



**G.A. HOLDINGS LIMITED**

**G.A. 控股有限公司**

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

## **RESULTS ANNOUNCEMENT**

**For the year ended 31st December, 2002**

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

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The board of directors (the “Directors”) of G.A. Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st December, 2002.

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December, 2002*

		<b>Year ended 31st December,</b>	
	<i>Note</i>	<b>2002 S\$'000</b>	2001 S\$'000
<b>Turnover</b>	2	<b>101,877</b>	57,322
Other revenue	2	<b>210</b>	82
Other income		<b>446</b>	8
Cost of inventories		<b>(87,698)</b>	(47,820)
Staff costs	4	<b>(2,029)</b>	(1,440)
Depreciation and amortisation		<b>(435)</b>	(170)
Minimum lease payments for operating leases		<b>(498)</b>	(453)
Exchange differences, net		<b>(816)</b>	494
Other operating expenses		<b>(5,144)</b>	(2,634)
<b>Profit from operations</b>		<b>5,913</b>	5,389
Finance costs, net	4	<b>(1,759)</b>	(1,362)
<b>Profit before taxation</b>	4	<b>4,154</b>	4,027
Taxation	5	<b>(1,330)</b>	(1,261)
<b>Profit after taxation but before minority interests</b>		<b>2,824</b>	2,766
Minority interests		<b>25</b>	11
<b>Profit attributable to shareholders</b>	6	<b>2,849</b>	2,777
<b>Dividend</b>	7	<b>—</b>	—
<b>Basic earnings per share (cents)</b>	8	<b>0.78</b>	0.87

**NOTES:**

**1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Company was incorporated in the Cayman Islands under the Companies Law of Cayman Islands as an exempted company with limited liability on 5th July, 2001. Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the Group structure in connection with the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the ultimate holding company of the companies now comprising the Group. This was accomplished by acquiring the entire issued share capital of German Automobiles Limited (“GAL”) and German Automobiles Pte Limited (“GAPL”), the then holding company of the principal subsidiaries, in consideration for the allotment and issue of shares of the Company to the then shareholder of GAPL on 5th June, 2002 and the Company became the ultimate holding company of the Group. Pursuant to the placing arrangement (the “Placing”), details of which are set out in the Prospectus dated 10th June, 2002, 80,000,000 ordinary shares were issued.

The Group after the Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared as if the Company has always been the holding company of the Group.

**2. TURNOVER AND REVENUE**

Turnover and revenue recognised by category are as follows:

	<b>Year ended</b>	
	<b>31st December,</b>	
	<b>2002</b>	2001
	<b>S\$'000</b>	S\$'000
<b>Turnover</b>		
Sales of motor vehicles	<b>84,818</b>	50,102
Servicing of motor vehicles and sales of auto parts	<b>11,474</b>	3,340
Technical fee income	<b>4,284</b>	3,880
Management fee income	<b>1,301</b>	—
	<b>101,877</b>	57,322
<b>Other revenue</b>		
Rental income	<b>210</b>	82
<b>Total revenue</b>	<b>102,087</b>	57,404

### 3. SEGMENT INFORMATION

#### Business segment

The Group is organised with four business segments, namely:

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

Business segment analysis as at and for the year ended 31st December, 2002 is as follows:

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Activity 4</b>	<b>Inter-segment elimination</b>	<b>Group</b>
	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<b>Turnover</b>						
Revenue from external customers	89,102	11,474	1,301	—	—	101,877
Inter-segment revenue	—	—	—	3,080	(3,080)	—
Segment turnover	<u>89,102</u>	<u>11,474</u>	<u>1,301</u>	<u>3,080</u>	<u>(3,080)</u>	<u>101,877</u>
Segment result	<u>3,596</u>	<u>(393)</u>	<u>806</u>	<u>3,080</u>	<u>—</u>	7,089
Unallocated expenses						(1,176)
Profit from operations						5,913
Finance costs, net						(1,759)
Taxation						(1,330)
Minority interests						25
<b>Profit attributable to shareholders</b>						<u>2,849</u>
Depreciation	29	258	—	—	—	287
Unallocated items						<u>66</u>
Impairment loss on property, plant and equipment	—	229	—	—	—	229
Amortisation of prepaid rental expenses	—	—	82	—	—	<u>82</u>

Business segment analysis as at and for the year ended 31st December, 2001 is as follows:

