



**G.A. HOLDINGS LIMITED**  
**GA 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)*



Interim Report **2005**

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

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## INTERIM RESULTS

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 six months ended 30 June 2005 (the “Interim Period”).

Shareholders should note that these results are first to be published by the company following the adoption of a number of new/revised Hong Kong accounting standards with effect from 1 January 2005, as detailed later.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2005

	Notes	(Unaudited) three months ended 30 June		(Unaudited) six months ended 30 June	
		2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
<b>Turnover</b>	3	<b>32,749</b>	33,251	<b>51,306</b>	63,679
Other revenue and gains	3	<b>409</b>	198	<b>791</b>	333
		<b>33,158</b>	33,449	<b>52,097</b>	64,012
Cost of inventories		<b>(29,538)</b>	(30,995)	<b>(45,675)</b>	(57,386)
Staff costs		<b>(433)</b>	(433)	<b>(851)</b>	(876)
Depreciation and amortisation		<b>(335)</b>	(242)	<b>(658)</b>	(462)
Minimum lease payments for Operating leases		<b>(69)</b>	(56)	<b>(134)</b>	(122)
Exchange differences, net		<b>(388)</b>	(383)	<b>2</b>	100
Other operating expenses		<b>(963)</b>	(1,274)	<b>(1,698)</b>	(2,430)
<b>Profit from operating activities</b>		<b>1,432</b>	66	<b>3,083</b>	2,836
Finance costs, net		<b>(711)</b>	(351)	<b>(1,185)</b>	(892)
<b>Profit/(loss) before taxation</b>		<b>721</b>	(285)	<b>1,898</b>	1,944
Taxation	5	<b>(126)</b>	(25)	<b>(335)</b>	(509)
<b>Profit/(loss) for the period</b>		<b>595</b>	(310)	<b>1,563</b>	1,435
<b>Attributed to:</b>					
Shareholders of the parent company		<b>600</b>	(305)	<b>1,573</b>	1,445
Minority interests		<b>(5)</b>	(5)	<b>(10)</b>	(10)
<b>Profit/(loss) for the period</b>		<b>595</b>	(310)	<b>1,563</b>	1,435
Earnings per share – Basic (cents)	6	<b>0.15</b>	(0.08)	<b>0.39</b>	0.36

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Notes	(Unaudited) As at 30 June 2005 S\$'000	(Audited) As at 31 December 2004 S\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,919	6,896
Prepaid rental expenses		7,164	8,556
Deposit for acquisition of a land use right		730	693
Non-current receivables	8	1,688	1,663
		<b>16,501</b>	17,808
<b>Current assets</b>			
Inventories		4,153	7,123
Trade receivables	9	21,179	21,245
Bills receivables		379	1,685
Prepayment, deposits and other current assets	10	22,574	15,308
Due from related companies		107	101
Pledged deposits		9,311	9,578
Bank balances and cash		4,377	1,482
Due from directors		631	268
		<b>62,711</b>	56,790
<b>Current liabilities</b>			
Trade payables	11	900	727
Accruals and other payables		4,659	4,022
Bank overdraft		2,976	1,659
Bills payable		30,348	30,339
Secured bank loans, current portion		4,513	4,483
Obligations under finance leases, current portion		918	688
Due to related companies		453	416
Due to directors		439	375
Tax payable		5,157	5,145
		<b>50,363</b>	47,854

**CONDENSED CONSOLIDATED BALANCE SHEET** *(continued)**As at 30 June 2005*

	Notes	(Unaudited) As at 30 June 2005 S\$'000	(Audited) As at 31 December 2004 S\$'000
<b>Net current assets</b>		<b>12,348</b>	8,936
<b>Total assets less current liabilities</b>		<b>28,849</b>	26,744
<b>Non-current liabilities</b>			
Secured bank loans, non-current portion		1,385	1,114
Obligations under finance leases, non-current portion		733	877
Deferred tax		117	115
		<b>2,235</b>	2,106
<b>NET ASSETS</b>		<b>26,614</b>	24,638
<b>CAPITAL AND RESERVES</b>			
Issued capital		9,040	9,040
Reserves		17,160	15,180
<b>Equity attributable to shareholders of the parent company</b>		<b>26,200</b>	24,220
Minority interests		414	418
<b>Total equity</b>		<b>26,614</b>	24,638

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2004 and 2005

	Issued capital S\$'000	Share premium* S\$'000	Capital reserve* S\$'000	Translation reserve* S\$'000	Retained profits* S\$'000	Minority interest S\$'000	Total S\$'000
As at 1 January 2004	9,040	4,006	1,689	(302)	8,880	-	23,313
Minority interests (as previously presented separately from liabilities and equity at 31 December)	-	-	-	-	-	452	452
<b>Net gains not recognised in income statement</b>							
Translation difference	-	-	-	164	-	2	166
Profit/(loss) for the period	-	-	-	-	1,445	(13)	1,432
As at 30 June 2004	9,040	4,006	1,689	(138)	10,325	441	25,363
As at 1 January 2005	9,040	4,006	1,689	(1,136)	10,621	418	24,638
<b>Net gains not recognised in income statement</b>							
Translation difference	-	-	-	407	-	6	413
Profit/(loss) for the period	-	-	-	-	1,573	(10)	1,563
As at 30 June 2005	9,040	4,006	1,689	(729)	12,194	414	26,614

