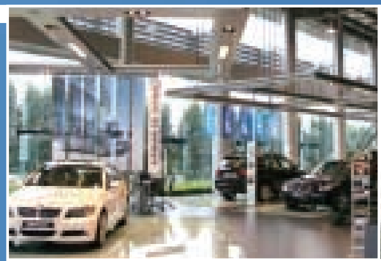
G.A. Holdings Limited

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

G.A. 控 股 有 限 公 司



2006 annual report

(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 which 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 basis and assumptions that are fair and reasonable.

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Corporate Information

DIRECTORS

Mr. Loh Boon Cha *(Chairman)*
Mr. Loh Nee Peng *(Managing Director)*
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

REMUNERATION COMMITTEE

Mr. Lee Kwok Yung
Mr. Yin Bin
Mr. Zhang Lei

NOMINATION COMMITTEE

Mr. Loh Boon Cha *(Chairperson)*
Mr. Yin Bin
Mr. Zhang Lei

COMPLIANCE OFFICER

Mr. Loh Nee Peng

AUTHORISED REPRESENTATIVES

Mr. Loh Boon Cha
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
Malayan Banking Berhad (Maybank)
Bank of China

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

Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HEAD OFFICE

101 Thomson Road
#15-01 United Square
Singapore 307591

PRINCIPAL PLACE OF BUSINESS

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

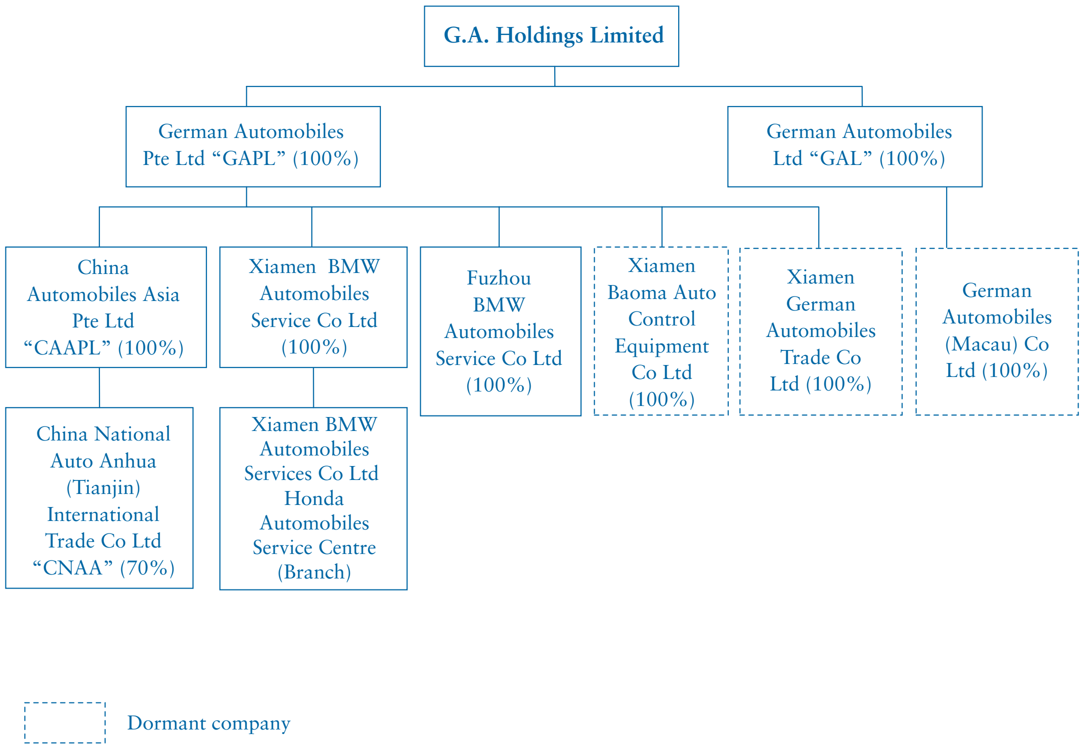
COMPANY WEBSITE

www.ga-holdings.com.hk

STOCK CODE

8126

Group Structure



Chairman's Statement

Dear Shareholders,

I am delighted to announce the annual results of the Group for the year ended 31 December 2006 for shareholder's review.

Business Strategy

The Group made its effort to improvise on its business strategy during the year by expanding business segment with higher profit margin. With robust sales achieved in the previous years, our BMW-exclusive servicing segment was benefited as a result of increased derived demand. In accordance with BMW's plan on expanding its capacity in China, the Group foresees further upsurge of servicing income in the near future. During the year, the Group has been switching its focus in optimizing its capacity in the servicing segment, for the sake of solidifying its strategic position among other competitors. The Group succeeded in marketing a new point of service with steady customer base in Fuzhou, strengthening competitive edges to cope with challenges ahead.

Hertz car rental division has taken a further attempt in expanding their geographical coverage by establishing a new subsidiary located in Macau, and its official commencement of operation is to be announced. The Group anticipates a gigantic demand for car rental services in Macau as brought about by the flourishing gambling industry. We will continue to realize our initiatives by expanding our fleet size, to offer extensive services to our valued customers.

The Market

Where demand of luxurious vehicles way exceeds supply as statistics shows, still, a rosy prospect is anticipated with BMW sales. Furthermore, tremendous growth in the stock market does as well shed light on the automotive industry. BMW intends to sell around 150,000 vehicles in Asia by 2008 with China expected to play a major role. It is commented that BMW is growing faster in Asia than anywhere else in the world. In the moment, China is the second largest market for BMW's 7 series saloon following Japan, and it is believed that the role would reverse as time goes. Though rivalry among business firms grew more intense, it is the least for the Company to abstain from gaining a better position among them. The Group still places a high expectation on PRC's adaptation of WTO's commitments; therefore we would thrive the best to utilize our cost advantage and seize every opportunity for market expansion.

A note of appreciation

On behalf of the Board and all employees, I would like to express my gratitude to all our shareholders and business partners for their support.

My gratitude is also extend to our dedicated management team and committed staff for their hard work and continuous efforts. We are well positioned for the market's upward trend and will continue our focus on bringing lucrative returns to our shareholders through our existing businesses and emerging opportunities.

By and on behalf of the board,
Loh Boon Cha
Chairman

Hong Kong, 28 March 2007

Management Discussion and Analysis

BUSINESS REVIEW

The Group has implemented a new business strategy in expanding business segments with a higher profit margin during the year 2006. The board of Directors are pleased to announce the consolidated gross profit margin and net profit margin of 14.4%, up 3.4% and 5%, up 2.7% compared to the corresponding period in year 2005 respectively.

For the year ended 31 December 2006, the turnover of the Group decreased by approximately 62% as compared to the year of 2005. The decrease was mainly a transitional consequence of the rapid development of the high profit margin business segment of the Group.

SALES OF MOTOR VEHICLES

During the year, the turnover of this segment took up approximately 76.8% of the total Group's turnover. As for comparison to the corresponding period last year, there recorded a decrease of approximately 14.8% on the composition of turnover. The decrease was mainly due to the reduction in sales of higher-priced motor vehicles during the year.

SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS

Turnover generated from the servicing of motor vehicles and sales of auto parts for the year 2006 increased by 15.9% as a result of the increasing capacity and increasing marginal productivity following the relocation of service centre to Haichang and the expansion of servicing market respectively. With such profitable business sector, the Group shifted its focus and started to explore geographical coverage in areas around Fuzhou. Servicing income increased to S$9,450,000, contributing 15.7% of the Group's turnover, representing an increment of 10.6%.

TECHNICAL FEE INCOME

The Group received technical fee income from Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao") and certain of its subsidiaries and related companies, collectively (the "Zhong Bao Group") for providing management consulting and technical assistance for its purchase of the locally assembled BMW motor vehicles sold. The locally assembled BMW motor vehicles were introduced since 2003.

Technical fee income for the year ended 31 December 2006 was approximately S$4,543,000, taking up approximately 7.5% in terms of the Group's turnover composition, up 4.8% as compared to the corresponding period in 2005. The increment was resulted as the number of locally assembled cars sold in previous periods increased.