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 4</b>	<b>Inter- segment elimination</b>	<b>Group</b>
	<b>2001</b>	<b>2001</b>	<b>2001</b>	<b>2001</b>	<b>2001</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<b>Turnover</b>					
Revenue from external customers	53,982	3,340	—	—	57,322
Inter-segment revenue	—	165	1,557	(1,722)	—
	<u>53,982</u>	<u>3,505</u>	<u>1,557</u>	<u>(1,722)</u>	<u>57,322</u>
Segment turnover	<u>53,982</u>	<u>3,505</u>	<u>1,557</u>	<u>(1,722)</u>	<u>57,322</u>
Segment result and profit from operations	<u>5,148</u>	<u>241</u>	<u>—</u>	<u>—</u>	5,389
Finance costs, net					(1,362)
Taxation					(1,261)
Minority interests					<u>11</u>
<b>Profit attributable to shareholders</b>					<u>2,777</u>
Depreciation					<u>170</u>

### Geographical segment

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

	<b>Year ended 31st December,</b>	
	<b>2002</b>	<b>2001</b>
	<b><i>S\$'000</i></b>	<b><i>S\$'000</i></b>
The PRC	<b>51,800</b>	25,695
Hong Kong	<b>50,077</b>	31,515
Philippines and Madagascar	<u>—</u>	<u>112</u>
	<u><b>101,877</b></u>	<u>57,322</u>

#### 4. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	<b>Year ended</b>	
	<b>31st December,</b>	
	<b>2002</b>	2001
	<b>S\$'000</b>	S\$'000
<b>(a) Finance costs, net</b>		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	<b>1,811</b>	1,541
Interest on other loans	<b>14</b>	24
Finance charges on obligations under finance leases	<b>8</b>	—
	<b>1,833</b>	1,565
Interest income	<b>(74)</b>	(203)
	<b>1,759</b>	1,362
<b>(b) Staff costs</b>		
Contributions to defined contribution plan	<b>77</b>	103
Salaries, wages and other benefits	<b>1,952</b>	1,337
	<b>2,029</b>	1,440
<b>(c) Other items</b>		
Auditors' remuneration	<b>71</b>	103
Depreciation of property, plant and equipment:		
Assets held for use under operating leases	<b>289</b>	170
Other owned assets	<b>64</b>	—
Amortisation of prepaid rental expenses	<b>82</b>	—
Impairment loss on property, plant and equipment included in other operating expenses	<b>229</b>	—
Write-back of provision for inventory obsolescence	<b>(410)</b>	(162)

## 5. TAXATION

The charge comprises:

	<b>2002</b> <b>S\$'000</b>	2001 S\$'000
Hong Kong profits tax:		
Current year	<b>346</b>	156
Overseas taxation	<b>1,194</b>	895
Deferred taxation		
Provision made during the year	—	210
Provision utilised during the year	<b>(210)</b>	—
	<b>984</b>	1,105
	<b><u>1,330</u></b>	<b><u>1,261</u></b>

### (a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit of Hong Kong subsidiaries for the year.

### (b) Singapore income tax

Overseas taxation relates to tax calculated based on the estimated assessable profit of Singapore subsidiaries at the rates prevailing of 22% (2001: 24.5%) for the year.

As at the balance sheet date, the tax payable to the Inland Revenue Authority of Singapore amounted to approximately S\$3,796,000 (2001: S\$2,982,000).

In addition, as at the balance sheet date the Group had provision for tax penalty of approximately S\$350,000 (2001: S\$350,000) arising from late tax payment in relation to the years of assessment from 1997 to 2001 and these amounts are included in “Accruals and other payables”. The tax penalty of S\$Nil (2001: S\$43,000) was charged to “Other operating expenses” of the consolidated income statement.

### (c) PRC enterprise income tax

No profit tax has been provided for PRC subsidiaries as they incurred losses for taxation purposes during the year.

### (d) Deferred taxation

Deferred taxation represents the utilisation of the taxation effect on the timing differences arising from general provisions and movements in unrealised exchange differences made in previous years.

Deferred taxation has not been provided as the tax effect of timing differences is insignificant at the balance sheet date.

## 6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders include a loss of approximately S\$362,000 (2001: Nil) which has been dealt with in the financial statements of the Company for the year.

## 7. DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31st December, 2002 (2001: Nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to the shareholders for the year of S\$2,849,000 (2001: S\$2,777,000) and weighted average number of 363,178,082 (2001: 320,000,000) shares in issue during the year.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the year.