\* These reserve accounts comprise the consolidated reserve of S\$17,160,000 (2004: S\$15,180,000) in the condensed consolidated balance sheet.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	(Unaudited) six months ended 30 June 2005 S\$'000	(Unaudited) six months ended 30 June 2004 S\$'000
Net cash (used in)/generated from operating activities	(198)	636
Net cash generated from investment activities	1,548	481
Net cash (used in) financing activities	(39)	(1,772)
Net increase/(decrease) in cash and cash equivalents	1,311	(655)
Cash and cash equivalents, at beginning of period	9,401	389
Cash and cash equivalents, at end of period	10,712	(266)
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances and cash	4,377	4,540
Pledged bank deposits	9,311	-
Bank overdrafts	(2,976)	(4,806)
	10,712	(266)

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 June 2005*

Notes:

## 1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (“GEM Listing Rules”), the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s Annual Report for the year ended 31 December 2004 except for the new adoption of Hong Kong Financial Reporting Standards (“HKFRSs”) and HKAS as applicable in note 2 below. Due to the new adoption of such HKFRSs and HKASs, certain comparative figures previously reported have been restated to comply with the new requirements.

These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company and were approved by the Board on 10 August 2005.

## 2. Impact of new/revised HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group has, for the first time, adopted the following HKAS issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements.

The adoption of HKAS 1 “Presentation of Financial Statements” has affected the presentation of minority interests, which are shown within equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

## 3. Turnover

The Company is an investment holding company. Its subsidiaries are principally engaged in distribution of motor vehicles; provision of after-sales services and trading of auto parts, provision of management consulting and technical assistance; provision of management consulting and technical expertise to the car rental sub-licensees.

Turnover and revenue recognized by category are as follows:

	(Unaudited)		(Unaudited)	
	three months ended		six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Turnover:</b>				
Sales of motor vehicles	29,326	31,108	44,638	58,899
Servicing of motor vehicles and sales of auto parts	1,947	1,172	3,508	2,329
Technical fee income	1,195	681	2,601	1,878
Management fee income	281	290	559	573
	<b>32,749</b>	<b>33,251</b>	<b>51,306</b>	<b>63,679</b>
<b>Other revenue and gains:</b>				
Rental income	347	149	697	247
Other income and gains	62	49	94	86
	<b>409</b>	<b>198</b>	<b>791</b>	<b>333</b>

### Segment Information

#### Business Segment

The Group is organized with four business segments, namely:

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

Business segment analysis as at and for the six months ended 30 June 2005 is as follows:

	Activity 1	Activity 2	Activity 3	Activity 4	Inter-segment elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Turnover:</b>						
External customers	47,239	3,508	559	–	–	51,306
Inter-segment revenue	245	–	–	1,807	(2,052)	–
Segment turnover	47,484	3,508	559	1,807	(2,052)	51,306
Segment results	677	641	276	1,688	–	3,282
Unallocated expenses						(199)
<b>Profit from operations</b>						3,083
Finance cost, net						(1,185)
Taxation						(335)
<b>Profit for the six months ended 30 June 2005</b>						1,563

Business segment analysis as at and for the six months ended 30 June 2004 is as follows:

	Activity 1	Activity 2	Activity 3	Activity 4	Inter-segment elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Turnover</b>						
External customers	60,777	2,329	573	–	–	63,679
Inter-segment revenue	–	–	–	2,301	(2,301)	–
Segment turnover	60,777	2,329	573	2,301	(2,301)	63,679
Segment results	1,180	(255)	282	1,849	–	3,056
Unallocated expenses						(220)
<b>Profit from operations</b>						2,836
Finance cost, net						(892)
Taxation						(509)
<b>Profit for the six months ended 30 June 2004</b>						1,435

*Geographical Segment*

Turnover by geographic location of external customers is as follows:

	<b>(Unaudited)</b> <b>three months ended</b> <b>30 June</b>		<b>(Unaudited)</b> <b>six months ended</b> <b>30 June</b>	
	<b>2005</b> <b>S\$'000</b>	2004 S\$'000	<b>2005</b> <b>S\$'000</b>	2004 S\$'000
Hong Kong	<b>671</b>	6,266	<b>3,664</b>	11,374
PRC	<b>32,078</b>	26,985	<b>47,642</b>	52,305
	<b>32,749</b>	33,251	<b>51,306</b>	63,679



## 4. Profit before taxation

	(Unaudited) three months ended 30 June		(Unaudited) six months ended 30 June	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
(a) Finance costs, net				
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	687	355	1,142	897
Finance charges on obligations under finances leases	24	15	45	26
	711	370	1,187	923
Interest income	-	(19)	(2)	(31)
	711	351	1,185	892
(b) Staff costs				
Contributions to defined contribution plans	20	21	39	44
Salaries, wages and other benefits	413	412	812	832
	433	433	851	876
(c) Other items				
Depreciation of property, plant and equipment: Assets held for use under operating leases	129	74	283	135
Other assets	167	130	298	251
Gain on disposal of fixed asset	2	-	6	-
Amortisation of prepaid Rental expenses	38	38	76	76

5. Taxation

The charge comprises:

	(Unaudited) three months ended 30 June		(Unaudited) six months ended 30 June	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Current – Hong Kong				
Charge for the period	185	160	280	314
Current – Elsewhere				
((over)/under provision in prior period/current period provision)	(59)	(135)	55	195
	<b>126</b>	25	<b>335</b>	509

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2005 and 2004. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Groups operates, based on existing legislation, interpretations and practices in respect thereof.