CAR RENTAL BUSINESS

During the year 2006, the Hertz division has been maintaining its stringent cost control policies to enhance a steady yet prosperous growth. The service location in Hong Kong Station commenced its operation in December 2005, and it has expanded its fleet size tremendously over the year. Moreover, our Hertz division has taken a further step to explore the car rental market in Macau. A new subsidiary, German Automobiles (Macau) Co Ltd was set up during the year as the Group succeeded in awarding as Hertz's principal licensee in Macau. The new service point aims at grasping blooming tourists' market share in Macau, as well as long term corporate clients. The operation in Macau has not yet commenced as at year end.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2006, the turnover of the Group amounted to approximately S$60,381,000, a decrease of approximately 62% as compared with that of the year ended 31 December 2005. This was mainly a transitional consequence as the Group intended to expand the more profitable sector of business.

For the year ended 31 December 2006, turnover generated from the sales of motor vehicles was approximately S$46,388,000, representing a decrease of approximately 68.1% as compared to the corresponding period in 2005. The decrease was mainly due to the reduction in sales of higher-priced motor vehicles.

For the year ended 31 December 2006, income generating from servicing of motor vehicles and sales of auto parts were approximately S$9,450,000, representing an increase of approximately 15.9% as compared with that of the year ended 31 December 2005. 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, as well as the exploration of new market segment from Fuzhou.

The technical fee income increased by approximately 4.4% to approximately S$4,543,000 for the year ended 31 December 2006 as compared with approximately S$4,352,000 for the year ended 31 December 2005. This was mainly due to increasing number of cars sold by our business partner, Zhong Bao Group.

The Group does not receive any management fee income from the three PRC car rental operators during the year 2006, (2005: S$843,000) due to the expiration of the 5-year term sub-licensees car rental agreement with North Anhua Group Corporation ("NAGC").

Gross Profit

Gross profit margin for the Group was approximately 14.4% and 11% respectively for the years ended 31 December 2006 and 2005. The increase in gross profit margin is resulted from the Group's policy in expansion of higher profit margin business.

For the year ended 31 December 2006, the gross profit of the Group was approximately S$8,682,000, representing a decrease of approximately 50.1% over that of the year ended 31 December 2005 (2005: S$17,415,000).

Profit from operating activities attributable to equity holders of the Company

Profit from ordinary activities attributable to equity holders of the Company for the year ended 31 December 2006 was S$3,032,000 as compared with S$3,671,000 for the year ended 31 December 2005. The profits from operating activities attributable to equity holders of the company for the year 2006 decreased by approximately 17% as compared with that of 2005.

Financial resources and liquidity

As at 31 December 2006, shareholders' fund of the Group amounted to approximately S$29,844,000 (2005: S$29,328,000). Current assets amounted to approximately S$69,504,000 (2005: S$88,864,000) of which approximately S$5,669,000 (2005: S$25,342,000) were cash and bank deposits. Current liabilities amounted to approximately S$48,820,000 (2005: S$72,622,000) mainly represents trade payables, bills payables, bank loans, accruals and other payables and current account with affiliated companies and tax payable. The Group had non-current liabilities amounted to approximately S$4,581,000 (2005: S$1,639,000). The net asset value per share as at 31 December 2006 was S$0.075 (2005: S$0.074).

Management Discussion and Analysis

Capital Structure of the Group

During the year ended 31 December 2006, the Group had no debt securities in issue (2005: Nil).

The Group obtained funding mainly from trade finance. Bank borrowings were denominated in either Hong Kong dollar, Singapore dollar, United States dollar or Renminbi.

Significant Investment

As at 31 December 2006, the Group had no significant investment held (2005: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2006, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2005: Nil).

Employees

As at 31 December 2006, the total number of employee of the Group was approximately 150. For the year ended 31 December 2006, the staff costs including directors' remuneration of the Group amounted to approximately S$2,284,000 (2005: S$2,148,000), around 3.8% of the turnover of the Group and there recorded an increase of approximately S$136,000 or approximately 6.3% as compared to that of the year ended 31 December 2005. 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.

Charges on Group Assets

As at 31 December 2006, the Group pledged time deposits of approximately S$4,032,000 (2005: S$12,602,000) and charged plant and machinery of approximately S$984,000 (2005: S$151,000) to several banks for banking facilities for the Group and a related company of NAGC.

Material Investments or Capital Assets

As at 31 December 2006, the Group had no future plans for material investment.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of bills payable, bank borrowings and long-term debts over total assets. As at 31 December 2006, the Group had a gearing ratio of 0.39 (2005: 0.52).

Foreign Exchange Exposure

During the year ended 31 December 2006, the Group had a net exchange gain of approximately S$1,040,000 (2005: Loss of S$241,000), mainly due to the appreciation of Renminbi against other currencies, as the Group's main operation was conducted in Renminbi.

Contingent Liabilities

As at 31 December 2006, the Group provided a bank guarantee of approximately S$4,304,000 (2005: S$4,738,000) to a bank in respect of banking facilities to a related company of NAGC. As at 31 December 2006, the Group provided bank guarantee amounted to approximately S$23,640,000 in respect of banking facilities to Zhong Bao Group (2005: S$24,035,000).

Management Discussion and Analysis

BUSINESS PROSPECT

Under PRC's membership in the WTO, China will remain the largest emerging automotive market in years ahead. Though overcapacity problem is confronted, it is believed that the government's plan to smooth the problem will only cause minimal effect to the industry.

The attempt by the PRC government to ease the overcapacity problem finally came to a new announcement on policy, requiring sales to equal 80% of automaker's capacity if they are to build a new production line. Such adjustment announced is believed to be a measure to rein in some inefficient automakers, protecting market entry. Indeed, overcapacity problems exist within industries of indigenous brands, and that the abovementioned adjustment addresses right to the problem. Luxurious vehicles are still on a soaring demand, and the Group foresees a prosperous future of our car trading business. We look forward to seeing a mature and truly internationalized market in the very near future.

The Group is confident in its expansion policy of business segments with higher profit margin. With exclusivity and prestigious service that we offer in our BMW 4S Service Centre, the Group's servicing sector will surely benefit from the surging demand of BMW vehicles in the PRC as a complement.

Though our Hertz division in Macau is at its infant stage, still, the Group will continuously utilize its greatest endeavor to achieve a steady long term growth. To start with, the group will focus on marketing long-term corporate clients for our Macau car rental business. Such cautious approach in gathering clients before putting the business to go into operation serves as a strategy to minimize risk exposure.

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. Loh Boon Cha, aged 65, is the Chairman of the Group and is a merchant and the director of L&B Holdings Pte Ltd ("L&B") in Singapore. He is responsible for the daily operations and the strategic and business development of L&B. He possesses over 35 years of extensive working experience and knowledge especially in the area in import and export trading in the People's Republic of China. Over the years, he has maintained good and well established working relationships and strategic business connection with various government-linked companies and bankers.

Mr. Loh Nee Peng, aged 39, is the Managing Director 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 1988 with a bachelor degree in business administration.

Mr. Xu Ming, aged 36, is an executive director of the Company. He joined the Group in October 2003. Mr. Xu has more than 10 years experience in managing business in the PRC. Mr. Xu is the founder, chairman and the Cheif 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.

Independent non-executive directors

Mr. Lee Kwok Yung, aged 51, 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 15 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 35, 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 36, is a member of the Chinese Institute Certified Public Accountant (CICPA) in the PRC and has more than 8 years of professional experience in the field of finance and accounting. Currently, Mr. Zhang Lei 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 44, 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 40, 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 41, is the Qualified Accountant and the Company Secretary of the Group. He joined the Group in 2005 and has more than 16 years of experience in accounting, auditing and financial management field. He holds a bachelor degree in business, and a master degree in science from the Chinese University of Hong Kong. He is also 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 2006.

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 in respect of car-rental business.

The business of each subsidiary and details of its nature of business, country of incorporation or other establishment, and particulars of the issued share capital and debt securities are set out in note 16 to the financial statements.

An analysis of the Group's turnover, other income and profit before income tax is set out in note 5, 7 and 8 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Group and the Company are set out in the financial statements on pages 26 to 71.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2006 (2005: Nil).

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company had reserves available for distribution to shareholders amounted to approximately S$1,407,000. It comprised share premium of approximately S$4,006,000 less accumulated loss of approximately S$2,599,000.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment of the Group during the year ended 31 December 2006 are set out in note 13 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 agreement has been early terminated on 24 September 2006. The rental expense incurred during the year was approximately S$45,000 (2005: S$55,000).

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 agreement has been early terminated in September 2006. The rental income during the year was approximately S$7,650 (2005: S$9,000).