## 9. STATEMENT OF CHANGES IN EQUITY

### The Group

	Share capital <i>S'000</i>	Share premium <i>S'000</i>	Capital reserve <i>S'000</i>	Translation reserve <i>S'000</i>	Accumulated profits <i>S'000</i>	Total <i>S'000</i>
As at 1st January, 2001	7,232	—	1,689	(85)	(87)	8,749
<b>Net gains (losses) not recognised in income statement</b>						
Translation difference	—	—	—	165	—	165
Profit for the year	—	—	—	—	2,777	2,777
As at 31st December, 2001	7,232	—	1,689	80	2,690	11,691
<b>Net gains (losses) not recognised in income statement</b>						
Translation difference	—	—	—	(128)	—	(128)
Swap of shares	—	—	—	—	—	—
Issue of share capital	1,808	7,232	—	—	—	9,040
Placing expenses	—	(3,226)	—	—	—	(3,226)
Shared by minority shareholder	—	—	—	(19)	—	(19)
Profit for the year	—	—	—	—	2,849	2,849
<b>As at 31st December, 2002</b>	<b>9,040</b>	<b>4,006</b>	<b>1,689</b>	<b>(67)</b>	<b>5,539</b>	<b>20,207</b>



## The Company

	Share capital S'000	Share premium S'000	Capital reserve S'000	Accumulated profits S'000	Total S'000
Issue of share capital (1 share of HK\$0.01 each)	—	—	—	—	—
As at 31st December, 2001	—	—	—	—	—
Swap of shares	7,232	—	645	—	7,877
Issue of share capital	1,808	7,232	—	—	9,040
Placing expenses	—	(3,226)	—	—	(3,226)
Loss for the year	—	—	—	(362)	(362)
<b>As at 31st December, 2002</b>	<b><u>9,040</u></b>	<b><u>4,006</u></b>	<b><u>645</u></b>	<b><u>(362)</u></b>	<b><u>13,329</u></b>

## 10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current year's presentation as the directors consider that would be more appropriate for the presentation of the Group's results and financial position.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Distribution of motor vehicles and auto parts

The Group mainly distributes imported motor vehicles to the PRC market. The PRC government has committed in its WTO protocol in the accession to open its market to the foreign countries by reducing the import tariffs and eliminating the quota system in several phases. These measures will definitely cut down the price of the imported vehicles that narrowing the price premium of the imported vehicles over the domestic ones. The demand for the imported vehicles is expected to rise consequently.

Commencing from 1st January, 2002, the PRC's import tariffs for motor vehicles and auto parts have been reduced from 70%-80% to 43.8%-50.7% and from 60.8% to 23.4% respectively. The decrease in tariffs directly cut the retail prices of the imported motor vehicles and auto parts, the price gap between the imported motor vehicles and the domestic ones was narrowed. Customers found it more affordable to purchase the imported motor vehicles. The Group's revenue from sales of motor vehicles, servicing of motor vehicles and sales of auto parts was mainly accelerated by the above factor and increased by approximately 80.2% as compared with last year.

Furthermore, the Group entered into agency agreements with 9 resellers. Those resellers acted as the Group's distribution agents whom assisted the Group in promoting its products. Such enhancement in distribution network was also another factor contributing to the increase in the Group's turnover.

## **Provision of after-sales service**

The Group commenced the construction of a 3-in-1 service centre in Xiamen during the year which is expected to be completed in the second quarter of 2003. This service centre will be the re-location site of the existing service centre in Xiamen. The investment in the service centre in progress was increased after the PRC government's preliminary approval of manufacturing of BMW passenger vehicles domestically. The additional investment was obtained by abandoning the building of service centre in Guangzhou, which is intended to provide technical services to the car rental sub-licensees in that region. This move will enhance the Group's after-sales service and corporate image in the authorised region designated by BMW.

## **Management of car rental business in the PRC**

In August 2001, the Group was appointed as the principal licensee of the Hertz car rental business in 5 major cities of the PRC, including Beijing, Shanghai, Guangzhou, Tianjin and Xiamen. The Group further appointed 3 PRC car rental operators as the sub-licensees to run the car rental business in the PRC. The Group provided management consulting and technical services to each sub-licensee and in return for an annual management fee income. The sub-licensees in Beijing, Shanghai and Guangzhou launched their operations in their corresponding regions in January, 2002.

