G.A. HOLDINGS LIMITED
G.A. 控股有限公司

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

(Stock Code: 8126)

RESULTS ANNOUNCEMENT
For the year ended 31 December 2004

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

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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 day of its posting.

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 31 December 2004.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	Notes	2004 S$'000	2003 S$'000
Turnover	2	**100,246**	139,319
Other revenue and gains	2	**1,283**	1,240
Cost of sales	4	**(88,745)**	(124,310)
Staff costs	4	**(1,880)**	(2,157)
Depreciation and amortisation	4	**(1,123)**	(860)
Minimum lease payments for operating leases		**(269)**	(642)
Exchange differences, net		**(807)**	(1,751)
Other operating expenses		**(4,595)**	(4,880)
Profit from operating activities	4	**4,110**	5,959
Finance costs, net	4	**(1,493)**	(1,552)
Profit before tax		**2,617**	4,407
Tax	5	**(896)**	(1,088)
Profit before minority interests		**1,721**	3,319
Minority interests		**20**	22
Profit from ordinary activities attributable to shareholders		**1,741**	3,341
Dividend	6	**–**	–
Earnings per share (Singapore cents)	7		
Basic		**0.44**	0.84
Diluted		**N/A**	N/A

NOTES:

1. BASIS OF PREPARATION

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

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

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

2. TURNOVER, OTHER REVENUE AND GAINS

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

Turnover and revenue recognised by category are as follows:

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

3. SEGMENT INFORMATION

Business segment

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

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

The Group is organised with four business segments, namely:

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

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

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

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

	Activity 1 2004 *S$'000*	Activity 2 2004 *S$'000*	Activity 3 2004 *S$'000*	Activity 4 2004 *S$'000*	Inter-segment elimination 2004 *S$'000*	Group 2004 *S$'000*
Turnover						
Revenue from external customers	93,769	5,342	1,135	–	–	100,246
Inter-segment revenue	490	–	–	3,459	(3,949)	–
Segment turnover	94,259	5,342	1,135	3,459	(3,949)	100,246
Segment results	2,371	(459)	546	2,493	–	4,951
Unallocated expenses						(841)
Profit from operating activities						4,110
Finance costs, net						(1,493)
Taxation						(896)
Minority interests						20
Profit from ordinary activities attributable to shareholders						1,741
Other information						
Depreciation	83	505	383	–		971
Amortisation of prepaid rental expenses	–	–	152	–		152

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

	Activity 1 2003 *S$'000*	Activity 2 2003 *S$'000*	Activity 3 2003 *S$'000*	Activity 4 2003 *S$'000*	Inter-segment elimination 2003 *S$'000*	Group 2003 *S$'000*
Turnover						
Revenue from external customers	134,304	3,838	1,177	–	–	139,319
Inter-segment revenue	490	–	–	5,200	(5,690)	–
Segment turnover	134,794	3,838	1,177	5,200	(5,690)	139,319
Segment results	2,742	(751)	570	4,255	–	6,816
Unallocated expenses						(857)
Profit from operating activities						5,959
Finance costs, net						(1,552)
Tax						(1,088)
Minority interests						22
Profit from ordinary activities attributable to shareholders						3,341
Other information						
Depreciation	52	315	411	–		778
Amortisation of prepaid rental expenses	–	–	82	–		82

Geographical segment

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

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

4. PROFIT FROM OPERATING ACTIVITIES

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

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

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

5. TAX

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

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

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

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

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

6. DIVIDEND

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

7. EARNINGS PER SHARE

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

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

8. STATEMENT OF CHANGES IN EQUITY

The Group

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

The Company

	Issued capital *S'000*	Share premium *S'000*	Capital reserve *S'000*	Accumulated losses *S'000*	Total *S'000*
At 1 January 2003	9,040	4,006	645	(362)	13,329
Loss for the year	–	–	–	(554)	(554)
At 31 December 2003	9,040	4,006	645	(916)	12,775
Loss for the year	–	–	–	(829)	(829)
At 31 December 2004	9,040	4,006	645	(1,745)	11,946

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Sales of motor vehicles

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

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

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

Servicing of motor vehicles and sales of auto parts

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

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

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

Technical fee income

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

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

Management fee income

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

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

Car rental business

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

Update of progress of the construction of service centre in Fuzhou

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

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

Establishments of subsidiaries in the PRC

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

Xiamen Auto Control, which is a wholly owned subsidiary of the Group, was incorporated in the Investment Zone of Haichang Xiamen. The main operation of Xiamen Auto Control will be on the research and development, manufacturing, assembling and trading of auto parts and accessories such as intelligent car security system, electrical lighting, wiring sets and exhaust systems etc. As at the date of this report, Xiamen Auto Control has not yet commenced its operation.

BUSINESS PROSPECT

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

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

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

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

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

FINANCIAL REVIEW

Overview

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

Turnover

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

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

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

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

Gross Profit

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

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

Operating expenses

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

Profit attributable to shareholders

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

Financial resources and liquidity

As at 31 December 2004, shareholders' fund of the Group amounted to approximately S$24,220,000 (2003: S$23,313,000). Current assets amounted to approximately S$56,790,000 (2003: S$70,781,000). Of which approximately S$11,060,000 (2003: S$9,584,000) were cash and bank balances. Current liabilities amounted to approximately S$47,854,000 (2003: S$61,341,000) mainly represent trade payables, bills payables, bank loans, accruals and other payables. The Group had non-current liabilities amounted to approximately S$2,106,000 (2003: S$2,721,000). The net asset value per share as at 31 December 2004 was approximately S$0.061 (2003: S$0.058).

Gearing Ratio

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

Foreign Exchange Exposure

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

Charges on Group Assets

As at 31 December 2004, the Group pledged time deposits of approximately S$9,578,000 (2003: S$7,553,000) and charged plant and machinery of approximately S$183,000 (2003: S$140,000) to several banks for banking facilities for the Group, and to secure guarantees given by the bank to Hertz International Ltd., the principal of the "Hertz" system of car rental business (the "Car Rental Business").

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

Contingent Liabilities

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

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

Employees

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Significant Investment

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

Material Investments or Capital Assets

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

Capital Structure of the Group in Debt Securities

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

COMPLIANCE WITH RULE 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the year.

AUDIT COMMITTEE

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

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

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

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

Executive Directors of the Company as at the date hereof are Mr. Chan Hing Ka Anthony, Mr. Loh Nee Peng and Mr. Xu Ming. Independent non-executive Directors of the Company as at the date hereof are Mr. Yin Bin, Mr. Lee Kwok Yung and Mr. Zhang Lei.

By Order of the Board
Chan Hing Ka Anthony
Chairman and Managing Director

Hong Kong, 31 March 2005