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

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

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

(3) fall under the definition of "connected transaction" or "continuing connected transaction" as in Chapter 20 of the GEM Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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

As at 31 December 2006, 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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

		Number of ordinary shares held					
Name	**Capacity**	**Personal Interest**	**Family Interest**	**Corporate Interest**	**Other Interests**	**Total**	**Approximate percentage of shareholding**
Loh Nee Peng	Interest of a controlled corporation	–	–	100,149,480 *(Note 1)*	–	100,149,480	25.04%
Loh Boon Cha	Deemed interest	–	54,865,480 *(Note 2)*	45,284,000 *(Note 2)*	–	100,149,480	25.04%

Directors' Report

Notes:

1. The 100,149,480 shares are held as to 54,865,480 shares by Big Reap International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap International Limited and Loh & Loh Construction Group Ltd.

2. The 100,149,480 shares are held as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which is interested as to 21% by Mr. Loh Boon Cha; and as to 54,865,480 shares by Big Reap International Limited which is interested as to 100% by Mr. Loh Nee Peng. By virtue of SFO, Mr. Loh Boon Cha is deemed to be interested in the shares held by Big Reap International Limited due to family ties as Mr. Loh Boon Cha is the father of Mr. Loh Nee Peng.

Save as disclosed above, as at 31 December 2006, none of the Directors or their associates, has any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2006, the persons or corporations (other than directors or chief executive of the Company) who have interests or short positions in the shares ad 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)*	45,284,000	11.32%
Loh Kim Her	Interest of a controlled corporation *(Note 2)*	53,284,000	13.32%
Comfort DelGro Corporation Limited	Interest of a controlled corporation *(Note 3)*	61,667,570	15.42%
Chan Hing Ka Anthony	Interest of a controlled corporation *(Note 4)*	94,765,925	23.69%

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 53,284,000 shares held as to 8,000,000 shares by Affluence Investment International Limited, and as to 45,284,000 shares by Loh & Loh construction Group Ltd., which are interested as to 100% and 15% respectively by Mr. Loh Kim Her. By virtue of the SFO, Mr. Loh Kim Her is deemed to be interested in the shares held by Affluence Investment Limited, and Loh & Loh Construction Group Ltd.

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

4. The 94,765,925 shares held as to 49,481,925 shares by Tycoons Investment International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 49% respectively by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 31 December 2006, 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 DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2006 and up to the date of this report are:

Executive Directors

Mr. Loh Boon Cha *(Chairman)*	(Appointed on 4 August 2006)
Mr. Loh Nee Peng *(Managing Director)*	
Mr. Xu Ming	
Mr. Chan Hing Ka Anthony	(Resigned on 17 November 2006)

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. Yin Bin and Mr. Zhang Lei, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Apart from Mr. Xu Ming, the two executive directors, Mr. Loh Nee Peng and Mr. Loh Boon Cha have entered into a service contract with the Company for an initial term of three years, commencing from 1 January 2005 and 4 August 2006 respectively, subject to early termination by the Company giving not less than three months notice of termination or payment in lieu. Mr. Chan Hing Ka Anthony, has resigned his directorship on 17 November 2006, thereby ended his service contract with the Company. 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 five years commencing from 1 July 2006 and 16 July 2006 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' Report

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract 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.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors and chief executives 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.

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' EMOLUMENTS AND THE HIGHEST PAID EMPLOYEES

Details of directors' emoluments are set out on notes 12 of the financial statements.

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 72 of this annual report. This summary does not form part of the audited financial statements.

PENSION SCHEMES

Details of the pension schemes of the Group are set out in note 32 to the financial statements.

MANAGEMENT OF RISKS

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.

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 enters 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.

As disclosed in note 17 to the financial statements, the Group made advances to two business partners, NAGC Group and Zhong Bao Group. The Group has been actively monitoring the repayments in order to control the credit risk. In addition, collaterals would be required whenever deemed necessary for these advances.

The Group has concentration of credit risk due to its relatively small customer base.

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

Interest rate risk

The interest rates and terms of repayment of the Group's bank loans are disclosed in note 25.

Fair values

The fair values of cash and bank balances, trade receivables, bills 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.

SEGMENTAL INFORMATION

Details of the segmental information of the Group are set out in note 6 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence has been received from each of the independent non-executive directors of the Company and the Company considers all existing independent non-executive directors to be independent according to the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales

– The largest customer	15.18%
– The total of five largest customers	60.71%

Purchases

– The largest supplier	48.25%
– The total of five largest suppliers	83.34%

As far as the Directors aware, neither the Directors nor 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.

Directors' Report

AUDITORS

The financial statements of the Company for the year ended 31 December 2006 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.

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.

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson, aged 41, is the qualified accountant and the company secretary of the Group. He joined the Group in 2005 and has more than 16 years of experience in accounting, auditing and financial management field. He holds a bachelor degree in business, and a master degree in science from the Chinese University of Hong Kong. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

COMPLIANCE OFFICER

Mr. Loh Nee Peng, aged 39, is the Managing Director of the Company and a co-founder of the Group. He is appointed as the Company's compliance officer on 14 July 2004. Mr. Loh graduated from the University of San Francisco in 1988 with a bachelor degree in business administration, and he gained more than 10 years of experience in the PRC's auto industry.

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 2006, 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 17.16 and 17.17, a disclosure obligation arises where the increment of advanced amount to an entity from the Group individually exceed 3% under the assets ratio as defined under Rule 19.07(i) of the GEM Listing Rules (the "Assets Ratio"). As at 31 December 2006, the Company's total assets were approximately S$83,597,000.

	31 December 2006		Assets Ratio	31 December 2005	
	S$'000	HK$'000	(%)	S$'000	HK$'000
NAGC Group:					
Car rental advances	97	487	*0.1%*	1,756	8,055
Prepaid rental expenses	7,017	35,261	*8.4%*	7,170	32,890
Advances to NAGC Group	8,234	41,377	*9.8%*	7,517	34,482
Guarantee to NAGC Group	4,304	21,628	*5.1%*	4,738	21,734
	19,652	98,753		21,181	97,161
Zhong Bao Group*:					
Advances to Zhong Bao Group	33,404	167,859	*40%*	19,148	87,835
Guarantee to Zhong Bao Group	23,640	118,794	*28.3%*	24,035	110,252
	57,044	**286,653**		**43,183**	**198,087**
	76,696	**385,406**		**64,364**	**295,248**

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

Car Rental Advances, Prepaid Rental Expenses, Guarantee, Advances to NAGC and Zhong Bao Group

The total advances, guarantees 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$76,696,000 (equivalent to approximately HK$385,406,000) as at 31 December 2006 *(as at 31 December 2005: S$64,364,000; equivalent to approximately HK$295,248,000)*, representing 91.7% of the Assets Ratio.

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.

Zhong Bao Group engages in the operation of distribution of locally manufactured BMW motor vehicles in the PRC. On the other hand, the Group provides 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.

1) The details of transactions to NAGC Group which are of trading nature and remain outstanding as at 31 December 2006 are announced as follows:

Directors' Report

Car Rental Advances due from NAGC Group

At 31 December 2006, approximately S$97,000 (equivalent to approximately HK$487,000) (*as at 31 December 2005: S$1,756,000; equivalent to approximately HK$8,055,000*) 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 PRC car rental operators. 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.

Prepaid rental Expenses due from NAGC Group

As at 31 December 2006, prepaid rental expenses of the amount of approximately S$7,017,000 (equivalent to approximately HK$35,261,000) (*as at 31 December 2005: S$7,170,000; equivalent to approximately HK$32,890,000*) 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 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 these co-operation projects are important to the Group to achieve its business objectives as mentioned in the Prospectus and the prepaid rental expenses were made under normal commercial terms and in the ordinary course of business of the Group. The prepaid rental expenses entitle the Group to use such facilities for 50 years from the date of completion of the developments. The prepaid rental expense for the development project in Beijing was completed in December 2001. The development in Haichang, Xiamen, was completed in December 2003. The prepaid rental expenses were unsecured and interest free. The prepaid rental expenses for the development project in Beijing and Xiamen are amortized on a straight line basis over 50 years from the date of completion.

Advances to NAGC Group

Approximately S$8,234,000 (equivalent to approximately HK$41,377,000) *(as at 31 December 2005: S$7,517,000; equivalent to approximately HK$34,482,000)* were advanced to NAGC Group, representing 9.8% of the Group's Asset's Ratio. 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 2007.