## **Sales and Marketing**

The Group organised large scale exhibitions in Xiamen, the authorised region appointed by BMW, to promote the new models of BMW passenger vehicles, the New 7 Series. The Directors believed these marketing events played an essential role in promoting the products. The Group also held marketing activities including golf tournament and test drive to boost up the sales volume and enhance corporate image.

The Group recruited an experienced foreigner as the general manager to in charge the sales and marketing activities, as well as the after-sales service operation, in Xiamen.

## **BUSINESS PROSPECT**

The PRC auto market will undergo reformation in numerous phases. The tariffs on motor vehicles will be gradually reduced year by year to an average of 25% by 2006, whereas the tariffs on auto parts will also be cut to an average of 10%. Quota will be eliminated entirely by 2005. In light of slackening of the trading restrictions, the Group will be more flexible in operating the business in the PRC. Moreover, the popularity of auto financing services in the PRC will offer the customers additional mode of payment. Auto financing will have a positive impact on the demand of motor vehicles.

The PRC auto market is considered to be the one with the greatest potential in the coming decade. The PRC's economic growth sustained at round 6-8% in the past few years even though the global economy is slowing down. The purchasing power of the PRC citizens is increasing. In light of the relative low automobiles penetration rate in the PRC when comparing with the developed countries or even the developing countries, the demand of motor vehicles in the PRC is expected huge.

In view of the open of the PRC market, more multinational corporations will set up their offices in the big cities in the Mainland China, like Beijing, Shanghai, Guangzhou, etc. Those corporations may require hiring cars for their executives. This may lead to enormous opportunities for the PRC car rental business.

To accommodate the latent demand for purchasing and hiring motor vehicles, the Group has been prepared in the following ways: (1) commenced negotiation with BMW for authorised distributorship in a central region of the PRC; (2) initiated negotiation with a foreign motor vehicle manufacturer for the distributorship of the motor vehicles of its brands; (3) re-locating the service centre in Xiamen to an advanced and large scale one in the second quarter of 2003; (4) introduced the car rental business in the PRC through the operation of the sub-licensees.

The Group intends to expand the Hertz car rental business to Hong Kong, and is now trial running the Hertz system to assess the market demand to outline the future business plan.

## **FINANCIAL REVIEW**

### **Overview**

The majority of the Group's turnover during the year ended 31st December, 2002 was derived by German Automobiles Pte Ltd., a subsidiary operating in Singapore, principally engaged in the business of distributing motor vehicles, auto parts and accessories.

### **Turnover**

For the year ended 31st December, 2002, the turnover of the Group amounted to S\$101,877,000, an increase of approximately 77.7% as compared with that of the year ended 31st December, 2001. This is mainly contributed by the increase in the sales of motor vehicles by 69.3% during the year, owing to the increase in demand for BMW passenger vehicles and other brand vehicles including Toyota arising from product diversification. For the year ended 31st December, 2001, revenues generated from distributing BMW and other cars were approximately S\$28,635,000 and S\$21,467,000 respectively and increased to approximately S\$43,235,000 and S\$41,583,000 respectively for the year ended 31st December, 2002. The Directors believe such increase was resulted from increasing customers' demand induced by the economic growth of the PRC.

For the year ended 31st December, 2002, the income generating from servicing of motor vehicles and sales of auto parts was approximately S\$11,474,000, representing an increase of approximately 243.5% as compared with that of the year ended 31st December, 2001. The Directors believed that the increase in servicing income and sales of auto parts was the result of growing number of motor vehicles on-road.

Technical fee income from provision of technical services to North Anhua Group Corporation was increased by approximately 10.4% to approximately S\$4,284,000 for the year ended 31st December, 2002 as compared with S\$3,880,000 for the year ended 31st December, 2001. The Group received management fee income of S\$1,301,000 for the year ended 31st December, 2002 as it commenced the provision of management consulting and technical services to the 3 car rental sub-licensees in January 2002.

## **Gross Profit**

Gross profit margin for income from distribution of motor vehicles was approximately 7.7% and 10.5% respectively for the years ended 31st December, 2002 and 2001. The gross profit margin of technical fee and car rental management fee income were 100% for the year ended 31st December, 2002. For the years ended 31st December, 2002 and 2001, the gross profit margin of the Group was approximately 13.9% and 16.6% respectively. The decrease in gross profit margin resulted from the strong demand of the Japanese passenger vehicles with lower profit margin when comparing with the BMW ones.