The Group has no material unprovided deferred taxation for the period (2004: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2005 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$600,000 (2004: (loss) S\$305,000) and on the 400,000,000 (2004: 400,000,000) ordinary shares in issue during the three months ended 30 June 2005.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 30 June 2005 and 2004 respectively.

The calculation of basic earnings per share for the six months ended 30 June 2005 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$1,573,000 (2004: S\$1,445,000) and on the 400,000,000 (2004: 400,000,000) ordinary shares in issue during the six months ended 30 June 2005.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2005 and 2004 respectively.

## 7. Related party transactions

Particulars of significant connected transactions between the Group and related companies during the three months and six months ended 30 June 2005 and 2004 are as follows:

	(Unaudited) three months ended 30 June		(Unaudited) six months ended 30 June	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Income Continuing				
Rental income from related companies ( <i>note a</i> )	3	6	4	11
Expenses Continuing:				
Rental expenses to related companies ( <i>note b</i> )	28	26	57	53

Notes:

- (a) Rental income from Octavus Properties Pte Ltd. and Eng Kheng (S) Pte Ltd. for sub-lease of office premises in Singapore. As at 30 June 2005, Octavus Properties Pte Ltd. was a 100% owned by Mr. Chan Hing Ka Anthony, a director and shareholder of the Company; Eng Kheng (S) Pte Ltd. was 61% owned by Mr. Chan Hing Ka Anthony and 39% owned by Ms. Chan Xiao Li, sister of Mr. Chan Hing Ka Anthony.
- (b) Rental expenses to Atland Properties Pte Ltd. and Xiamen L&B Property Co., Ltd. for rental of office and showroom premises in Singapore and the PRC respectively. As at 30 June 2005, Atland Properties Pte Ltd. was 99.9% owned by Mr. Chan Xiao Li, sister of Mr. Chan Hing Ka Anthony; Xiamen L&B Property Co., Ltd. was 5% owned by Mr. Loh Kim Her, a shareholder of the Company and 95% owned by his family member.

In the opinion of the Directors, the above related party transactions were carried out in the normal course of business and on normal commercial terms.

8. Non-current receivables

	(Unaudited)	(Audited)
	As at 30 June 2005 S\$'000	As at 31 December 2004 S\$'000
Advances to NAGC Group*	2,809	3,950
Advances to Zhong Bao Group**	15,466	11,690
	18,275	15,640
Portion classified as current asset ( <i>note 10</i> )	(16,587)	(13,977)
Non-current portion	1,688	1,663

\* North Anhua Group Corporation (“NAGC”) and certain of its subsidiaries and related companies (“NAGC Group”)

\*\* Xiamen Zhong Bao Automobiles Co., Limited (“Xiamen Zhong Bao”) and certain of its subsidiaries and related companies (“Zhong Bao Group”)

9. Trade receivables

The credit periods of the Group usually range from 2 to 5 months. The aging analysis of trade receivables is as follows:

	(Unaudited)	(Audited)
	As at 30 June 2005 S\$'000	As at 31 December 2004 S\$'000
0 to 3 months	15,557	12,140
3 to 6 months	3,898	7,657
6 to 12 months	2,308	2,013
	21,763	21,810
Less: Provision for doubtful debts	(584)	(565)
	21,179	21,245

## 10. Prepayments, deposits and other current assets

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2005	2004
	S\$'000	S\$'000
Current portion of non-current receivables (note 8)	16,587	13,977
Current portion of prepaid rental expenses	82	152
Other prepayments, deposits and other current assets	5,905	1,179
	22,574	15,308

## 11. Trade payables

The aging analysis of trade payables is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2005	2004
	S\$'000	S\$'000
0 to 1 months	–	43
1 to 6 months	461	174
6 to 12 months	143	100
1 to 2 years	–	82
Over 2 years	296	328
	900	727

12. Commitments

a. Operating lease commitments

As lessee:

As at 30 June 2005, the Group had total future minimum lease payment under non-cancellable operating leases, which are payable as follows:

	(Unaudited) As at 30 June 2005 S\$'000	(Audited) As at 31 December 2004 S\$'000
Within 1 year	285	226
After 1 year but within 5 years	157	75
After 5 years	4	–
	446	301



b. *Contingent liabilities*

As at 30 June 2005, contingent liabilities not provided for are analysed as follows:

	Notes	The Group		Company	
		(Unaudited) As at 30 June 2005 S\$'000	(Audited) As at 31 December 2004 S\$'000	(Unaudited) As at 30 June 2005 S\$'000	(Audited) As at 31 December 2004 S\$'000
(a) Guarantees provided to Banks in respect of banking facilities granted to the following parties to the extent of:					
(i) NAGC Group	(1)	4,656	4,581	-	-
(ii) Xiamen Zhong Bao	(2)	7,035	6,930	-	-
(iii) Subsidiaries of the Company		-	-	70,228	69,049
		<b>11,691</b>	11,511	<b>70,228</b>	69,049

Notes:

- (1) In addition, the Group's fixed deposits of approximately S\$1,762,000 (2004: S\$1,705,000) are pledged to secure these banking facilities at the balance sheet date.
- (2) In addition, the Group's fixed deposits of approximately S\$1,980,000 (2004: 1,980,000) are pledged to secure these banking facilities at the balance sheet date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

From January 2005 onwards, good news of the scrapping of quotas rouse the demand for passenger vehicles in the PRC. As there are timing differences between placing orders by customers and recognition of revenue in the books, such piece of encouraging news was not reflected until late of the second quarter of the year, leading to a short fall of sales growth in the period. In addition, demand for luxurious European motor vehicles decreases as stagnant price of Euro soars. The automotive industry in the PRC is influenced by turbulent forces of government fiscal policies and austerity measures. Still, our business performs on course despite the overall upsetting atmosphere of the industry with increased number of cars sold and net profit up 8.9%.

Due to uncertainty on upcoming fiscal policies imposed by the PRC government, customers are expecting a further slash in prices for higher priced luxurious motor vehicles and hence purchases are deferred. Relatively lower priced sedans hasten a fairly good growth in sales for the first six months of the year. However, as the compensating effect for loss of sales on luxurious motor vehicle outweighs the increase of number of cars sold, the Group results in a decrease in turnover as compared to the corresponding period of last year.

#### 1. SALES OF MOTOR VEHICLES

Turnover generated from the sales of motor vehicles for the Interim Period was approximately S\$44,638,000, representing a decrease of approximately 24.2% as compared to the corresponding period in 2004. The decrease was mainly due to the reduction in sales of higher-priced motor vehicles. The sales of motor vehicles comprise 87% of the total turnover. As for comparison to the corresponding period last year, there recorded a decrease of approximately 5.5% on the composition of turnover in year 2005.

#### 2. SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS

Turnover generated from servicing of motor vehicles and sales of auto parts for the Interim Period increased by approximately 50.6% to approximately S\$3,508,000. The increase was mainly due to the increase in service capacity following the relocation of service centre in Xiamen.

### 3. TECHNICAL FEE INCOME

Technical fee income for the Interim Period was approximately S\$2,601,000, increased by approximately 38.5% as compared to the corresponding period in 2004 as number of cars sold increased.

### 4. MANAGEMENT FEE INCOME

For the Interim Period, the management fee income was approximately S\$559,000. This represented a slight decrease of approximately 2.4% compared to the corresponding period last year. The decrease was incurred as the annual fee charge was reduced by mutual agreement of the three car rental sub-licensees and the Group.

### 5. CAR RENTAL BUSINESS

The operation of car rental business in Hong Kong has been expanded steadily. In addition to the establishing of extra service location, the Group acquired more cars and employed more staff to provide services of higher quality to the car rental customers. Increased fleet size and diversified marketing strategies sparks an extensive approach to reach out different targeted customer segments thereby increases sales.

## PROSPECTS

Rosy prospect is anticipated for PRC passenger car market, as quota for the automobile industry has been scrapped altogether from January 2005 onwards. The accession of WTO for China marks a watershed for the automotive industry. Leveraging on the advantages of the PRC's adaptation of WTO's commitments together with the appreciation on the RMB currency, the automotive industry is coming to a new era. With the appreciation on RMB currency against other European currencies, the relative cost on imported motor vehicles will decrease which woos future business, though the effect is yet to be seen.

Following the proposal on the implementation of the Policies on Motor Vehicles Trading, Measures Governing Auto Brand Selling and Measures Governing Second-hand Motor Vehicles Trading, it is believed that such adoption of policies would enhance the strategic market position of our company as it eliminates incompetent competitors from the industry.

Increasingly affluent living standard in the PRC has stimulated demand for high-end durable goods like German and European passenger automobiles in particular, which outpace other vehicles categories. Such strong demand is expected to be sustainable in the foreseeable future given the low penetration rate in China. Facing enormous opportunities in the bright future, our company aims to grasp the precious chance on equipping ourselves with readiness on business expansion. Strengthening of relationship with business partners and suppliers can further enhance our competitiveness within the industry. We would engage in our greatest effort to increase our points of services, strengthen business partners' relations, so as to capture adequate market shares. In short, the year 2005 will be a preparation year for our company to pursue in better development opportunities for future expansions.

## **FINANCIAL REVIEW**

### **TURNOVER**

Turnover for the Interim Period dropped by approximately 19.4% to approximately S\$51,306,000 as compared to the corresponding period in 2004. The decrease was mainly attributed by the decrease of sales of higher-priced motor vehicles. For the Interim Period, the sales of motor vehicles decreased by approximately 24.2%, while the turnover generated from servicing of motor vehicles and sales of auto parts and technical fee income recorded increases.