Guarantee to NAGC Group

Guarantee in the amount of approximately S$4,304,000 (equivalent to approximately HK$21,628,000) (*as at 31 December 2005: S$4,738,000; equivalent to approximately HK$21,734,000*) were provided to a bank in respect of banking facilities granted to NAGC Group. The guarantees were for the banking facilities granted for the use in car rental business by the three PRC car rental operators. The Group is negotiating with the correspondent bank to release the above guarantees. The Group does not have any security or receive any considerations from NAGC Group by giving such guarantee.

2) The details of transactions to Zhong Bao Group which are of trading nature and remain outstanding as at 31 December 2006 are announced as follows:

Advances to Zhong Bao Group

As at 31 December 2006, advances of approximately S$33,404,000 (equivalent to approximately HK$167,859,000) (*as at 31 December 2005: S$19,148,000; equivalent to approximately HK$ 87,835,000*) were advanced to Zhong Bao Group, representing 40% of the Group's Assets Ratio. The advances were made for the marketing activities the PRC manufactured BMW motor vehicles in accordance with a co-operation agreement entered between Xiamen Zhong Bao and the Group on 7 October 2003. The remaining portion were the technical fee income derived from the provision of management consulting and technical assistance to Zhong Bao Group in relation to their sales of the PRC manufactured BMW motor vehicles. The amounts due from Xiamen Zhong Bao were unsecured, interest free and repayable in cash by the end of June 2007.

Guarantee to Zhong Bao Group

Guarantee in the amount of approximately S$23,640,000 (equivalent to approximately HK$118,794,000) (*as at 31 December 2005: S$24,035,000; equivalent to approximately HK$110,252,000*) were provided to a bank in respect of banking facilities granted to Zhong Bao Group. The guarantee were for the bank facilities granted for the use in car trade business of Zhong Bao Group.

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 2006.

On behalf of the Board
Loh Nee Peng
Managing Director

Hong Kong, 28 March 2007

Corporate Governance Report

Pursuant to rule 18.44 (2) and Appendix 16 of the GEM Listing Rules, the Company wish to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 15 of the GEM Listing Rules (the "Code") during the year.

(1) CORPORATE GOVERNANCE PRACTICES

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.

During the year, the board adopted new measures to fix the deviation from the code provision A.4.1. Under the code provision A.4.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The board has approved the segregation of duties as the role of Chairman is now taken up by Mr. Loh Boon Cha, and the role of Managing Director is taken up by Mr. Loh Nee Peng.

Under the code provision A.4.2, 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. Loh Boon Cha and Mr. Loh Nee Peng, being the Chairman and Managing Director of the Company respectively, are not subject to retirement by rotation. In order to comply with the code provision A.4.2, Mr. Zhang Lei and Mr. Yin Bin will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings 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.

(3) BOARD OF DIRECTORS

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.

BOARD COMPOSITION

The Board comprises a total of six directors, with three executive Directors, namely, Mr. Loh Boon Cha (Chairman), Mr. Loh Nee Peng (Managing Director), Mr. Xu Ming; and three independent non-executive Directors, namely, Mr. Lee Kwok Yung, Mr. Zhang Lei and Mr. Yin Bin. Subject to Rule 5.05 in the GEM Listing Rules, more than one independent non-executive Directors have appropriate professional qualifications, accounting and financial management expertise.

Two independent non-executive Directors, Mr. Yin Bin and Mr. Zhang Lei have renewed their appointment letters with the Company for a term of two years commencing from 1 July 2006. Another independent non-executive Director, Mr. Lee Kwok Yung has entered into appointment letter with the Company for a term of three years commencing from 1 June 2005.

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.

Relationship

Mr. Loh Boon Cha (Chairman) is the father of Mr. Loh Nee Peng (Managing Director) and the brother of a former director Mr. Loh Kim Her.

Board Operation

The Board meets regularly over the Company's affairs and operations. In 2006, the Board held nine meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Loh Boon Cha *(Chairman, with effect from 4 August 2006)*	3/9
Loh Nee Peng *(Managing Director)*	8/9
Xu Ming	2/9
Chan Hing Ka Anthony *(Resigned on 17 November 2006)*	8/9
Independent non-executive Directors	
Lee Kwok Yung	9/9
Yin Bin	7/9
Zhang Lei	7/9

Nomination Committee

A Nomination Committee was established during the year which comoprises 1 executive director and 2 independent non-executive directors, namely Mr. Loh Boon Cha (the Chairperson of the Committee), Mr. Yin Bin and Mr. Zhang Lei as members. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors and senior management, making recommendations to the Board on the appointment and succession planning of directors and senior management, and assessment of the independence of the independent non-executive directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship and senior management by making reference to the skills, experience, professional knowledge, personal integrity and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Nomination Committee was established on 29 September 2006 and met once since its establishment and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

The Nomination Committee recommended the re-apointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

Corporate Governance Report

Remuneration of Directors

A remuneration committee was formed on 27 September 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 (Chairperson), Mr. Yin Bin and Mr. Zhang Lei.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters when needs arise. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met once during the year ended 31 December 2006, and reviewed the remuneration policy and structure of the Company and remuneration packages of the independent non-executive Directors and the senior management for the year under review.

Auditor's Remuneration

The remuneration provision in respect of audit services for the year 2006 as provided by the auditors, Grant Thornton, amounts to HK$400,000 (approximately S$80,000).

Audit Committee

Pursuant to Rule 5.28 of the GEM Listing Rules, 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.

In 2006, the Audit Committee held four meetings. The attendance record of each. Member of the Committee is set out as below:

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

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 Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during 2006.

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.

Independent 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 Cayman Islands with limited liability)

We have audited the consolidated financial statements of G.A. Holdings Limited (the "Company") set out on pages 26 to 71, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

28 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 S$'000	2005 S$'000
Revenue	5	60,381	158,704
Other income	7	**4,913**	2,369
Cost of sales	8.2	**(51,699)**	(141,289)
Employee benefit expenses	12	**(2,284)**	(2,148)
Depreciation and amortisation		**(1,318)**	(1,067)
Operating lease charges		**(371)**	(308)
Exchange differences, net		**1,040**	(241)
Impairment of receivables		**(1,846)**	–
Other operating expenses		**(1,379)**	(8,182)
Profit from operating activities		**7,437**	7,838
Finance costs	8.1	**(3,527)**	(2,649)
Profit before income tax		**3,910**	5,189
Income tax expense	9	**(924)**	(1,537)
Profit for the year		**2,986**	3,652
Attributable to:			
Equity holders of the Company	10	**3,032**	3,671
Minority interests		**(46)**	(19)
Profit for the year		**2,986**	3,652
Earnings per share for profit attributable to the equity holders of the Company during the year	11	**Singapore cent**	Singapore cent
Basic		**0.76**	0.92
Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2006

	Notes	2006 S$'000	2005 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	6,215	5,594
Leasehold lands	14	870	647
Prepaid rental expenses	15	6,911	7,017
Deposit for acquisition of a land use right		–	132
Non-current receivables	17	97	1,756
		14,093	15,146
Current assets			
Inventories	18	3,547	2,477
Trade receivables	19	15,150	24,734
Bills receivables		–	3,842
Prepayments, deposits and other current assets	20	45,134	32,353
Due from related companies	21	–	112
Due from a director	26	4	4
Pledged deposits	22	4,032	12,602
Cash and bank balances	22	1,637	12,740
		69,504	88,864
Current liabilities			
Trade payables	23	4,771	7,188
Accruals and other payables	24	8,650	6,089
Pension and other employee obligations	32	16	20
Bills payables	25	17,517	43,242
Borrowings	25	10,556	9,627
Due to related companies	21	422	484
Due to directors	26	681	489
Tax payable	28	6,207	5,483
		48,820	72,622
Net current assets		20,684	16,242
Total assets less current liabilities		34,777	31,388

Consolidated Balance Sheet

As at 31 December 2006

	Notes	2006 S$'000	2005 S$'000
Non-current liabilities			
Borrowings	25	4,390	1,429
Deferred tax	27	191	210
		4,581	1,639
Net assets		30,196	29,749
EQUITY			
Equity attributable to Company's equity holders			
Share capital	29	9,040	9,040
Reserves	30	20,804	20,288
		29,844	29,328
Minority interests		352	421
Total equity		30,196	29,749