For the year ended 31st December, 2002, the gross profit of the Group was approximately S\$14,179,000, representing an increase of approximately 49.2% over that of the year ended 31st December, 2001.

## **Other Operation Expenses**

Other Operating Expenses for the year ended 31st December, 2002 amounted to approximately S\$5,144,000, an increase of 95.3% as compared with that of the year ended 31st December, 2001. The increase was the result of impairment loss of fixed assets of approximately S\$229,000 (*2001: Nil*), the non-recurring exhibition, sales and promotion expenses for newly launched BMW 7 series passenger vehicles of approximately S\$1,237,000 (*2001: Nil*) and reclassification of bank charges as other operating expenses, instead of finance cost.

## **Profit Attributable to Shareholders**

Profit attributable to shareholders for the year ended 31st December, 2002 was S\$2,849,000 as compared with S\$2,777,000 for the year ended 31st December, 2001. The profits for 2002 increased by approximately 2.6% as compared with that of 2001.

## **Financial Resources and Liquidity**

As at 31st December, 2002, shareholders' fund of the Group amounted to approximately S\$20,207,000 (*2001: S\$11,691,000*). Current assets amounted to approximately S\$56,896,000 (*2001: S\$35,648,000*). Of which approximately S\$13,322,000 (*2001: S\$8,539,000*) were cash and bank deposits. Current liabilities amounted to approximately S\$49,518,000 (*2001: S\$35,037,000*), mainly its trade payables, bills payable, bank loans, accruals and other payables and current accounts with affiliated companies. The Group had non-current liabilities amounted to S\$817,000 (*2001: S\$2,565,000*). The net asset value per share was S\$0.051 (*2001: S\$0.037, based on proforma issued shares of the Company*) as at 31st December, 2002.

## **Gearing Ratio**

The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 31st December, 2002, the Group had a gearing ratio of 0.47 (*2001: 0.60*).

## **Foreign Exchange Exposure**

During the year ended 31st December, 2002, the Group had an exchange loss of approximately S\$816,000 (2001: *exchange gain S\$494,000*), mainly due to the revaluation of euro against SGD, whereas the purchases for BMW passenger vehicles were mainly denominated in euro. The Group did not employ any hedging policy with respect to the fluctuations in exchange rates.

## **Charges on Group Assets**

As at 31st December, 2002, the Group pledged time deposits of approximately S\$7,836,000 (2001: *S\$5,276,000*) to several banks for banking facilities for the Group and a related company of North Anhua and to secure guarantees given by the bank to Hertz International Ltd., the principal of the “Hertz” models of the car rental business (the “Car Rental Business”).

## **Contingent Liabilities**

As at 31st December, 2002, the Group provided a bank guarantee of approximately S\$7,446,000 (2001: *S\$7,912,000*) to a bank in respect of banking facilities to Beijing China National Automotive Auhua Spare Parts Ltd., which is a related company to North Anhua Group Corporation.

The Group as the principal licensee of the Car Rental Business, has given corporate guarantees to the principal of the Car Rental Business, guaranteeing the performance and timely payment by the three car rental sub-licensees of all amounts payable under the respective sub-licensees agreements to Hertz International Ltd. These car rental sub-licensees are subject to significant influence by a company’s director and are subsidiaries of North Anhua.

## **Employees**

As at 31st December, 2002, the total number of employee of the Group was 73. For the year ended 31st December, 2002, the staff costs including directors’ remuneration of the Group amounted to approximately 1.9% of the turnover of the Group and an increase of approximately S\$589,000 or an increase of approximately 40.9% as compared to that of the year ended 31st December, 2001. It is the Group policy to review its employee’s pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

## **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

During the year ended 31st December, 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

## **Significant Investment**

As at 31st December, 2002, the Group had no significant investments held.

## **Material Investments or Capital Assets**

As at 31st December, 2002, the Group had no future plans for material investment except that capital assets will be purchased in accordance with the details set out in the section headed “Statement of business objectives” in the prospectus of the Company dated 10th June, 2002.

## **Capital Structure of the Group in Debt Securities**

During the year ended 31st December, 2002, the Group had no debt securities in issue.

## **COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES**

Since the Company’s shares were listed on GEM of the Stock Exchange on 17th June, 2002, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## **PURCHASE, SALE OF 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 period since the Company’s shares listed on 17th June, 2002 to 31st December, 2002.

By Order of the Board  
**Loh Kim Her**  
*Managing Director*

Hong Kong, 25th March, 2003