### **GROSS PROFIT**

The gross profit for the Interim Period was approximately S\$5,631,000, a decrease of approximately 10.5% as compared to the corresponding period in 2004. The decrease in gross profit was due to decreased sales for motor vehicles. The gross profit margin for the Interim Period was approximately 11%, up 1.1% of the corresponding period in 2004. The increase in gross profit margin resulted from increase in contribution from technical income and servicing income on the total group turnover.

### **EXCHANGE GAIN**

For the Interim Period, the exchange gain of the Group amounted to approximately S\$2,000, whereas exchange gain amounted to approximately S\$100,000 was recorded for the corresponding period in 2004. The exchange gain was mainly resulted from the translation of accounts receivables, accounts payables and inter-company balances from Euro and US dollars to Singapore dollars and the transactions of imports and exports bill denominated in Euro and US dollars.

## OTHER OPERATING EXPENSES

For the Interim Period, other operating expenses were approximately S\$1,698,000 representing a decrease of approximately 30% as compared to the corresponding period in 2004. The decrease was mainly due to the decrease in operating cost of the car rental business in Hong Kong. The car rental business was steadily expanded both in terms of the size car fleet and service counters.

## PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

The profit attributed to the shareholders of the parent company for the Interim Period amounted to approximately S\$1,573,000 representing an increase of approximately 8.9% compared to the corresponding period in 2004. There recorded a profit attributable to shareholders for the three months ended 30 June 2005 of approximately S\$600,000.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2005, shareholders' fund of the Group amounted to approximately S\$26,614,000 (31 December 2004: S\$24,638,000). Current assets amounted to approximately S\$62,711,000 (31 December 2004: S\$56,790,000). Of which, approximately S\$13,688,000 (31 December 2004: S\$11,060,000) were cash and bank deposits. Current liabilities, amounted to approximately S\$50,363,000 (31 December 2004: S\$47,854,000), were mainly the trade payables, bills payables, bank loans, accruals and other payables, bank overdrafts and obligations under finance leases. The Group had non-current liabilities amounted to approximately S\$2,235,000 (31 December 2004: S\$2,106,000). The net asset value per share as at 30 June 2005 was approximately S\$0.067 (31 December 2004: S\$0.062).

## GEARING RATIO

The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30 June 2005, the gearing ratio of the Group was 0.52. (31 December 2004: 0.52)

## CONTINGENT LIABILITIES

In addition to note 12b as disclosed above, the Group has the principal licensee of the Car Rental Business and 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-licensure agreements to Hertz International Ltd. These car rental sub-licensees are subsidiaries of NAGC.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2005, the Group pledged time deposits of approximately S\$9,311,000 (31 December 2004: S\$9,578,000) and charged plant and machinery of approximately S\$175,000 (31 December 2004: S\$183,000) 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 the Car Rental Business.

As at 30 June 2005, the Group mortgaged the property and land and building with net book value of approximately S\$1,139,000 to a bank to secure a mortgage loan (31 December 2004: S\$1,150,000 to banks to secure mortgage loans).

## **EMPLOYEE INFORMATION**

As at 30 June 2005, the total number of employee of the Group was 102. For the Interim Period, the staff costs including directors’ remuneration of the Group amounted to approximately 1.7% of the turnover of the Group and decrease of approximately S\$25,000 as compared to the corresponding period in 2004. It is the Group’s policy to review its employee’s pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

## **RETIREMENT BENEFITS**

During the Interim Period, the aggregate amount of the employer’s contribution of the Group under Central Provident Fund in Singapore and Mandatory Provident Fund in Hong Kong amounted to approximately S\$39,000 (2004: S\$44,000) in aggregate.

## **CAPITAL STRUCTURE OF THE GROUP IN DEBT SECURITIES**

During the Interim Period and the corresponding period in 2004, the Group has no debt securities in issue.

## **MATERIALS ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the Interim Period and the corresponding period in 2004, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

## MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2005, the Group had no future plans for material investment and purchase of capital assets.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

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

As at 30 June 2005, the interests or short position of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are notified to the Company and the Stock Exchange pursuant to 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, were as follows:

### Long positions in shares

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

## Notes:

1. 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 Tycoons Investment International Limited and Loh & Loh Construction Group Ltd.
2. The 106,432,000 shares are held as to 32,000,000 shares by Big Reap International Limited and as to 74,432,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held Big Reap International Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 30 June 2005, none of the Directors or their associates, has any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.



## INTERESTS AND SHORT POSITION OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the persons or corporations (other than directors or chief executive of the Company) who have interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

### Long positions in shares

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh & Loh Construction Group Ltd.	Beneficial owner ( <i>Note 1</i> )	74,432,000	18.61%
ComfortDelGro Corporation Limited	Interest of a controlled corporation ( <i>Note 2</i> )	61,667,570	15.42%
PHEIM Asset Management (Asia) Pte Ltd.	Investment manager	33,308,000	8.33%
HSBC Trustee (Singapore) Limited	Trustee	20,108,000	5.03%

#### 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 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 ComfortDelGro (China) Pte Ltd., the wholly owned subsidiary of ComfortDelGro Corporation Limited. By virtue of the SFO, ComfortDelGro Corporation Limited is deemed to be interested in the shares held by ComfortDelGro Corporation (China) Pte Ltd.

