



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 nine months ended 30 September 2003

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

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

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

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

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.

The board (the “Board”) of directors (the “Directors”) of G.A. Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three and nine months ended 30 September 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2003

| | | (Unaudited) three months ended 30 September | | (Unaudited) nine month ended 30 September | |
|---|--------------|--|----------------|--|----------------|
| | | 2003 | 2002 | 2003 | 2002 |
| | <i>Notes</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| Turnover | 2 | 33,816 | 28,308 | 92,165 | 69,490 |
| Cost of sales | | (29,686) | (24,751) | (81,797) | (59,272) |
| Gross profit | | 4,130 | 3,557 | 10,368 | 10,218 |
| Other revenues | | 123 | 48 | 302 | 116 |
| Other income | | 26 | — | 82 | 451 |
| Staff costs | | (526) | (448) | (1,535) | (1,375) |
| Depreciation and amortization expenses | | (214) | (113) | (604) | (314) |
| Minimum lease payments for operating expenses | | (91) | (148) | (308) | (359) |
| Exchange loss, net | | (1,351) | (190) | (1,108) | (222) |
| Other operating expenses | | (1,022) | (1,623) | (3,320) | (3,574) |
| Profit from operations | | 1,075 | 1,083 | 3,877 | 4,941 |
| Finance costs, net | | (419) | (334) | (1,143) | (1,396) |
| Profit before taxation | | 656 | 749 | 2,734 | 3,545 |
| Taxation | 3 | (159) | (137) | (592) | (652) |
| Profit after taxation but before minority interests | | 497 | 612 | 2,142 | 2,893 |
| Minority interests | | 5 | 3 | 17 | 6 |
| Profit attributable to shareholders | | <u>502</u> | <u>615</u> | <u>2,159</u> | <u>2,899</u> |
| Earnings per share | | | | | |
| – Basic (cents) | 4 | <u>0.13</u> | <u>0.15</u> | <u>0.54</u> | <u>0.83</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 September 2003 and 2002

| | Issued 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 1 July 2003 | 9,040 | 4,006 | 1,689 | (55) | 7,196 | 21,876 |
| Net gains/losses not recognised in income statement | | | | | | |
| Translation difference | — | — | — | (120) | — | (120) |
| Shared by minority shareholder | — | — | — | 8 | — | 8 |
| Profit for the period | — | — | — | — | 502 | 502 |
| As at 30 September 2003 | <u>9,040</u> | <u>4,006</u> | <u>1,689</u> | <u>(167)</u> | <u>7,698</u> | <u>22,266</u> |
| As at 1 July 2002 | 9,040 | 4,421 | 1,689 | (109) | 4,974 | 20,015 |
| Net gains/losses not recognised in income statement | | | | | | |
| Translation difference | — | — | — | (378) | — | (378) |
| Profit for the period | — | — | — | — | 615 | 615 |
| As at 30 September 2002 | <u>9,040</u> | <u>4,421</u> | <u>1,689</u> | <u>(487)</u> | <u>5,589</u> | <u>20,252</u> |

For the nine months ended 30 September 2003 and 2002

| | Issued 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 1 January 2003 | 9,040 | 4,006 | 1,689 | (67) | 5,539 | 20,207 |
| Net gains/losses not recognised in income statement | | | | | | |
| Translation difference | — | — | — | (116) | — | (116) |
| Shared by minority shareholder | — | — | — | 16 | — | 16 |
| Profit for the period | — | — | — | — | 2,159 | 2,159 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| As at 30 September 2003 | <u>9,040</u> | <u>4,006</u> | <u>1,689</u> | <u>(167)</u> | <u>7,698</u> | <u>22,266</u> |
| As at 1 January 2002 | 7,232 | — | 1,689 | 80 | 2,690 | 11,691 |
| Net gains/losses not recognised in income statement | | | | | | |
| Translation difference | — | — | — | (567) | — | (567) |
| Issue of share capital | 1,808 | 7,232 | — | — | — | 9,040 |
| Placing expenses | — | (2,811) | — | — | — | (2,811) |
| Profit for the period | — | — | — | — | 2,899 | 2,899 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| As at 30 September 2002 | <u>9,040</u> | <u>4,421</u> | <u>1,689</u> | <u>(487)</u> | <u>5,589</u> | <u>20,252</u> |

Notes:

1. Accounting Policies

The accounting policies adopted for the preparation of these unaudited consolidated results of the Group are consistent with those adopted by the Group in the preparation of annual audited financial statements for the year ended 31 December 2002.

