-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

For the year ended 31 December 2005

Notes to the financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in HKAS 12, no deferred taxes are recognised in conjunction with temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of recognised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hands as well as short term deposits.

3.13 Share Capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Pension obligation and short term benefits

Pension to employees are provided through several defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Short-term employee benefits are recognised for the number of paid leave days (usually holiday entitlement) remaining at the balance sheet date. They are included in current pension and other employee obligation at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

3.16 Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, bills payables, trade and other payables, amounts due to related companies and directors and finance leasing liabilities. Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'finance cost' in the income statement.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.17 Provisions, contingent liabilities and contingent assets

Other provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Provisions are not recognised for future operating losses.

For the year ended 31 December 2005

Notes to the financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Provisions, contingent liabilities and contingent assets *(Continued)*

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no contingent liability is recognised in the consolidated balance sheet, unless assumed in the course of a business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisaton.

3.18 Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company/Group that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is an associate of the Company/Group;

(c) the party is a joint venture in which the Company/Group is a venturer;

(d) the party is a member of the key management personnel of the Company/Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, joint controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is related party of the Company/Group.

3.19 Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical business as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, leasehold land, prepaid rental expense, deposit for acquisition of a land use right, non current receivables, inventories, trade receivables, bills receivables and bank balances and cash. Segment liabilities comprise operating liabilities such as trade payables and bills payables and exclude items such as taxation and certain corporate borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Segment reporting *(Continued)*

Capital expenditure comprises additions to property, plant and equipment.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and no management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

4.2 Depreciation

The Group depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

For the year ended 31 December 2005

Notes to the financial statements

5. REVENUE – GROUP

The Group is principally engaged in (i) sales of motor vehicles and provision of car-related technical services, (ii) servicing of motor vehicles and sale of auto parts and (iii) provision of management services in respect of car rental business. Revenue, which is also the Group's turnover, recognised during the year is as follows :

	2005 S$'000	2004 S$'000
Revenue – Turnover		
Sales of motor vehicles	**145,353**	88,160
Servicing of motor vehicles and sales of auto parts	**8,156**	5,342
Technical fee income	**4,352**	5,609
Management fee income	**843**	1,135
	158,704	100,246

6. SEGMENT INFORMATION

Primary reporting format – business segment

The Group is organised with four business segments, namely:

Activity 1: Sales of motor vehicles and provision of car-related technical services;

Activity 2: Servicing of motor vehicles and sales of auto parts;

Activity 3: Provision of management services in respect of car rental business; and

Activity 4: Commission income from sales of cars from German Automobiles Pte Ltd. ("GAPL") to German Automobiles Limited ("GAL") (i.e. intra-Group)

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.

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segment *(Continued)*

Business segment analysis as at and for the year ended 31 December 2005 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
Revenue						
External sales	149,705	8,156	843	–	–	158,704
Inter-segment sales	490	–	–	5,773	(6,263)	–
	150,195	8,156	843	5,773	(6,263)	158,704
Segment results	3,772	(369)	(100)	5,407	–	8,710
Unallocated expenses						(872)
Profit from operating activities						7,838
Finance costs, net						(2,649)
Profit before income tax expense						5,189
Income tax expense						(1,537)
Profit for the year						3,652
Segment assets	46,267	4,871	1,967			53,105
Unallocated assets						50,905
Total assets						104,010
Segment liabilities	51,367	1,586	206			53,159
Unallocated liabilities						21,102
Total liabilities						74,261
Capital expenditure	2	543	1,896	–	–	2,441
Depreciation	85	215	606	–	–	906
Impairment of property plant and equipment	337	1,948	–	–	–	2,285
Annual charges of prepaid operating lease payment	11	–	–	–	–	11
Amortisation of prepaid rental expenses	–	–	153	–	–	153