Save as disclosed above, as at 30 June 2005, 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**

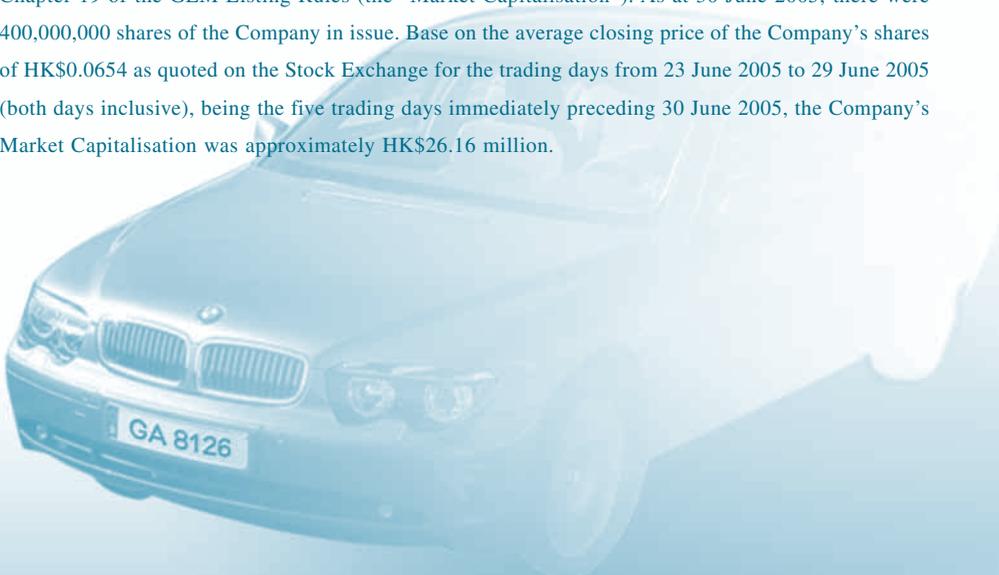
None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

## **SHARE OPTION SCHEME**

During the six months ended 30 June 2005, 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 and 17.17, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Group's five day average market capitalisation as defined in Chapter 19 of the GEM Listing Rules (the "Market Capitalisation"). As at 30 June 2005, there were 400,000,000 shares of the Company in issue. Base on the average closing price of the Company's shares of HK\$0.0654 as quoted on the Stock Exchange for the trading days from 23 June 2005 to 29 June 2005 (both days inclusive), being the five trading days immediately preceding 30 June 2005, the Company's Market Capitalisation was approximately HK\$26.16 million.

A large, semi-transparent image of a BMW car is positioned in the lower half of the page. The car is a dark color, possibly black or dark blue, and is shown from a front-three-quarter view. The license plate area contains the text "GA 8126". The car is overlaid on a light blue background that matches the overall theme of the document.

## TRADE RECEIVABLES, CAR RENTAL ADVANCES, PREPAID RENTAL EXPENSES, OTHER RECEIVABLES, GUARANTEES, ADVANCES TO NAGC GROUP

The total advances, guarantees and trade receivables provided to and due from NAGC Group, increased from a total of approximately S\$43,101,000 (equivalent to approximately HK\$203,306,000) as at 31 March 2005 to a total of approximately S\$45,122,000 (equivalently to approximately HK\$210,850,000) as at 30 June 2005. NAGC Group is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholder of the Company and its subsidiaries or any of their respective associates.

As at 30 June 2005, the total advances, guarantees and trade receivables provided to and due from NAGC Group represented approximately 806% of the Company's Market Capitalisation and represented approximately 57% of the unaudited total asset value of the Group as at 30 June 2005.

The details of the transactions to the NAGC Group, which were of trading nature and remain outstanding as at 30 June 2005, were set out as below:

	(Unaudited)		(Unaudited)	
	As at 30 June 2005		As at 31 March 2005	
	S\$'000	HK\$'000	S\$'000	HK\$'000
Trade receivables	559	2,612	278	1,311
Car rental advances	1,688	7,888	1,672	7,887
Prepaid rental expenses	8,499	39,715	8,518	40,179
Other receivables	64	299	64	302
Guarantees to NAGC Group	4,656	21,757	4,620	21,792
Advances to NAGC	2,329	10,883	2,306	10,877
Advances to Xiamen Zhong Bao	20,292	94,822	18,678	88,104
Guarantees to Xiamen Zhong Bao	7,035	32,874	6,965	32,854
	<b>45,122</b>	<b>210,850</b>	<b>43,101</b>	<b>203,306</b>

## **TRADE RECEIVABLES DUE FROM THE NAGC GROUP**

The trade receivables due from the NAGC Group as at 30 June 2005 amounted to approximately S\$559,000 (equivalently to approximately HK\$2,612,000) (as at 31 March 2005: S\$278,000; equivalent to approximately HK\$1,311,000). The amount represented the technical fee income arising from the provision of management consulting and technical assistance to the three car rental sub-licensees.