2. Turnover

Turnover recognised by category is as follows:

| | (Unaudited) three months ended 30 September | | (Unaudited) nine months ended 30 September | |
|--|--|----------------|---|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| Sales of motor vehicles | 31,790 | 23,489 | 85,068 | 57,884 |
| Servicing of motor vehicles and sales of auto parts | 806 | 3,354 | 3,457 | 7,008 |
| Technical fee income | 924 | 1,236 | 2,750 | 3,911 |
| Management fee income | 296 | 229 | 890 | 687 |
| | <u>33,816</u> | <u>28,308</u> | <u>92,165</u> | <u>69,490</u> |

3. Taxation

The charge comprises:

| | (Unaudited) three months ended 30 September | | (Unaudited) nine months ended 30 September | |
|--|--|----------------|---|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> | <i>S\$'000</i> |
| Hong Kong profits tax | 195 | 113 | 476 | 218 |
| Overseas taxation (overprovision in prior period/current period provision) | <u>(36)</u> | <u>24</u> | <u>116</u> | <u>434</u> |
| | <u>159</u> | <u>137</u> | <u>592</u> | <u>652</u> |

Basis of taxation:

a. Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit of the Hong Kong subsidiary for the three months and nine months ended 30 September 2003 and 16% for the three months and nine months ended 30 September 2002.

b. Overseas taxation

Overseas taxation relates to tax calculated based on the estimated assessable profit of Singapore subsidiaries at the rate prevailing of 22% for the three months and nine months ended 30 September 2003 and 2002.

c. PRC enterprise income tax

No income tax has been provided for PRC subsidiaries as they incurred losses for taxation purposes during the three months and nine months ended 30 September 2003 and 2002.

4. Earnings per share

The calculation of basic earnings per share for the three months ended 30 September 2003 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$502,000 and on the 400,000,000 ordinary shares in issue during the three months ended 30 September 2003.

The calculation of basic earnings per share for the three months ended 30 September 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$615,000 and on the 400,000,000 ordinary shares in issue during the three months ended 30 September 2002.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 30 September 2003 and 2002.

The calculation of basic earnings per share for the nine months ended 30 September 2003 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$2,159,000 and on the 400,000,000 ordinary shares in issue during the nine months ended 30 September 2003.

The calculation of basic earnings per share for the nine months ended 30 September 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$2,899,000 and on the weighted average of 350,769,231 ordinary shares in issue during the nine months ended 30 September 2002.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the nine months ended 30 September 2003 and 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Severe Acute Respiratory Syndrome (“SARS”) impact

The impact of outbreak of SARS during the second quarter has moderated. The increase in turnover of the Group accelerated when compared with the third quarter of the year 2002 and the second quarter of the year 2003. For the three months ended 30 September 2003, an increase of turnover of approximately 19.5% was recorded, compared to the corresponding period in 2002.

BUSINESS REVIEW

1. Sales of motor vehicles

Sales of motor vehicles were the main stream of income for the Group. For the nine months ended 30 September 2003, it accounted for approximately 92.3% of the total turnover. The PRC's demand for imported vehicles remained strong as the living standards continue to rise in the PRC. The turnover generated from sales of motor vehicles for the nine months ended 30 September 2003 was approximately S\$85,068,000, an increase of approximately 47.0% compared to the corresponding period in 2002.

2. Servicing of motor vehicles and sales of auto parts

Turnover generated from servicing of motor vehicles and sales of auto parts decreased from approximately S\$7,008,000 for the nine months ended 30 September 2002 to approximately S\$3,457,000 for the nine months ended 30 September 2003. This was mainly due to the decrease in trading volume of auto parts.

3. Technical fee income

The Group received technical fee income from the business partner, North Anhua Group Corporation (“NAGC”) for providing management consulting and technical assistance in relation to NAGC's sales of locally manufactured Honda passenger vehicles. Technical fee income reduced from approximately S\$3,911,000 for the nine months ended 30 September 2002 to approximately S\$2,750,000 for the nine months ended 30 September 2003. The decrease was due to the drop of number of Honda automobiles distributed by NAGC.

4. Management fee income

The Group received management fee income from the car rental sub-licensees for providing management services and technical assistance in relation to car rental business. For the nine months ended 30 September 2003, the management fee income was approximately S\$890,000.