For the year ended 31 December 2005

Notes to the financial statements

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segment *(Continued)*

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

	Activity 1	Activity 2	Activity 3	Activity 4	Inter-segment elimination	Group
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue						
External sales	93,769	5,342	1,135	–	–	100,246
Inter-segment sales	490	–	–	3,459	(3,949)	–
	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)
Profit before income tax						2,617
Income tax expense						(896)
Profit for the year						1,721
Segment assets	38,769	4,870	2,731	–		46,370
Unallocated assets	–	–	–	–		28,228
Total assets						74,598
Segment liabilities	30,166	878	195	–		31,239
Unallocated liabilities	–	–	–	–		18,721
Total liabilities						49,960
Capital expenditure	273	966	1,041	–		2,280
Depreciation	72	505	383	–		960
Annual charges of prepaid operating lease payment	11	–	–	–	–	11
Amortisation of prepaid rental expenses	–	–	152	–		152

6. SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segment

The Group's operations are located in three main geographical areas, namely People's Republic of China except Hong Kong (the "PRC"), Hong Kong and Singapore. The following table provides an analysis of the Group's revenue from external customers by location of customers:

	2005	2004
	S$'000	S$'000
The PRC	**153,074**	84,163
Hong Kong	**5,630**	16,083
	158,704	100,246

The following is an analysis of the carrying amount of segment assets, additions to property, plant and equipment by geographical area in which the assets are located:

	Segment assets		**Capital expenditure**	
	2005	2004	**2005**	2004
	S$'000	S$'000	**S$'000**	S$'000
The PRC	**54,737**	42,765	**543**	966
Hong Kong	**37,672**	27,441	**1,896**	1,041
Singapore	**11,601**	4,392	**2**	273
	104,010	74,598	**2,441**	2,280

7. OTHER INCOME – GROUP

	2005	2004
	S$'000	S$'000
Rental income – Sublease	**1,519**	801
Other income	**850**	482
	2,369	1,283

For the year ended 31 December 2005

Notes to the financial statements

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

		2005 S$'000	2004 S$'000
8.1	Finance costs, net		
	Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five years	2,553	1,465
	Finance charges on finance leases	101	65
		2,654	1,530
	Interest income	(5)	(37)
		2,649	1,493
8.2	Cost of sales		
	Cost of inventories sold	135,083	83,914
	Cost of services rendered	6,206	4,831
		141,289	88,745
8.3	Other items		
	Auditors' remuneration	80	74
	Depreciation of property, plant and equipment *	906	960
	Impairment loss of property, plant and equipment	2,285	–
	(Gain)/Loss on disposal of property, plant and equipment	(15)	30
	Annual charges of prepaid rental expenses	153	152
	Annual charges of prepaid operating lease payment	11	11

* *Amount included depreciation charge of S$628,000 (2004: S$372,000) for the Group's leased assets.*

9. INCOME TAX EXPENSE – GROUP

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of tax prevailing in the countries in which the Group operates.

	2005 S$'000	2004 S$'000
Current – Hong Kong		
Charge for the year	814	387
Over-provision in prior years	(47)	–
Current – Overseas		
Charge for the year	675	394
Deferred tax *(note 29)*	95	115
Total income tax expenses	1,537	896

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2005 S$'000	2004 S$'000
Profit before income tax	5,189	2,617
Tax at applicable rate	1,032	780
Non-deductible expenses	439	54
Tax exempt revenue	(1)	(3)
Recognition of previously unrecognised deferred (assets)/liabilities	112	115
Over-provision in prior years	(47)	–
Others	2	(50)
Income tax expense	1,537	896

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

10. PROFIT FOR THE YEAR

Of the consolidated profit for the year of S$3,652,000 (2004: S$1,721,000), a loss of S$572,000 (2004: S$829,000) has been dealt with in the financial statements of the Company.

For the year ended 31 December 2005

Notes to the financial statements

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company for the year of S$3,671,000 (2004: S$1,741,000) and on 400,000,000 (2004: 400,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2005 and 2004 was not presented as there is no dilutive potential ordinary share.

12. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2005	2004
	S$'000	S$'000
Salaries and wages	**1,704**	1,530
Other benefits	**352**	263
Pension costs – defined contribution plans	**92**	87
	2,148	1,880

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

12.1 Directors emoluments

12.1.1 Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Bonus	Contribution to defined contribution plan	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
2005					
Executive directors					
Mr. Chan Hing Ka Anthony	–	180	38	8	226
Mr. Loh Nee Peng	–	180	38	8	226
Mr. Xu Ming	–	–	–	–	–
Independent non executive directors					
Mr. Lee Kwok Yung	26	–	–	–	26
Mr. Yin Bin	40	–	–	–	40
Mr. Zhang Lei	40	–	–	–	40
	106	**360**	**76**	**16**	**558**
2004					
Executive directors					
Mr. Loh Kim Her[1]	–	–	–	–	–
Mr. Chan Hing Ka Anthony	–	180	–	9	189
Mr. Loh Nee Peng	–	181	–	8	189
Mr. Xu Ming	–	–	–	–	–
Non executive directors					
Mr. Goh Chee Wee[2]	–	–	–	–	–
Independent non executive directors					
Ms. Lam So Ying[3]	13	–	–	–	13
Mr. Lee Kwok Yung	26	–	–	–	26
Mr. Yin Bin[4]	18	–	–	–	18
Mr. Zhang Lei[5]	18	–	–	–	18
	75	**361**	**–**	**17**	**453**

1 resigned on 9 June 2004
2 resigned on 24 February 2004
3 resigned on 30 June 2004
4 appointed on 1 July 2004
5 appointed on 16 July 2004

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

For the year ended 31 December 2005

Notes to the financial statements

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

12.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2004: two) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining three (2004: three) individuals during the year are as follows:

	2005 S$'000	2004 S$'000
Basic salaries, allowances and other benefits in kind	**264**	270
Contributions to defined contribution plan	**7**	12
	271	282

The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Emolument bands		
HK$ nil to HK$1,000,000 (S$nil to S$203,000)	**3**	3

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

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings S$'000	Leasehold improvement S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Furniture and equipment S$'000	Total S$'000
At 1 January 2004						
Cost	553	1,366	3,502	2,201	965	8,587
Accumulated depreciation	(53)	(18)	(1,358)	(700)	(488)	(2,617)
Net book amount	**500**	**1,348**	**2,144**	**1,501**	**477**	**5,970**
Year ended 31 December 2004						
Opening net book amount	500	1,348	2,144	1,501	477	5,970
Exchange differences	–	(47)	(65)	(72)	(11)	(195)
Additions	–	116	31	1,339	101	1,587
Disposals	–	–	–	(164)	–	(164)
Depreciation	(8)	(59)	(304)	(521)	(68)	(960)
Closing net book amount	**492**	**1,358**	**1,806**	**2,083**	**499**	**6,238**
At 31 December 2004						
Cost	553	1,432	3,422	3,243	1,041	9,691
Accumulated depreciation	(61)	(74)	(1,616)	(1,160)	(542)	(3,453)
Net book amount	**492**	**1,358**	**1,806**	**2,083**	**499**	**6,238**
Year ended 31 December 2005						
Opening net book amount	492	1,358	1,806	2,083	499	6,238
Exchange differences	–	75	57	90	20	242
Additions	–	86	335	1,870	150	2,441
Disposals	–	–	–	(136)	–	(136)
Depreciation	(3)	(90)	(73)	(658)	(82)	(906)
Impairment loss	(337)	–	(1,736)	(196)	(16)	(2,285)
Closing net book amount	**152**	**1,429**	**389**	**3,053**	**571**	**5,594**
At 31 December 2005						
Cost	553	1,598	3,944	5,028	1,235	12,358
Accumulated depreciation	(401)	(169)	(3,555)	(1,975)	(664)	(6,764)
Net book amount	**152**	**1,429**	**389**	**3,053**	**571**	**5,594**

The net book value of the motor vehicles, plant and machinery of the Group includes an amount of S$2,983,000 (2004: S$1,820,000) in respect of assets held under finance leases.

During the year, one of the Group's service centre was closed down. The property, plant and equipment of that service centre was fully impaired.

Buildings and certain plant and machinery with an aggregate carrying value of S$303,000 (2004: S$675,000) are pledged to the banks for facilities granted to the Group as disclosed in note 26 to the financial statements.

For the year ended 31 December 2005

Notes to the financial statements

14. LEASEHOLD LAND – GROUP

The Group's interests in leasehold land represent prepaid operating lease payments and their net carrying amount are analysed as follows:

	2005 S$'000	(Restated) 2004 S$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**647**	658

	2005 S$'000	2004 S$'000
Opening net carrying amount at 1 January	**658**	669
Annual charges of prepaid operating lease payment	**(11)**	(11)
Closing net carrying amount at 31 December	**647**	658

The above leasehold land is pledged to the banks for facilities granted to the Group as disclosed in note 26 to the financial statements.