## **CAR RENTAL ADVANCES DUE FROM NAGC**

As at 30 June 2005, approximately S\$1,688,000 (equivalent to approximately HK\$7,888,000) (as at 31 March 2005: S\$1,672,000; equivalent to approximately HK\$7,887,000) were advanced as the financial assistance through a subsidiary of the Company, China National Auto Anhua (Tianjin) International Trade Co., Ltd. (“CNA Anhua (Tianjin)”), to the Three Sub-licensees for car rental operation. The Three Sub-licensees are not affiliated companies of the Group as defined in the GEM Listing Rules. Pursuant to the disclosure requirements of Rule 17.18 of the GEM Listing Rules, these advances were unsecured, interest free and repayable in cash by March 2006.

## **PREPAID RENTAL EXPENSES DUE FROM NAGC**

As at 30 June 2005, prepaid rental expenses amounted to approximately S\$8,499,000 (equivalent to approximately HK\$39,715,000) (as at 31 March 2005: S\$8,518,000; equivalent to approximately HK\$40,179,000). The details of the nature of the transactions as already reported in the directors report in the annual report for the year ended 31 December 2004.

## **OTHER RECEIVABLES DUE FROM THE NAGC GROUP**

The other receivables due from the NAGC Group as at 30 June 2005 amount to S\$64,000 (equivalent to approximately HK\$299,000) (as at 31 March 2005: S\$64,000; equivalent to approximately HK\$302,000) represented the payment made on behalf of CNA Anhua (Hertz) for purchasing of auto parts in Hong Kong and the PRC.

## GUARANTEES TO NAGC GROUP

As at 30 June 2005, guarantees of the amount of approximately S\$4,656,000 (equivalent to approximately HK\$21,757,000) (as at 31 March 2005: S\$4,620,000, equivalent to approximately HK\$21,792,000) have been provided to a bank in respect of banking facilities granted to Beijing China Automotive Anhua Spare Parts Ltd. (“BCNA”) (a company which is owned as to 45% by CNA Anhua (Hertz), a wholly owned subsidiary of NAGC) to provide financial assistance to the Three Sub-licensees in the form of bank guarantees to operate the car rental business in their designated regions in the PRC.

## ADVANCES TO THE NAGC GROUP

Approximately S\$2,329,000 (equivalent to approximately HK\$10,883,000) (as at 31 March 2005: S\$2,306,000; equivalent to approximately HK\$10,877,000) were advanced to NAGC Group. The advances were unsecured, interest free and repayable in or before November 2005.

## ADVANCES TO XIAMEN ZHONG BAO

As at 30 June 2005, advances of approximately S\$20,292,000 (equivalent to approximately HK\$94,822,000) (as at 31 March 2005: S\$18,678,000; equivalent to approximately HK\$88,104,000) were advanced to Xiamen Zhong Bao. Among the total advances, approximately S\$13,992,000 (equivalent to approximately HK\$65,383,000) were made for the marketing activities of the PRC manufactured BMW motor vehicles in October 2003 in accordance with a co-operation agreement entered between Xiamen Zhong Bao and the Group on 7 October 2003. The remaining balance of S\$6,300,000 (equivalent to approximately HK\$29,439,000) were the technical fee income derived from the provision of management consulting and technical assistance to Xiamen Zhong Bao in relation to their sales of the PRC manufactured BMW motor vehicles. The amounts due from Xiamen Zhong Bao were unsecured, interest free and repayable in or before November 2005.

## GUARANTEES TO XIAMEN ZHONG BAO

Guarantees in the amount of approximately S\$7,035,000 (equivalent to approximately HK\$32,874,000) (as at 31 March 2005: S\$6,965,000; equivalent to approximately HK\$32,854,000) were provided to a bank in respect of banking facilities granted to Xiamen Zhong Bao. The guarantees were for the bank facilities granted for the use in car trade business of Xiamen Zhong Bao.

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

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

- on 3 June 2005, the Termination Agreement was entered into among Xiamen BMW, Fuzhou BMW, Jin Tian Cheng and North Anhua terminating the Fuzhou Service Centre Co-operation Project;
- the prepayment in the amount of RMB6,650,000, being the amount paid by the Group to Jin Tian Cheng to finance the construction of the Fuzhou Showroom Co-operation Project was repaid to the Group on 3 June 2005;
- on 11 July 2005, the Company executed the Deed of Release in favour of the Indemnifiers and the Guarantor releasing the Indemnifiers and the Guarantors from their respective obligations under the Deed of Indemnity and Guarantee (as supplemented by the Deed of Confirmation); and
- the Securities comprising 77,148,000 Shares, one share in each of Tycoons Investment and Affluence Investment and 2.2 million shares in the share capital of the Guarantor and cash in the amount of HK\$10,370,524.26 (being the amount of HK\$10,000,000 together with interest accrued thereon) were released to the Indemnifiers and the Guarantor on 11 July 2005 by the escrow agent.