5. Car rental business

The Group operated a car fleet in Hong Kong to operate the car rental business under the brand of “Hertz”. For the nine months ended 30 September 2003, the turnover from car rental business was approximately S\$302,000, which has been included in other revenue, representing an increase of approximately 160.3% as compared to the corresponding period in 2002. This was due to the enhancement of car fleet in terms of its size and range. Customers now had more choices.

6. Update of progress of the construction of service centres

The construction of the service centre in Haichang, Xiamen was almost completed. The Group will submit the application for the “Certificate of Completion” for this service centre and then relocate the existing service centre to the new one in Haichang. The Fuzhou service centre is awaiting the approval of Beijing office of BMW AG to commence construction.

FINANCIAL REVIEW

Turnover

The unaudited consolidated turnover of the Group for the nine months ended 30 September 2003 was approximately S\$92,165,000, representing an increase of approximately 32.6% over the corresponding period in 2002. The increase was mainly due to the rise in sales of motor vehicles resulting from a general increase in demand of imported vehicles during the period. In contrast, turnover from servicing of cars and sales of auto parts reduced by approximately 50.7% and technical fee income reduced by approximately 29.7%. The reduction of auto part sales was mainly because several regular customers diverted the auto parts purchases from the Group. The drop of technical fee income was mainly due to keen competition from the local production of motor vehicles by the foreign manufacturers. The distribution of locally manufactured Honda automobiles by NAGC was affected.

Gross profit

The gross profit for the nine months ended 30 September 2003 was approximately S\$10,368,000, a slight increase of approximately 1.5% as compared to approximately S\$10,218,000 of the corresponding period in 2002. The gross profit margin for the nine months ended 30 September 2003 was approximately 11.2%, a decrease of approximately 3.5% as compared to approximately 14.7% of the corresponding period in 2002. The decrease was mainly due to a lower price strategy adopted by the Group in the distribution of motor vehicles.

Exchange loss

For the nine months ended 30 September 2003, the exchange loss was approximately S\$1,108,000, an increase of approximately 399.1% as compared to the corresponding period of 2002. This was mainly due to the appreciation of Euro against Singapore dollars and depreciation of US dollars against Singapore dollars. The Group's purchases were mainly denominated in Euro, whereas the sales were transacted in US dollars and HK dollars.

Other operating expenses

For the nine months ended 30 September 2003, other operating expenses were approximately S\$3,320,000, representing a decrease of approximately 7.1% as compared with the corresponding period in 2002. The non-recurring exhibition expenses for promoting the new BMW 7 Series incurred during the nine months ended 30 September 2002 were not incurred for the current corresponding period.

Profit attributable to shareholders

The profit attributable to shareholders for the nine months ended 30 September 2003 was approximately S\$2,159,000, representing a decrease of approximately 25.5% as compared to the corresponding period in 2002.

BUSINESS PROSPECT

Since the accession of the PRC into WTO, the demand of motor vehicles in the PRC rose continuously. The Directors believed the demand growth will be sustained, but the market will become more competitive. The Directors expected the gross profit margin for motor vehicles distribution will be lower, but growth of turnover from sales of motor vehicles will still continue.

The production of locally manufactured BMW motor vehicles by the BMW's sino-foreign joint venture would come to the market in October 2003. Under the relevant PRC laws and regulations, only local companies can trade the locally manufactured motor vehicles. The Group is in the process of drafting an agreement with a local company to provide the local company marketing consulting and technical assistance for the locally manufactured BMW motor vehicles, in return for technical fee income.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003 (*nine months ended 30 September 2002: Nil*).

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

As at 30 September 2003, 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 of 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 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

| Name | Capacity | Number of shares held | | | | Total | Approximate percentage of shareholding |
|----------------------|--------------------------------------|-----------------------|-----------------|-------------------------|-----------------|-------------|--|
| | | Personal Interest | Family Interest | Corporate Interest | Other Interests | | |
| Loh Kim Her | Interest of a controlled corporation | — | — | 106,432,000 (Note 1) | — | 106,432,000 | 26.61% |
| Chan Hing Ka Anthony | Interest of a controlled corporation | — | — | 106,432,000 (Note 2) | — | 106,432,000 | 26.61% |
| Loh Nee Peng | Interest of a controlled corporation | — | — | 106,432,000 (Note 3) | — | 106,432,000 | 26.61% |