15. PREPAID RENTAL EXPENSES – GROUP

	2005 S$'000	2004 S$'000
Opening carrying amount at 1 January	**8,708**	8,837
Translation adjustment	**5**	23
Refund for the year	**(1,390)**	–
Charge for the year	**(153)**	(152)
Closing carrying amount at 31 December	**7,170**	8,708
Less: Current portion of prepaid rental expenses *(note 21)*	**(153)**	(152)
Non-current portion	**7,017**	8,556

15. PREPAID RENTAL EXPENSES – GROUP *(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 (2004: S$4,113,000) was completed in 2001 and its charge for the year amounting to S$82,000 (2004: 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 (2004: S$3,527,000) was completed in December 2003 and its charge for the year amounting to S$71,000 (2004: S$70,000).

(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 would belong to Jin Tian Cheng while the Group would 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 (the "JTC Prepayment") and had been previously 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.

As disclosed in the Company's announcement dated 25 January 2005, the Group 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 (the "Shareholders' Approval"), 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 was proposed that Jian Tian Cheng would repay the JTC Prepayment to the Group, of which RMB1,000,000 (approximately S$197,000) would be repaid to the Group upon signing of the Termination Agreement while the remaining amount of RMB5,650,000 (approximately S$1,118,000) would be repaid to the Group within three months after signing of the Termination Agreement (the "JTC Repayment Schedule").

For the year ended 31 December 2005

Notes to the financial statements

15. PREPAID RENTAL EXPENSES – GROUPS *(Continued)*

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

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") had 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 were guaranteed by Loh & Loh Construction Group Ltd. (the "Guarantor"), a substantial shareholder of the Company. The respective obligations of the Indemnifiers and the Guarantor were 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 were being held in escrow by the escrow agent, Scotiatrust (Asia) Limited, at 31 December 2004.

As disclosed in the Company's announcement dated 25 January 2005, the directors of the Company proposed, subject to the Shareholders' Approval, 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 would repay the JTC prepayment to the Group in accordance with the JTC Repayment Schedule and to release the Indemnifiers and the Guarantor the Project Securities held in escrow upon repayment of the JTC Prepayment by Jin Tian Cheng in full.

As disclosed in the Company's announcement dated 15 July 2005, following the Shareholders' s Approval at the Extraordinary General Meeting on 29 April 2005, on 3 June 2005, the Group entered into Termination Agreement with Jin Tian Cheng and NAGC. The JTC Prepayment was repaid to the Group on 3 June 2005.

On 11 July 2005, the Company executed the deed of release in favour of the Indemnifiers and the Guarantor releasing the Indemnifiers and the Guarantors from their respective obligations under the Deed of Indemnity and Guarantee; and the Project Securities were released to the Indemnifiers and the Guarantor on 11 July 2005 by the escrow agent.

With the repayment of the JTC Prepayment by Jin Tian Cheng on 3 June 2005, the termination of the Fuzhou Development Project was completed.

16. DEPOSIT FOR ACQUISITION OF A LAND USE RIGHT

		2005 S$'000	2004 S$'000
Opening net carrying amount		**693**	–
Refund of land use right payment	(i)	**(693)**	–
Deposit for land use right	(ii)	**132**	693
Closing net carrying amount		**132**	693

(i) 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 15). As at 31 December 2004, RMB3,500,000 (approximately S$693,000) (the "Land Deposit") has been paid by the Group.

During 2004, 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.

During 2005, the deposit was refunded to the Group by MOCTP and the application of this land use right was terminated.

(ii) On 6 December 2005, the Group entered into another land purchase agreement with the Xiamen Municipal Land, Resources & Housing Administrative Bureau for the acquisition of the land use right of a piece of land located in Haicang Industrial Centre, Xiamen Municipality of Fujian Province, the PRC, at an aggregate consideration of RMB1,258,100 (approximately S$263,000). At the balance sheet date, RMB629,050 (approximately S$132,000) has been paid by the Group.