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

As at 30 June 2005, each of the following trade receivables from customers of the Group exceeds 8% of the Company's Market Capitalisation.

All the following companies are independent of any of the Directors, the chief executives of the Group, the management shareholders and the substantial shareholders (within the meaning of the GEM Listing Rules). As advised by the Directors, the following companies are not subsidiaries, or substantial shareholders of the NAGC Group or its associates (as defined in the GEM Listing Rules). The Directors considered such receivables as an ordinary course of the Group's business and on normal commercial terms. The amounts were unsecured and interest free.

	(Unaudited)		% of Total Market Capitalisation
	As at 30 June 2005		
	S\$'000	HK\$'000	
Beijing Hui Long Xin Trading Co. Ltd.	572	2,673	10.2%
Tianjin Chi Meng International Trade Co. Ltd.	1,828	8,542	32.6%
Xiamen C & D Inc.	899	4,201	16.1%
Xiamen Xin Cheng Gung Auto Co. Ltd.	1,424	6,654	25.4%
Forever Fortune Trading Co. Ltd.	680	3,178	12.2%
Xiamen Feng Chi Automobiles Trading Co. Ltd.	501	2,341	9%
Fuzhou Zhong Bao Trading Co. Ltd.	1,307	6,107	23.3%
Total	<u>7,211</u>	<u>33,696</u>	

As at 30 June 2005, the trade receivables due from Beijing Hui Long Xin Trading Co. Led. (“Beijing hui Long Xin”), amounted to approximately S\$572,000 (equivalent to approximately HK\$2,673,000). The receivables represented the outstanding balances from sales of motor vehicles in the PRC to Beijing Hui Long Xin and were repayable by the end of September 2005. The trade receivables due from Beijing Hui Long Xin were approximately 10.2% of the Group’s Market Capitalisation.

As at 30 June 2005, the trade receivables due from Tianjin Chi Meng International Trade Co. Ltd., (“Tianjin Chi Meng”), amounted to approximately S\$1,828,000 (equivalent to approximately HK\$8,542,000). The receivables represented the outstanding balances from sales of motor vehicles and were repayable by the end of September 2005. The trade receivables due from Tianjin Chi Meng were approximately 32.6% of the Group’s Market Capitalisation.

As at 30 June 2005, the trade receivables due from Xiamen C & D Inc., (“Xiamen C & D”), amounted to approximately S\$899,000 (equivalent to approximately HK\$4,201,000). The receivables represented the outstanding balances from sales of motor vehicles and were repayable by the end of September 2005. The trade receivables due from Xiamen C & D were approximately 16.1% of the Group’s Market Capitalisation.

As at 30 June 2005, the trade receivables due from Xiamen Xin Cheng Gung Auto Co. Ltd., (“Xiamen Xin Cheng Gung”), amounted to approximately S\$1,424,000 (equivalent to approximately HK\$6,654,000). The receivables represented the outstanding balances from sales of motor vehicles and were repayable by the end of September 2005. The trade receivables due from Xiamen Xin Cheng Gung were approximately 25.4% of the Group’s Market Capitalisation.

As at 30 June 2005, the trade receivables due from Forever Fortune Trading Co., (“Forever Fortune”), amounted to approximately S\$680,000 (equivalent to approximately HK\$3,178,000). The receivables were incurred as a result of sales of motor vehicles in the PRC to Forever Fortune and were repayable by the end of November 2005. The trade receivables due from Forever Fortune were approximately 12.2% of the Group’s Market Capitalisation.

As at 30 June 2005, the trade receivables due from Xiamen Feng Chi Automobiles Trading Co. Ltd., (“Xiamen Feng Chi”), amounted to approximately S\$501,000 (equivalent to approximately HK\$2,341,000). The receivables represented the outstanding balances from sales of motor vehicles in the PRC to Xiamen Feng Chi and were repayable by the end of October 2005. The trade receivables due from Xiamen Feng Chi were approximately 9% of the Group’s Market Capitalisation.

As at 30 June 2005, the trade receivables due from Fuzhou Zhong Bao Trading Co. Ltd., (“Fuzhou Zhong Bao”), amounted to approximately S\$1,307,000 (equivalent to approximately HK\$6,107,000). The receivables represented the outstanding balances from sales of motor vehicles in the PRC to Fuzhou Zhong Bao and were repayable by the end of October 2005. The trade receivables due from Fuzhou Zhong Bao were approximately 23.3% of the Group’s Market Capitalisation.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

## **CORPORATE GOVERNANCE**

The Company has been looking for several candidates to be the members of Remuneration Committee and Nomination Committee but now has not been identified yet. The Board will identify and confirm the most suitable candidate and will ensure that such appointment will be completed within few months. Save as disclosed above, the Board considers that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules on 5 June 2002. The audit committee comprises three independent non-executive Directors, namely Mr. Yin Bin, Mr. Zhang Lei and Mr. Lee Kwok Yung. 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 the interim results and provided comments.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

## **DIRECTORS OF THE COMPANY**

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  
**G.A. Holdings Limited**  
**Chan Hing Ka Anthony**  
*Chairman and Managing Director*

Hong Kong, 10 August 2005