Notes:

1. The 106,432,000 shares are held as to 16,000,000 shares by Affluence Investment International Limited, as to 16,000,000 shares by L & B Holdings Pte Ltd. and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100%, 18.94% and 15%, respectively by Mr. Loh Kim Her. By virtue of the SFO, Mr. Loh Him Her is deemed to be interested in the shares held by Affluence Investment International Limited, L & B Holdings Pte Ltd. and Loh & Loh Construction Group Ltd.
2. The 106,432,000 shares are held as to 32,000,000 shares by Tycoons Investment International Limited and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 49%, respectively by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited and Loh & Loh Construction Group Ltd.
3. The 106,432,000 shares are held as to 32,000,000 shares by Big Reap Investment Limited and as to 74,432,000 shares by Loh & Loh Construction Group Ltd, which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 30 September 2003, 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 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITION OF SHAREHOLDERS

As at 30 September 2003, the persons or corporations (other than directors or chief executive of the Company) who have interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

| Name | Capacity | Number of shares held | Approximate percentage of shareholding |
|--|--|-----------------------|--|
| Loh & Loh Construction Group Ltd. | Beneficial owner (Note 1) | 74,432,000 | 18.61% |
| Comfort Group Limited | Interest of a controlled corporation (Note 2) | 61,667,570 | 15.42% |
| PHEIM Asset Management (Asia) Pte Ltd. | Investment manager | 42,330,000 | 10.58% |
| HSBC Trustee (Singapore) Limited | Trustee | 30,158,000 | 7.54% |

Notes:

1. Loh & Loh Construction Group Ltd. is held as to 49% by Mr. Chan Hing Ka Anthony, as to 15% by Mr. Loh Him 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 Him Her and Mr. Loh Nee Peng are Directors and Mr. Loh Boon Cha is the brother of Mr. Loh Him Her and the father of Mr. Loh Nee Peng.
2. The 61,667,570 shares are held by Comfort (China) Pte Ltd., the wholly owned subsidiary of Comfort Group Limited. By virtue of the SFO, Comfort Group Limited is deemed to be interested in the shares held by Comfort (China) Pte Ltd.

Save as disclosed above, as at 30 September 2003, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

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

COMPETING INTERESTS

During the nine months ended 30 September 2003, none of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

During the nine months ended 30 September 2003, the Company did not adopt any share option scheme, nor did it have any options or securities in issue which are convertible or exchangeable into shares of the Company.

ADVANCES TO ENTITIES

Pursuant to the Rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 25% of the Group's net tangible assets. As at 30 September 2003, the total advancement, guarantees and receivables provided to and due from NAGC, its subsidiaries and affiliated companies in the PRC (collectively the "NAGC Group") are in aggregate of approximately S\$24,823,000 (*31 December 2002: S\$19,692,000*). NAGC Group engages in a wide range of business operations including state-grant import and export business of motor vehicles. NAGC Group is the business partner of the Group with a nationwide distribution network in the PRC. It assists the Group in distributing automobiles and setting up car rental business in the PRC. Besides, the Group provides technical services to the Honda automobiles distributed by NAGC in return for the technical fee. The details of transactions are illustrated as follow:

The trade receivables due from NAGC Group as at 30 September 2003 amounted to approximately S\$4,411,000 (*31 December 2002: S\$2,755,000*), out of which, approximately S\$2,590,000 (*31 December 2002: S\$1,454,000*) was technical fee arisen from provision of technical fee to NAGC. The remaining of approximately S\$1,821,000 (*31 December 2002: S\$1,301,000*) was management fee charged on provision of management consulting and technical expertise to three car rental sub-licensees. Approximately S\$607,000 (*31 December 2002: S\$434,000*) was due from each of the sub-licensees. The three sub-licensees include Beijing China National Automotive Anhua Automobiles Leasing Co., Ltd., (a wholly subsidiary of NAGC), Shanghai China National Automotive Anhua Automobiles Services Co., Ltd. (a company of which 90% of its interest is owned by NAGC) and Guangzhou China National Automotive Anhua Automobiles Services Co., Ltd. (a company of which 90% of its interest is owned by NAGC) (collectively the "Three Sub-licensees"). The trade receivables due from NAGC were unsecured, interest free and repayable within 5 months. The trade receivables were made under normal commercial terms and in the ordinary course of business of the Group.