Loh Boon Cha
Director

Loh Nee Peng
Director

Balance Sheet

As at 31 December 2006

	Notes	2006 S$'000	2005 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	**11,245**	11,645
Current asset			
Other receivables	20	**–**	22
Current liabilities			
Other payables		**(61)**	(136)
Due to directors	26	**(92)**	(157)
		(153)	(293)
Net current liabilities		**(153)**	(271)
Total assets less current liabilities		**11,092**	11,374
EQUITY			
Issued capital	29	**9,040**	9,040
Reserves	30	**2,052**	2,334
Total equity		**11,092**	11,374

Loh Boon Cha
Director

Loh Nee Peng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Equity attributable to equity holders of the Company							
	Issued capital S$'000 (Note 29)	Share premium* S$'000 (Note 30)	Capital reserve* S$'000 (Note 30)	Translation reserve* S$'000 (Note 30)	Retained profits* S$'000	Total S$'000	Minority interests S$'000	Total equity S$'000
At 31 December 2004	9,040	4,006	1,689	(1,136)	10,621	24,220	418	24,638
Net gains/(losses) recognised directly in equity								
Translation difference	–	–	–	1,437	–	1,437	22	1,459
Profit for the year	–	–	–	–	3,671	3,671	(19)	3,652
Total recognised income/expenses	–	–	–	1,437	3,671	5,108	3	5,111
At 31 December 2005	9,040	4,006	1,689	301	14,292	29,328	421	29,749
Net gains/(losses) recognised directly in equity								
Translation difference	–	–	–	(2,516)	–	(2,516)	(23)	(2,539)
Profit for the year	–	–	–	–	3,032	3,032	(46)	2,986
Total recognised income/expenses	–	–	–	(2,516)	3,032	516	(69)	447
At 31 December 2006	**9,040**	**4,006**	**1,689**	**(2,215)**	**17,324**	**29,844**	**352**	**30,196**

* *These reserves accounts comprise the consolidated reserves of S$20,804,000 (2005: S$20,288,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 S$'000	2005 S$'000
Cash flow from operating activities			
Profit before income tax		**3,910**	5,189
Adjustments for:			
Interest expenses	8.1	**3,418**	2,553
Interest element of finance lease rental payments	8.1	**109**	101
Interest income		**(197)**	(5)
Gain on disposal of property, plant and equipment	8.3	**(85)**	(15)
Depreciation of property, plant and equipment	8.3	**1,154**	906
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**	153
Impairment of receivables	8.3	**1,846**	–
Operating profit before working capital changes		**10,319**	11,178
(Increase)/Decrease in inventories		**(1,070)**	4,646
Decrease/(Increase) in trade receivables		**9,584**	(3,489)
Decrease/(Increase) in bills receivable		**3,842**	(2,157)
Increase in prepayments, deposits and other current assets		**(14,627)**	(17,045)
Net movement in balances with related companies		**50**	57
Net movement in balances with directors		**192**	378
(Decrease)/Increase in trade payables		**(2,417)**	6,461
Decrease in pension and other employee obligations		**(4)**	(52)
Increase in accruals and other payables		**2,561**	2,139
(Decrease)/Increase in bills payable		**(25,725)**	12,903
Cash (used in)/generated from operations		**(17,295)**	15,019
Interest received		**197**	5
Interest paid		**(3,418)**	(2,553)
Interest element of finance lease rental payments		**(109)**	(101)
Overseas tax paid		**–**	(90)
Hong Kong profits tax paid		**(219)**	(1,014)
Net cash (used in)/generated from operating activities		**(20,844)**	11,266

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 S$'000	2005 S$'000
Cash flow from investing activities			
(Payment)/refund of prepaid rental expenses		(47)	1,390
Purchase of property, plant and equipment		(1,737)	(596)
Proceeds from disposal of property, plant and equipment		608	151
Decrease/(Increase) in pledged deposits		8,570	(5,412)
Decrease/(Increase) in non-current receivables		1,659	(93)
Refund of a land use right		–	693
Purchase of a land use right		(102)	(132)
Net cash generated from/(used in) investing activities		8,951	(3,999)
Cash flow from financing activities			
New bank loans		14,220	1,172
Repayment of bank loans		(7,130)	(872)
Capital element of finance lease rental payments		(1,452)	(960)
Net cash generated from/(used in) from financing activities		5,638	(660)
Net (decrease)/increase in cash and cash equivalents		(6,255)	6,607
Translation adjustment		(2,142)	1,213
Cash and cash equivalents at beginning of year		10,031	2,211
Cash and cash equivalents at end of year		1,634	10,031
Analysis of balances of cash and cash equivalents			
Cash and Bank balances	22	1,637	12,740
Bank overdrafts	25	(3)	(2,709)
		1,634	10,031

Notes to the financial statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

G.A. Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 5 July 2001. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is unit 1206, 12th Floor, 9 Queen's Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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.

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"), and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The financial statements for the year ended 31 December 2006 were approved by the Board of Directors on 28 March 2007.

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 January 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on financial guarantee contracts. Other than this, the adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies.

2.1 The amendments to HKAS 39 "Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts"

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision Contingent Liabilities and Contingent Assets" ("HKAS 37").

Details of this new accounting policy are set out in Note 3.18.

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

Notes to the financial statements

For the year ended 31 December 2006

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

2.1 The amendments to HKAS 39 "Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts" *(Continued)*

The effects of changes in accounting policies arising from the adoption of amended HKAS 39 in respect of financial guarantee contracts are not material to the financial results and position of the Group for the year ended 31 December 2006.

2.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

Amendment to HKAS 1	"Presentation of Financial Statements – Capital Disclosures" [1]
HKFRS 7	"Financial Instruments: Disclosures" [1]
HKFRS 8	"Operating Segments" [2]
HK(IFRIC) Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" [3]
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2" [4]
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives" [5]
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment" [6]
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions" [7]
HK(IFRIC) Interpretation 12	"Service Concession Arrangements" [8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

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 adopted 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 and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

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

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 Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. 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 any 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.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Foreign currency translation

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

In the individual financial statements of the subsidiaries, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. 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.

Notes to the financial statements

For the year ended 31 December 2006

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

3.4 Foreign currency translation *(Continued)*

In the consolidated financial statements, all individual financial statements of foreign operations 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 exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rate does not fluctuate significantly. Any differences arising from this procedure have been charged/(credited) to the currency translation reserve in equity.

3.5 Revenue 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:

Sales of goods are recognised when significant risks and rewards of ownership have been transferred to the buyers, 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 goods 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 using the effective interest method.

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 costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the costs over the estimated useful lives, as follows:

Buildings	1.5% per annum
Leasehold improvements	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

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

3.6 Property, plant and equipment *(Continued)*

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 and 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.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

An impairment loss is reversed if there has been a change in the favourable estimates used to determine the asset's or cash-generating unit'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.

Notes to the financial statements

For the year ended 31 December 2006

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

3.9 Financial assets

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

Financial assets are classified into the following categories:

– held-to-maturity investments
– financial assets at fair value through profit or loss
– loans and receivables
– available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment. Any change in their value is recognised in income statement.

At each balance sheet date, financial assets other than those at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognized. The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.10 Inventories

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

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.

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

3.11 Income tax *(Continued)*

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, 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, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 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 of 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.

Notes to the financial statements

For the year ended 31 December 2006

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

3.15 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 lease 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 method.

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.

3.16 Provisions, contingent liabilities and contingent assets

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 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.

3.18 Financial guarantees

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised to the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

Notes to the financial statements

For the year ended 31 December 2006

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

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 expenses, 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.

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

Assessment for impairment of receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor.

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 available for productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Notes to the financial statements

For the year ended 31 December 2006

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 generated from these principal activities, which is also the Group's turnover, recognised during the year is as follows:

	2006 **S$'000**	2005 S$'000
Sales of motor vehicles	**46,388**	145,353
Servicing of motor vehicles and sales of auto parts	**9,450**	8,156
Technical fee income	**4,543**	4,352
Management fee income	**–**	843
	60,381	158,704

6. SEGMENT INFORMATION – GROUP

Primary reporting format – business segment

The Group is organised into 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) and others

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.