For the year ended 31 December 2005

Notes to the financial statements

17. INTERESTS IN SUBSIDIARIES – COMPANY

	2005 S$'000	2004 S$'000
Investment at cost		
Unlisted shares	**7,882**	7,882
Due from a subsidiary	**4,276**	4,623
Due to subsidiaries	**(513)**	(335)
	11,645	12,170

The amounts due are unsecured, interest-free and are not repayable within one year.

Particulars of the principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued capital	Percentage of issued capital held by the Company Direct	Indirect	Principal activities
`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.#	The PRC	Paid-in capital of US$10,000,000 (2004: US$6,000,000)	–	100%	Provision of repair and maintenance services of high-end automobiles
Fuzhou BMW Automobiles Service Co., Ltd.#	The PRC	Registered and paid-in capital of US$5,100,000 (2004: US$3,032,000)	–	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

17. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued capital	Percentage of issued capital held by the Company Direct	Indirect	Principal activities
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.*

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.

18. NON-CURRENT RECEIVABLES – GROUP

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 a 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	**2005 S$'000**	2004 S$'000
Advances to NAGC Group	(a)	**9,273**	3,950
Advances to Zhong Bao Group	(b)	**19,148**	11,690
		28,421	15,640
Portion classified as current asset *(note 21)*	(c)	**(26,665)**	(13,977)
Non-current portion		**1,756**	1,663

For the year ended 31 December 2005

Notes to the financial statements

18. NON-CURRENT RECEIVABLES – GROUP *(Continued)*

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 and interest-free. The amount of S$1,756,000 (2004: S$1,663,000) which, in the opinion of the directors, are not repayable within one year. S$7,018,000 out of the remaining outstanding amount will be fully repaid by 31 August 2006 by six monthly instalments. Subsequent to the balance sheet date, on 24 March 2006, the first instalment of S$1,010,000 has been repaid by NAGC Group to the Group. 5% of the instalment amount will be charged as penalty per day in the case of default in repayment. During the year, the maximum outstanding balances due amounted to S$9,273,000.

(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$26,181,000.

On 17 March 2006, 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$27,654,000 (including trade balance of S$8,506,000) as at 31 December 2005 (the "2005 ZB Advance") to the Group on or before 31 December 2006. 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. On 20 March 2006, the Group entered into another agreement with the Zhong Bao Group in respect of pledging its leasehold land in Fuzhou, with open market value of approximately S$3,304,000 to secure the outstanding balances of S$3,920,000 to the Group (the "Land Pledge Agreement").

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

Following the signing of the ZB Payment Agreement, on 22 March 2006, Xiamen Zhong Bao has made the repayment of S$3.6 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$26,665,000 (2004: S$13,977,000) will be collectable within one year.

19. INVENTORIES – GROUP

	2005 S$'000	2004 S$'000
Motor vehicles	**591**	5,959
Auto parts and accessories	**1,886**	1,164
	2,477	7,123

20. TRADE RECEIVABLES – GROUP

The majority of the Group's sales are on letter of credit. The remaining amounts are with credit terms of 2 to 5 months. At 31 December 2005, the ageing analysis of trade receivables was as follows:

	2005 S$'000	2004 S$'000
0 – 90 days	**18,493**	12,140
91 – 180 days	**4,628**	7,657
181 – 365 days	**2,112**	2,013
Over 1 year	**70**	–
	25,303	21,810
Less: Impairment of receivables	**(569)**	(565)
	24,734	21,245

In addition to the advances to NAGC Group and Zhong Bao Group as disclosed in note 18, the Group's trade receivables included trade balances of S$112,000 (2004: S$3,647,000) due from NAGC Group and of S$8,506,000 (2004: S$2,012,000) due from Zhong Bao Group as at the balance sheet date.

21. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2005 S$'000	2004 S$'000	2005 S$'000	2004 S$'000
Current portion of non-current receivables *(note 18)*	**26,665**	13,977	**–**	–
Current portion of prepaid rental expenses *(note 15)*	**153**	152	**–**	–
Other prepayments, deposits and current assets	**5,535**	1,179	**22**	–
	32,353	15,308	**22**	–

For the year ended 31 December 2005

Notes to the financial statements

22. BALANCES WITH RELATED COMPANIES – GROUP

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:

Name of related company	Balance at 31 December 2005 S$'000	Maximum amount outstanding during the year S$'000	Balance at 1 January 2005 S$'000
Octavus Properties Pte. Ltd.	77	77	66
Eng Kheng (S) Pte. Ltd. ("EKPL")	35	35	35
	112		**101**

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.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP

	Notes	2005 S$'000	2004 S$'000
Bank balances and cash		**12,740**	1,482
Pledged deposits:			
For banking facilities granted to the Group *(note 26)*		**10,758**	5,803
For banking facilities granted to NAGC Group	(a)	**1,751**	1,705
For banking facilities granted to Xiamen Zhong Bao	(b)	**–**	1,980
Others	(c)	**93**	90
		12,602	9,578
		25,342	11,060

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP *(Continued)*

Notes:

(a) The banking facilities were granted up to approximately S$4,738,000 (2004: S$4,581,000) which were fully utilised as at 31 December 2005.

(b) As at 31 December 2004, a fixed deposit of approximately S$1,980,000 was 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 a director and shareholder. This pledge was released during 2005.

(c) A fixed deposit of approximately S$93,000 (2004: S$90,000) 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 36), in respect of the Group's guarantee under the license agreement with Hertz International Ltd.

(d) Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged deposits are made for various periods of one month to one year and earn interest at rates ranging from 1.9% to 4.2% per annum.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately S$3,354,000 (2004: S$ 3,075,000). 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.

24. TRADE PAYABLES – GROUP

The ageing analysis of trade payables is as follows:

	2005 S$'000	2004 S$'000
0 – 30 days	**227**	43
31 – 180 days	**6,163**	174
181 – 365 days	**377**	100
1 to 2 years	**106**	82
Over 2 years	**315**	328
	7,188	727

25. ACCRUALS, DEPOSIT RECEIVED AND OTHER PAYABLES – GROUP

	2005 S$'000	2004 S$'000
Accruals	**2,397**	1,327
Deposit received	**1,241**	512
Others payables	**2,451**	2,111
	6,089	**3,950**

For the year ended 31 December 2005

Notes to the financial statements

26. BORROWINGS – GROUP

	Notes	2005 S$'000	2004 S$'000
Non-current			
Secured bank loans	26.2	52	1,114
Finance lease liabilities	26.3	1,377	877
		1,429	1,991
Current			
Bank overdrafts	26.1	2,709	1,659
Secured bank loans	26.2	5,845	4,483
Finance lease liabilities	26.3	1,073	688
		9,627	6,830

26.1 Bank overdrafts

At the balance sheet date, the bank overdrafts is secured by the Group's fixed deposits amounting to approximately S$10,758,000 (2004: S$5,803,000) (note 23), joint and several guarantees from two 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 a 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.

26.2 Secured bank loans

Secured bank loans comprise:

	Notes	2005 S$'000	2004 S$'000
Mortgage loans	(i)	122	201
Term loans	(ii)	5,775	5,396
		5,897	5,597
Less: current portion		(5,845)	(4,483)
Non-current portion		52	1,114

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

- Legal mortgage on the Group's leasehold land and property with net book value of approximately S$799,000 (2004: S$1,150,000) at the balance sheet date; and

- Joint and several guarantees by two directors of the Company, Anthony Chan and Mr. Loh Nee Peng.

26. BORROWINGS – GROUP *(Continued)*

26.2 Secured bank loans *(Continued)*

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

- Pledge of bank deposit of approximately S$1,181,000 (2004: S$1,157,000), which is part of the fixed deposits of S$10,758,000 in note 26.1 above;
- Legal charge over the plant and machinery with net book value of S$151,000 (2004 S$183,000); and
- Corporate guarantees provided by the Company (note 36).

26.3 Other information about the borrowings

		Effective interest rate (%)			
	Original	2005		2004	
	currency	Fixed	Floating	Fixed	Floating
Bank loans	S$	–	6.4%-6.5%	–	4.4%-4.5%
Bank loans	HK$	7.0%	7.2%-8.8%	–	–
Bank loans	RMB	5.6%	–	4.8%-5.4%	–
Bank loans	US$	2.4%	–	2.4%	–
Finance lease liabilities	HK$	2.7%-3.7%	–	2.7%-3.7%	–
Finance lease liabilities	S$	2.7%	–	2.7%	–

The carrying amounts of the Group's borrowings approximate their fair value.