Prepaid rental expenses in the amount of S\$7,496,000 (*31 December 2002: S\$7,557,000*) were advanced to China National Automotive Anhua Hertz Services Centre Co., Ltd. ("CNA Anhua (Hertz)"), a wholly owned subsidiary of NAGC. The prepaid rental expenses were for the development of land and building for use as motor vehicles showrooms, service centres and other related facilities in Beijing and Haichang, Xiamen. The prepaid rental expenses entitle the Group to free use of such facilities for 50 years from the date of completion of the developments. The development in Beijing in respect of prepaid rental expense of approximately S\$3,969,000 (*31 December 2002: S\$4,113,000*) was completed in December, 2001. The development in Haichang, Xiamen in respect of prepaid rental expense of approximately of S\$3,527,000 (*31 December 2002: S\$3,444,000*) is almost completed and an application for the "Certificate of Completion" will be made. The prepaid rental expenses were unsecured, interest free and will be amortized over 50 years from the date of completion of the development.

The other receivables due from CNA Anhua (Hertz) as at 30 September 2003, amounted to approximately S\$628,000 (*31 December 2002: S\$505,000*), out of which, approximately S\$336,000 (*31 December 2002: S\$347,000*) was receivable arisen from the land cost paid by the Group to obtain the land title of the service centre in Haichang, Xiamen and such cost should be covered under the prepaid rental expenses already paid to CNA Anhua (Hertz). As such, CNA Anhua (Hertz) was under the obligation to repay the said amount to the Group. This amount was subsequently repaid by CNA Anhua (Hertz) on 20 October 2003. The remaining of approximately S\$292,000 (*31 December 2002: S\$158,000*) was the payment made on behalf of CNA Anhua (Hertz) for the auto parts purchased in Hong Kong and the PRC. The receivables were unsecured, interest free and repayable in or before December 2003. The receivables were made under normal commercial terms and in the ordinary course of business of the Group.

Guarantees in the amount of approximately S\$7,435,000 (*31 December 2002: S\$7,446,000*) were provided to a bank in respect of banking facilities granted to Beijing China Automotive Anhua Spare Parts Ltd. (“BCNA”) (a company of which 45% of its interest is owned by CNA Anhua (Hertz), a wholly owned subsidiaries of NAGC). The guarantees were for the banking facilities granted for the use in car rental business by the Three Sub-licensees. The Group is negotiating with BCNA in relation to the release of the above guarantees. The Group does not have any security or receive any considerations from BCNA or NAGC by giving such guarantees.

Approximately S\$1,747,000 (*31 December 2002: Nil*) were advanced to the Three Sub-licensees for car rental operation in Beijing, Shanghai and Guangzhou. These receivables were unsecured, interest free and repayable in or before December 2003.

Approximately S\$668,000 (*31 December 2002: Nil*) were advanced to Xiamen Zhong Bao Automobiles Co., Ltd. (“Xiamen Zhong Bao”) (an affiliated company of NAGC). The advances were for the operation of the locally manufactured BMW motor vehicles which would come to the PRC market in October 2003. The Group will generate technical fee income by providing management consulting and technical assistance to Xiamen Zhong Bao in relation to their sales of locally manufactured BMW motor vehicles. The advances were unsecured, interest free and repayable in or before September 2004.

Approximately S\$2,438,000 (*31 December 2002: Nil*) were advanced to BCNA. The advances were for their purchase of automobiles and related import tax expenses. The advances were unsecured, interest free and repayable in or before September 2004.

SPONSORS INTERESTS

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

As at 30 September 2003, an associate of CASH held 7,384,000 shares of the Company. Save as disclosed above, none of CASH, its directors, employees or associates had any shareholding interest in the securities of the Company or any member of the Group nor have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 September 2003.

COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES

During the nine months ended 30 September 2003, none of the Directors of the Company was aware of any information that would reasonable indicate that the Company or any of its subsidiaries was not in compliance 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants on 5 June 2002. The audit committee comprises two independent non-executive Directors, namely Ms. Lam So Ying and Mr. Lee Kwok Yung and one executive Director, Mr. Chan Hing Ka Anthony. The duties of the audit committee include reviewing the Company's annual reports and accounts, half-year reports and quarterly reports and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee has received this quarterly results and provided comments.

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 nine months ended 30 September 2003.

By Order of the Board
Chan Hing Ka Anthony
Managing Director

Hong Kong, 13 November 2003