Notes to the financial statements

For the year ended 31 December 2006

6. SEGMENT INFORMATION – GROUP *(Continued)*

Primarily reporting format – business segment *(Continued)*

Business segment analysis as at and for the year ended 31 December 2006 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	50,931	9,450	–	–	–	60,381
Inter-segment sales	–	–	–	1,781	(1,781)	–
	50,931	9,450	–	1,781	(1,781)	60,381
Segment results	5,560	874	(161)	1,452	–	7,725
Unallocated expenses						(288)
Profit from operating activities						7,437
Finance costs						(3,527)
Profit before income tax						3,910
Income tax expense						(924)
Profit for the year						2,986
Segment assets	31,038	42,066	275	–	–	73,379
Unallocated assets						10,218
Total assets						83,597
Segment liabilities	22,427	4,307	1,227	–	–	27,961
Unallocated liabilities						25,440
Total liabilities						53,401
Capital expenditure	8	1,398	–	–	–	1,406
Unallocated portion						1,289
						2,695
Depreciation	67	331	–	–	–	398
Unallocated portion						756
						1,154
Annual charges of prepaid operating lease payment	11	–	–	–	–	11
Amortisation of prepaid rental expenses	153	–	–	–	–	153
Impairment of receivables	1,066	780	–	–	–	1,846

Notes to the financial statements

For the year ended 31 December 2006

6. SEGMENT INFORMATION – GROUP *(Continued)*

Primarily 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						(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

Notes to the financial statements

For the year ended 31 December 2006

6. SEGMENT INFORMATION – GROUP *(Continued)*

Secondary reporting format – geographical segment *(Continued)*

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:

	2006 S$'000	2005 S$'000
The PRC	59,371	153,074
Hong Kong	1,010	5,630
	60,381	158,704

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	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
The PRC	68,026	54,737	1,398	543
Hong Kong	14,083	37,672	1,289	1,896
Singapore	1,488	11,601	8	2
	83,597	104,010	2,695	2,441

7. OTHER INCOME – GROUP

	2006 S$'000	2005 S$'000
Rental income – sublease	1,809	1,519
Interest income	197	–
Other income	2,907	850
	4,913	2,369

8. PROFIT BEFORE INCOME TAX – GROUP

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

		2006 S$'000	2005 S$'000
8.1	Finance costs		
	Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five years	**3,418**	2,553
	Finance charges on finance leases	**109**	101
		3,527	2,654
	Interest income	**–**	(5)
		3,527	2,649
8.2	Cost of sales		
	Cost of inventories sold	**42,590**	135,083
	Cost of services rendered	**9,109**	6,206
		51,699	141,289
8.3	Other items		
	Auditors' remuneration	**80**	80
	Depreciation of property, plant and equipment*	**1,154**	906
	Impairment loss of property, plant and equipment	**–**	2,285
	Gain on disposal of property, plant and equipment	**(85)**	(15)
	Annual charges of prepaid rental expenses	**153**	153
	Annual charges of prepaid operating lease payment	**11**	11
	Impairment of receivables	**1,846**	–

* *Amount included depreciation charge of S$726,000 (2005: S$628,000) for the Group's leased assets.*

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9. INCOME TAX EXPENSE – GROUP

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

	2006 S$'000	2005 S$'000
Current – Hong Kong		
Charge for the year	225	814
Over-provision in prior years	–	(47)
Current – Overseas		
Charge for the year	718	675
Deferred tax (note 27)	(19)	95
Total income tax expense	924	1,537

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

	2006 S$'000	2005 S$'000
Profit before income tax	3,910	5,189
Tax at applicable rate	875	1,032
Non-deductible expenses	51	439
Tax exempt revenue	(2)	(1)
Recognition of previously unrecognised deferred tax liabilities	–	112
Over-provision in prior years	–	(47)
Others	–	2
Income tax expense	924	1,537

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

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR

Of the consolidated profit attributable to equity holders of the Company for the year of S$3,032,000 (2005: S$3,671,000), a loss of S$282,000 (2005: S$572,000) has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE – GROUP

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company for the year of S$3,032,000 (2005: S$3,671,000) and on 400,000,000 (2005: 400,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2006 and 2005 was not presented as there was no dilutive potential ordinary share for the year ended 31 December 2006 and 2005.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – GROUP

	2006	2005
	S$'000	S$'000
Salaries and wages	**2,060**	1,704
Other benefits	**105**	352
Pension costs – defined contribution plans	**119**	92
	2,284	2,148

Notes to the financial statements

For the year ended 31 December 2006

12. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – GROUP *(Continued)*

12.1 Directors emoluments

12.1.1 Executive directors and non-executive directors

	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Bonus S$'000	Contribution to defined contribution plan S$'000	Total S$'000
2006					
Executive directors					
Mr. Loh Boon Cha*	–	–	–	–	–
Mr. Chan Hing Ka Anthony**	–	174	–	7	181
Mr. Loh Nee Peng	–	180	–	7	187
Mr. Xu Ming	–	–	–	–	–
Independent non executive directors					
Mr. Lee Kwok Yung	24	–	–	–	24
Mr. Yin Bin	36	–	–	–	36
Mr. Zhang Lei	36	–	–	–	36
	96	354	–	14	464
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

* appointed on 4 August 2006

** resigned on 17 November 2006

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.

12. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – GROUP *(Continued)*

12.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2005: two) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining three (2005: three) individuals during the year are as follows:

	2006 S$'000	2005 S$'000
Basic salaries, allowances and other benefits in kind	270	264
Contributions to pension schemes	12	7
	282	271

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
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.

Notes to the financial statements

For the year ended 31 December 2006

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings $'000	Leasehold improvement $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture and equipment $'000	Total $'000
At 1 January 2005						
Cost	553	1,432	3,422	3,243	1,041	9,691
Accumulated depreciation	(61)	(74)	(1,616)	(1,160)	(542)	(3,453)
Net carrying amount	492	1,358	1,806	2,083	499	6,238
Year ended 31 December 2005						
Opening net carrying 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 carrying 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 and impairment	(401)	(169)	(3,555)	(1,975)	(664)	(6,764)
Net carrying amount	152	1,429	389	3,053	571	5,594
Year ended 31 December 2006						
Opening net carrying amount	152	1,429	389	3,053	571	5,594
Exchange differences	–	(87)	(32)	(254)	(24)	(397)
Additions	–	408	706	1,394	187	2,695
Disposals	–	–	–	(523)	–	(523)
Depreciation	(3)	(90)	(79)	(806)	(176)	(1,154)
Closing net carrying amount	149	1,660	984	2,864	558	6,215
At 31 December 2006						
Cost	553	1,906	4,428	5,006	1,366	13,259
Accumulated depreciation and impairment	(404)	(246)	(3,444)	(2,142)	(808)	(7,044)
Net carrying amount	149	1,660	984	2,864	558	6,215

The buildings are held under long team lease and located in the PRC.

The net carrying amount of the motor vehicles of the Group includes an amount of approximately S$2,802,000 (2005: S$2,983,000) in respect of assets held under finance leases.

Certain plant and machinery with an aggregate carrying amount of approximately S$984,000 (2005: buildings and certain plant and machinery of S$303,000) are pledged to the banks for facilities granted to the Group as disclosed in note 25 to the financial statements. The pledge of the buildings as at 31 December 2005 was released following the full repayment of the mortgage loan during the year.

14. LEASEHOLD LANDS – GROUP

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

	2006 S$'000	2005 S$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**870**	647

	2006 S$'000	2005 S$'000
Opening net carrying amount at 1 January	**647**	658
Addition (including deposit of S$132,000 paid in the year ended 31 December 2005)	**234**	–
Annual charges of prepaid operating lease payment	**(11)**	(11)
Closing net carrying amount at 31 December	**870**	647

15. PREPAID RENTAL EXPENSES – GROUP

	2006 S$'000	2005 S$'000
Opening net carrying amount at 1 January	**7,170**	8,708
Addition	**47**	–
Translation adjustment	**–**	5
Refund for the year	**–**	(1,390)
Charge for the year	**(153)**	(153)
Closing net carrying amount at 31 December	**7,064**	7,170
Less: Current portion of prepaid rental expenses (note 20)	**(153)**	(153)
Non-current portion	**6,911**	7,017

Notes to the financial statements

For the year ended 31 December 2006

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 belong to CNA Anhua (Hertz), while the Group has the right to use 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 (2005: S$4,113,000) was completed in 2001 and its charge for the year amounting to S$82,000 (2005: 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 (2005: S$3,527,000) was completed in December 2003 and its charge for the year amounting to S$71,000 (2005: S$71,000).

(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 (approximately S$1,390,000) (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").