26.4 Finance lease liabilities

The analysis of the obligations under finance leases is as follows:

	Group	
	2005	2004
	S$'000	S$'000
Due within one year	1,161	752
Due in the second to fifth years	1,466	888
Due after the fifth year	14	48
	2,641	1,688
Future finance charges on finance leases	(191)	(123)
Present value of finance lease liabilities	2,450	1,565
The present value of finance lease liabilities is as follows:		
Due within one year	1,073	688
Due in the second to fifth years	1,365	837
Due after the fifth year	12	40
	2,450	1,565
Less: Portion due within one year included under current liabilities	(1,073)	(688)
Non-current portion included under non-current liabilities	1,377	877

For the year ended 31 December 2005

Notes to the financial statements

27. BALANCES WITH DIRECTORS – GROUP

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

Name	2005	Maximum amount outstanding during the year	2004
	S$'000	S$'000	S$'000
Loh Nee Peng	4	266	266
KH Loh*	–	2	2
	4		268

* resigned on 9 June 2004

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

28. DEFERRED TAX – GROUP

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

	Accelerated tax depreciation
	S$'000
At 1 January 2004	–
Deferred tax charged to the income statement during the year *(note 9)*	115
Deferred tax liabilities at 31 December 2004 and 1 January 2005	115
Deferred tax charged to the income statement during the year *(note 9)*	95
Deferred tax liabilities at 31 December 2005	210

29. TAX PAYABLE – GROUP

Included in tax payable was an amount of approximately S$3,401,000 (2004: $3,160,000) 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 include 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$157,000 (2004: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.

30. SHARE CAPITAL

	2005	2004
	HK$'000	HK$'000
Authorised:		
2,000,000,000 (2004: 2,000,000,000)		
ordinary shares of HK$0.10 each	**200,000**	200,000

	2005	2004
	S$'000	S$'000
Issued and fully paid:		
400,000,000 (2004: 400,000,000)		
ordinary shares of HK$0.10 each	**9,040**	9,040

For the year ended 31 December 2005

Notes to the financial statements

31. 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 34 of the financial statements.

(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 2004	4,006	645	(916)	3,735
Loss for the year	–	–	(829)	(829)
At 31 December 2004	4,006	645	(1,745)	2,906
Loss for the year	–	–	(572)	(572)
At 31 December 2005	**4,006**	**645**	**(2,317)**	**2,334**

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.

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 3.4 to the financial statements.

32. 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$1,845,000. (2004: S$1,245,000).

33. PENSION AND OTHER EMPLOYEE OBLIGATIONS

	2005 S$'000	2004 S$'000
Current obligations on:		
– pensions – defined		
contributions plans	20	72

Pensions – defined contribution plans

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% (2004: 13%) 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.

As at the balance sheet date, there was no forfeited contribution available to reduce the Group's employer contribution payable in future periods.

During the year, contributions totalling S$92,000 (2004 : S$87,000) were paid to the schemes.

For the year ended 31 December 2005

Notes to the financial statements

34. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP

As stated in note 18 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$843,000 (2004: S$1,135,000) from three car rental sub-licensees of NAGC Group.

(ii) During the year ended 31 December 2004, the Group earned the technical fee income of S$2,880,000 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 15 to the financial statements.

(ii) Advances made as disclosed in note 18 to the financial statements.

(iii) Trade balances of S$112,000 (2004: S$3,647,000) receivable from NAGC Group as included in "Trade receivables".

(iv) Certain fixed deposits of the Group of approximately S$1,751,000 (2004: S$1,705,000) pledged to a bank to secure banking facilities up to approximately S$4,738,000 (2004: S$4,581,000) granted to the NAGC Group as disclosed in note 23 to the financial statements.

(v) Contingent liabilities arising from the transactions as disclosed in note 36 to the financial statements.