15. PREPAID RENTAL EXPENSES – GROUP *(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 former 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' 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 terminating the Fuzhou Development Project. 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.

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16. INTERESTS IN SUBSIDIARIES – COMPANY

	2006 S$'000	2005 S$'000
Unlisted shares at cost	**7,882**	7,882
Due from a subsidiary	**3,988**	4,276
Due to subsidiaries	**(625)**	(513)
	11,245	11,645

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

Particulars of the principal subsidiaries at 31 December 2006 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	Percentage of issued capital held by the Company 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 ordinary 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$11,200,000 (2005: US$10,000,000)	–	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	–	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
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

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

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.

17. NON-CURRENT RECEIVABLES – GROUP

	Notes	2006 S$'000	2005 S$'000
Advances to NAGC Group	(a)	**8,331**	9,273
Advances to Zhong Bao Group	(b)	**33,404**	19,148
		41,735	28,421
Portion classified as current asset (note 20)	(c)	**(41,638)**	(26,665)
Non-current portion		**97**	1,756

Notes:

(a) The advances made to NAGC and certain of its subsidiaries and related companies (the "NAGC Group") were principally for the operation of the distribution of motor vehicles business in the PRC. The amounts due from NAGC Group are unsecured and interest-free. Out of the total outstanding amount of S$8,821,000 (including trade balance of S$490,000) as at 31 December 2006, S$6,860,000 has been subsequently repaid by NAGC Group to the Group. During the year, the maximum outstanding balance due from NAGC Group was S$10,592,000.

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

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 balance due from Zhong Bao Group was S$45,242,000.

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

(b) *(Continued)*

On 1 March 2007, 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 Zhong Bao Group (the "ZB Advance"). Pursuant to the ZB Payment Agreement, Xiamen Zhong Bao agreed to settle the outstanding balance amounted to S$38,213,000 (including trade balance of S$4,809,000) as at 31 December 2006 to the Group on or before 31 December 2007. 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 1 March 2006, the Group also entered into an agreement with the Zhong Bao Group, in respect of pledging its leasehold land in Fuzhou to secure the amounts due to the Group ("the Land Pledge Agreement").

Following the signing of the ZB Payment Agreement, in March 2007, Xiamen Zhong Bao has made aggregate repayments of S$26 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. In view of the satisfactory settlement record, the directors are of the opinion that the balances due from NAGC Group and Zhong Bao Group will ultimately be recovered, of which S$41,638,000 (2005: S$26,665,000) will be collectable within one year.

18. INVENTORIES – GROUP

	2006	2005
	S$'000	S$'000
Motor vehicles	**567**	591
Motor vehicles in transit	**1,240**	–
Auto parts and accessories	**1,740**	1,886
	3,547	2,477

19. 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 2006, the ageing analysis of trade receivables was as follows:

	2006 S$'000	2005 S$'000
0 – 90 days	8,936	18,493
91 – 180 days	3,161	4,628
181 – 365 days	2,659	2,112
Over 1 year	976	70
	15,732	25,303
Less: allowance for impairment of receivables	(582)	(569)
	15,150	24,734

In addition to the advances to NAGC Group and Zhong Bao Group as disclosed in note 17, the Group's trade receivables included trade balances of S$490,000 (2005: S$112,000) due from NAGC Group and of S$4,809,000 (2005: S$8,506,000) due from Zhong Bao Group as at the balance sheet date.

20. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Current portion of non-current receivables (note 17)	41,638	26,665	–	–
Current portion of prepaid rental expenses (note 15)	153	153	–	–
Other prepayments, deposits and current assets	3,343	5,535	–	22
	45,134	32,353	–	22

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21. 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 2006	Maximum amount outstanding during the year	Balance at 1 January 2006
	S$'000	S$'000	S$'000
Octavus Properties Pte. Ltd.	–	77	77
Eng Kheng (S) Pte. Ltd. ("EKPL")	–	35	35
	–	**112**	**112**

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

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

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP

	Notes	The Group 2006 S$'000	2005 S$'000
Cash and bank balances		**1,637**	12,740
Pledged deposits:			
For banking facilities granted to the Group (note 25)		**2,373**	10,758
For banking facilities granted to NAGC Group	(a)	**1,659**	1,751
Others	(b)	**–**	93
		4,032	12,602
		5,669	25,342

Notes:

(a) The banking facilities were granted up to approximately S$4,304,000 (2005: S$4,738,000) which were fully utilised as at 31 December 2006.

(b) A fixed deposit of approximately S$NIL (2005: S$93,000) was pledged to a bank to secure the guarantees given by the bank to the principal of the "Hertz" system, Hertz International Ltd. in respect of the Group's guarantee under the license agreement with Hertz International Ltd. This pledge was released during the year ended 31 December 2006.

(c) 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 2.9% to 3.12% (2005: 1.9% to 4.2%) per annum.

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

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately S$673,000 (2005: S$ 3,354,000). 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.

23. TRADE PAYABLES – GROUP

The ageing analysis of trade payables is as follows:

	2006 S$'000	2005 S$'000
0 – 30 days	**696**	227
31 – 180 days	**71**	6,163
181 – 365 days	**2,215**	377
1 to 2 years	**1,463**	106
Over 2 years	**326**	315
	4,771	7,188

The trade payables are generally with credit terms of 3 months.

24. ACCRUALS, DEPOSIT RECEIVED AND OTHER PAYABLES – GROUP

	2006 S$'000	2005 S$'000
Accruals	**2,603**	2,397
Deposit received	**1,308**	1,241
Other payables	**4,739**	2,451
	8,650	6,089

Notes to the financial statements

For the year ended 31 December 2006

25. BILLS PAYABLES AND BORROWINGS – GROUP

Borrowings	Notes	2006 S$'000	2005 S$'000
Non-current			
Secured bank loans	25.2	3,488	52
Finance lease liabilities	25.4	902	1,377
		4,390	1,429
Current			
Bank overdrafts	25.1	3	2,709
Secured bank loans	25.2	5,899	5,845
Unsecured bank loans		3,600	–
Finance lease liabilities	25.4	1,054	1,073
		10,556	9,627

25.1 Bank overdrafts and bills payable to banks

At the balance sheet date, the Group's bank overdrafts and bills payable are secured by the Group's fixed deposits amounting to approximately S$2,373,000 (2005: S$10,758,000) (note 22), and corporate guarantee from the Company (2005: 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 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.

25.2 Secured bank loans

Secured bank loans comprise:

	Notes	2006 S$'000	2005 S$'000
Mortgage loans	(i)	–	122
Term loans	(ii)	9,387	5,775
		9,387	5,897
Less: current portion		(5,899)	(5,845)
Non-current portion		3,488	52

(i) As at 31 December 2005, the mortgage loans were secured by the legal mortgage on the Group's leasehold properties with net carrying amount of approximately S$799,000 at the balance sheet date; and joint and several guarantees by Mr. Loh Nee Peng, a director of the Company, and Mr. Anthony Chan, a former director of the Company. The mortgage loans were repaid in full during the year.

25. BILLS PAYABLES AND BORROWINGS – GROUP *(Continued)*

25.2 Secured bank loans *(Continued)*

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

- Pledge of bank deposit of approximately S$2,373,000 (2005: S$1,181,000), which is total of the fixed deposits of S$2,373,000 (2005: S$10,758,000) in note 25.1 above;
- Legal charge over the plant and machinery with net carrying amount of S$984,000 (2005: S$151,000); and
- Corporate guarantees provided by the Company (note 35).

25.3 Other information about the borrowings

	Original currency	Effective interest rate (%) 2006 Fixed	2006 Floating	2005 Fixed	2005 Floating
Bank loans	S$	–	6.8%-7.5%	–	6.4%-6.5%
Bank loans	HK$	–	8.3%-9.3%	7.0%	7.2%-8.8%
Bank loans	RMB	6.4%	5.6%-6.1%	5.6%	–
Bank loans	US$	–	–	2.4%	–
Finance lease liabilities	HK$	2.7%-3.7%	–	2.7%-3.7%	–
Finance lease liabilities	S$	–	–	2.7%	–

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

25.4 Finance lease liabilities

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

	Group 2006 S$'000	Group 2005 S$'000
Due within one year	1,122	1,161
Due in the second to fifth years	968	1,466
Due after the fifth year	–	14
	2,090	2,641
Future finance charges on finance leases	(134)	(191)
Present value of finance lease liabilities	1,956	2,450

Notes to the financial statements

For the year ended 31 December 2006

25. BILLS PAYABLES AND BORROWINGS – GROUP *(Continued)*

25.4 Finance lease liabilities *(Continued)*

The present value of finance lease liabilities is as follows:

	Group	
	2006	2005
	S$'000	S$'000
Due within one year	**1,054**	1,073
Due in the second to fifth years	**902**	1,365
Due after the fifth year	**–**	12
	1,956	2,450
Less: Portion due within one year included under current liabilities	**(1,054)**	(1,073)
Non-current portion included under non-current liabilities	**902**	1,377

26. BALANCES WITH DIRECTORS – GROUP

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

Name	**2006**	Maximum amount outstanding during the year	2005
	S$'000	S$'000	S$'000
Loh Nee Peng	4	4	4

The amounts due from/to directors are unsecured, interest-free and repayable on demand.

27. 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 2005	115
Deferred tax charged to the income statement during the year (note 9)	95
Deferred tax liabilities at 31 December 2005 and 1 January 2006	210
Deferred tax credit to the income statement during the year (note 9)	(19)
Deferred tax liabilities at 31 December 2006	191

28. TAX PAYABLE – GROUP

Included in tax payable was an amount of approximately S$3,401,000 (2005: S$3,401,000) 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 (2005: S$157,000) 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.

29. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
2,000,000,000 (2005: 2,000,000,000) ordinary shares of HK$0.10 each	**200,000**	200,000

	2006 S$'000	2005 S$'000
Issued and fully paid:		
400,000,000 (2005: 400,000,000) ordinary shares of HK$0.10 each	**9,040**	9,040

Notes to the financial statements

For the year ended 31 December 2006

30. 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 30 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 2005	4,006	645	(1,745)	2,906
Loss for the year	–	–	(572)	(572)
At 31 December 2005	4,006	645	(2,317)	2,334
Loss for the year	–	–	(282)	(282)
At 31 December 2006	**4,006**	**645**	**(2,599)**	**2,052**

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 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.

31. 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$958,000 (2005: S$1,845,000).

32. PENSION AND OTHER EMPLOYEE OBLIGATIONS – GROUP

	2006 S$'000	2005 S$'000
Current obligations on:		
– pensions – defined contributions plans	**16**	20

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% (2005: 20%) of the employees' basic salaries. The Group makes monthly contributions at 13% (2005: 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$119,000 (2005: S$92,000) were paid to the schemes.

Notes to the financial statements

For the year ended 31 December 2006

33. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP

As stated in note 17 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$NIL (2005: S$843,000) from three car rental sub-licensees of 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 17 to the financial statements.

(iii) Trade balances of S$490,000 (2005: S$112,000) receivable from NAGC Group as included in "Trade receivables".

(iv) Certain fixed deposits of the Group of approximately S$1,659,000 (2005: S$1,751,000) pledged to a bank to secure banking facilities up to approximately S$4,304,000 (2005: S$4,738,000) granted to the NAGC Group as disclosed in note 22 to the financial statements.

(v) Contingent liabilities arising from the transactions as disclosed in note 35 to the financial statements.

II. Zhong Bao Group

During the year, the Group sold motor vehicles of S$5,355,000 (2005: S$23,421,000) and earned technical fee income of S$4,543,000 (2005: $4,352,000) from Zhong Bao Group, the details of which have been disclosed in note 17 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 17 to the financial statements.

(b) Trade balances of S$4,809,000 (2005: S$8,506,000) receivables from Zhong Bao Group as included in "Trade receivables".

(c) Contingent liabilities arising from transactions as disclosed in note 35 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.

34. COMMITMENTS

34.1 As lessor

At 31 December 2006, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	S$'000	S$'000
Within one year	**1,072**	973
After one year but within five years	**924**	1,110
	1,996	2,083

34.2 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 2006, total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	Group	
	2006	2005
	S$'000	S$'000
Within one year	**306**	242
After one year but within five years	**140**	105
	446	347

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.

The Company does not have any significant operating lease commitments

34.3 Capital commitments

At 31 December 2006, capital commitments of the Group are as follows:

	2006	2005
	S$'000	S$'000
Contracted but not provided for	**–**	131

Notes to the financial statements

For the year ended 31 December 2006

35. CONTINGENT LIABILITIES

Group

At 31 December 2006, the Group has given guarantees in the ordinary course of business as follows:

		Notes	2006 S$'000	2005 S$'000
(a)	Guarantees for bank loan to NAGC Group:	(1)	**4,304**	4,738
(b)	Guarantees for bank loan to Zhong Bao Group:		**23,640**	24,035
			27,944	28,773

Notes:

(1) The Group's fixed deposits of approximately S$1,659,000 (2005: S$1,751,000) are pledged to secure these banking facilities at the balance sheet date (see note 22(a)).

Company

In addition to the guarantees for bank loans to NAGC Group and Zhong Bao Group disclosed above, the Company has executed guarantees amounting to approximately S$56,812,000 (2005: S$109,985,000) with respect to banking facilities made available to subsidiaries.

36. 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 Mr. 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 agreement has been early terminated on 24 September 2006. The rental expense incurred during the year was approximately S$45,000 (2005: S$55,000).

(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 Mr. 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 agreement has been early terminated in September 2006. The rental income during the year was approximately S$7,650 (2005: S$9,000).

36. 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 Mr. 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 agreement has been early terminated on 31 July 2005. The annual rental expense incurred by the Group for the year ended 31 December 2005 was approximately S$77,000.

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.

37. 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.

37.1 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 enters into foreign exchange forward rate agreements in order to secure its exposure to fluctuations in foreign currency exchange rates.

37.2 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.

As disclosed in note 17, the Group made advances to two business partners, NAGC Group and Zhong Bao Group. The Group has been actively monitoring the repayments in order to control the credit risk. In addition, collaterals would be required whenever deemed necessary for these advances.

The Group has concentration of credit risk due to its relatively small customer base.

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

37.3 Interest rate risk

The interest rates and terms of repayment of the Group's bank loans are disclosed in note 25.

37.4 Fair values

The fair values of cash and bank balances, trade receivables, bills 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				
		(Restated)			
	2006	2005	2004	2003	2002
	S$'000	S$'000	S$'000	S$'000	S$'000
Turnover	**60,381**	**158,704**	100,246	139,319	101,877
Other revenue and gains	**4,913**	2,369	1,283	1,240	656
Cost of sales	**(51,699)**	**(141,289)**	(88,745)	(124,310)	(87,698)
Employee benefits expenses	**(2,284)**	**(2,148)**	(1,880)	(2,157)	(2,029)
Depreciation and amortisation	**(1,318)**	(1,067)	(1,123)	(860)	(435)
Operating lease charges	**(371)**	(308)	(269)	(642)	(498)
Exchange differences, net	**1,040**	**(241)**	(807)	(1,751)	(816)
Allowance for doubtful receivables	**(780)**	–	–	–	–
Other operating expenses	**(2,445)**	**(8,182)**	(4,595)	(4,880)	(5,144)
Profit from operating activities	**7,437**	7,838	4,110	5,959	5,913
Finance costs	**(3,527)**	(2,649)	(1,493)	(1,552)	(1,759)
Profit before income tax	**3,910**	5,189	2,617	4,407	4,154
Tax	**(924)**	(1,537)	(896)	(1,088)	(1,330)
Profit for the year	**2,986**	3,652	1,721	3,319	2,824
Attributable to:					
Equity holders of the Company	**3,032**	**3,671**	1,741	3,341	2,849
Minority interest	**(46)**	(19)	(20)	(22)	(25)
Profit for the year	**2,986**	3,652	1,721	3,319	2,824
Dividends	**–**	–	–	–	–
Basic earnings per share attributable to equity holders of the Company (Singapore cent)	**0.76**	0.92	0.44	0.84	0.78

ASSETS AND LIABILITIES

	31 December				
	2006	2005	2004	2003	2002
	S$'000	S$'000	S$'000	S$'000	S$'000
Total assets	**83,597**	104,010	74,598	87,827	71,039
Total liabilities	**(53,401)**	(74,261)	(49,960)	(64,062)	(50,335)
	30,196	29,749	24,638	23,765	20,704
Minority interests	**(352)**	(421)	(418)	(452)	(497)
Equity attributable to equity holders of the Company	**29,844**	29,328	24,220	23,313	20,207