II. Zhong Bao Group

During the year, the Group sold motor vehicles of $23,421,000 (2004: Nil) and earned technical fee income of S$4,352,000 (2004: $2,729,000) from Zhong Bao Group, the details of which have been disclosed in note 19 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 18 to the financial statements.

(b) Trade balances of S$8,506,000 (2004: S$2,012,000) receivable from Zhong Bao Group, as included in "Trade receivables".

(c) Contingent liabilities arising from transactions as disclosed in note 36 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.

35. COMMITMENTS

35.1 As lessor

At 31 December 2005, the Group had total future minium lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	S$'000	S$'000
Within one year	**973**	388
After one year but within five years	**1,110**	238
	2,083	626

35.2 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 2005, total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	Group	
	2005	2004
	S$'000	S$'000
Within one year	**242**	192
After one year but within five years	**105**	189
	347	381

The Company does not have any significant operating lease commitments

35.3 Capital commitments

At 31 December 2005, capital commitments of the Group are as follows:

	2005	2004
	S$'000	S$'000
Contracted but not provided for	**131**	672

For the year ended 31 December 2005

Notes to the financial statements

36. CONTINGENT LIABILITIES

Group

At 31 December 2005, the Group has given guarantees in the ordinary course of business as follows:

		Notes	2005 S$'000	2004 S$'000
(a)	Guarantees for banking facilities to NAGC Group:	(1)	**4,738**	4,581
(b)	Guarantees for banking facilities to Zhong Bao Group:		**24,035**	6,930
			28,773	11,511

Notes:

(1) The Group's fixed deposits of approximately S$1,751,000 (2004: S$1,705,000) are pledged to secure these banking facilities at the balance sheet date (see note 23(a)).

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.

Company

The Company has executed guarantees amounting to approximately S$109,985,000 (2004: S$69,049,000) with respect to banking facilities made available to subsidiaries. As at 31 December 2005, the borrowings outstanding against the facilities amounted to S$51,848,000 (2004: S$37,595,000).

37. 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$55,000 (2004: 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$9,000 (2004: S$11,000).

37. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) 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$77,000 (2004: S$55,000).

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

38.1 Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than functional currencies. The Group entered into foreign exchange forward rate agreements in order to secure its exposure to fluctuations in foreign currency exchange rates.

38.2 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

38.3 Interest rate risk

The interest rates and terms of repayment of the Group's bank loans are disclosed in note 26.

38.4 Fair values

The fair values of cash and bank balances, trade receivables, bill receivables, other receivables, trade payables, other payables and bank loans are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

Financial summary

RESULTS

	Year ended 31 December				
	2005	2004	2003	2002	2001
	S$'000	S$'000	S$'000	S$'000	S$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue-Turnover	**158,704**	100,246	139,319	101,877	57,322
Profit from operating activities	**7,838**	4,110	5,959	5,913	5,389
Finance costs, net	**(2,649)**	(1,493)	(1,552)	(1,759)	(1,362)
Profit before income tax	**5,189**	2,617	4,407	4,154	4,027
Tax	**(1,537)**	(896)	(1,088)	(1,330)	(1,261)
Profit for the year	**3,652**	1,721	3,319	2,824	2,766
Attributable to:					
Equity holders of the Company	**3,671**	1,741	3,341	2,849	2,777
Minority interests	**(19)**	(20)	(22)	(25)	(11)
Profit for the year	**3,652**	1,721	3,319	2,824	2,766
Dividends		–	–	–	–
Basic earnings per share attributable to equity holders of the Company (Singapore cent)	0.92	0.44	0.84	0.78	0.87

ASSETS AND LIABILITIES

	31 December				
	2005	2004	2003	2002	2001
	S$'000	S$'000	S$'000	S$'000	S$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**104,010**	74,598	87,827	71,039	49,834
Total liabilities	**(74,261)**	(49,960)	(64,062)	(50,335)	(37,602)
	29,749	24,638	23,765	20,704	12,232
Minority interest	**(421)**	(418)	(452)	(497)	(541)
Equity attributable to equity holder of the Company	**29,328**	24,220	23,313	20,207	11,691

Note: Certain comparative amounts have been restated due to the adoption of the new or revised standards and interpretations of Hong Kong Financial Reporting Standards effective from 1 January 2005.