

**ANDERSEN**

安達信

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Hong Kong

10th June, 2002

The Directors  
G. A. Holdings Limited  
JS Cresvale International Limited  
Celestial Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to G. A. Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the two years ended 31st December, 2000 and 2001 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 10th June, 2002 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 5th July, 2001 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company has not carried on any business since its incorporation, except that on 5th June, 2002 it acquired the entire issued share capital of German Automobiles Pte Ltd. and German Automobiles Limited as described in the Corporate reorganisation in appendix IV and consequently became the holding company of the Group.

As at the date of this report, no audited financial statements have been prepared by the Company as it was not subject to any statutory audit requirements in its jurisdiction of incorporation. We have, however, reviewed all relevant transactions of the Company from the date of incorporation to 31st December, 2001, and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Company in this report.

We have acted as auditors of German Automobiles Pte Ltd. and German Automobiles Limited for the financial years ended 31st December, 2000 and 2001. Prior to 2000, German Automobiles Pte Ltd. and German Automobiles Limited used to adopt 30th September as their financial year end date. In 2000, German Automobiles Pte Ltd. and German Automobiles Limited changed their financial year end date from 30th September to 31st December in order to be co-terminous with that of the other companies within the Group, which are registered and operating in the People's Republic of China ("PRC"). Accordingly, the statutory financial statements

of German Automobiles Pte Ltd. and German Automobiles Limited covered a fifteen-month period from 1st October, 1999 to 31st December, 2000. The statutory financial statements of German Automobiles Pte Ltd. and German Automobiles Limited for the two financial years were prepared in accordance with the applicable accounting standards and relevant financial regulations in Singapore and Hong Kong, respectively.

We were first appointed as auditors of China Automobile Asia Pte Ltd. for the financial year ended 31st December, 2001, upon the retirement of Foo, Kon & Tan (now known as Foo Kon Tan Grant Thornton), Certified Public Accountants in Singapore, who were the auditors for the year ended 31st December, 2000.

Auditors of the companies now comprising the Group (other than German Automobiles Pte Ltd., German Automobiles Limited and China Automobile Asia Pte Ltd.) during the Relevant Periods are summarised as follows:

<b>Name</b>	<b>Financial period</b>	<b>Auditors</b>
Xiamen BMW Automobiles Service Co., Ltd.	Years ended 31st December, 2000 and 2001	Xiamen Dong You Certified Public Accountants Certified Public Accountants in the PRC
Xiamen Xiangyu Jinbow International Trading Co., Ltd.	Period from 1st January, 2000 to 30th June, 2000 (date of disposal)	Xiamen Zhong Lian Xin Public Accountants Certified Public Accountants in the PRC
China National Auto Anhua (Tianjin) International Trade Co., Ltd.	Years ended 31st December, 2000 and 2001	Tianjin GuangXin Certified Public Accountants Certified Public Accountants in the PRC

For the purpose of this report, we have undertaken an independent audit, in accordance with the Auditing Standards issued by the Hong Kong Society of Accountants ("HKSA"), of the financial statements of China Automobile Asia Pte Ltd., Xiamen BMW Automobiles Service Co., Ltd., Xiamen Xiangyu Jinbow International Trading Co., Ltd. and China National Auto Anhua (Tianjin) International Trade Co., Ltd. for the Relevant Periods or from their dates of effective acquisition by the Group to 31st December, 2001 or date of effective disposal, where this is a shorter period, for the incorporation of the financial statements of these companies into the combined financial statements of the Group. In addition, we have undertaken an independent audit of the combined financial statements of the companies now comprising the Group, prepared in accordance with accounting principles generally accepted in Hong Kong, for the Relevant Periods.

We have examined the relevant audited financial statements or, where appropriate, unaudited management accounts of all companies now comprising the Group for the Relevant Periods or from their dates of effective acquisition by the Group to 31st December, 2001 or date of effective disposal, where this is a shorter period. Our examinations were made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKSA.

The combined income statements, combined statements of recognised gains and losses and combined cash flow statements of the Group for the Relevant Periods and the combined balance sheets of the Group as at 31st December, 2000 and 2001 set out in this report have been prepared from the combined management accounts of the companies now comprising the Group and are presented on the basis described in Note 1 to the combined financial statements set out in Section I below for the purpose of preparing our report for inclusion in the Prospectus.

The directors of the respective companies now comprising the Group are responsible for preparing financial statements of the respective companies which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are also responsible for the combined financial statements of the Group as at and for the years ended 31st December, 2000 and 2001. It is our responsibility to form an independent opinion on the combined financial statements of the Group.

In our opinion, the combined financial statements of the Group, for the purpose of this report, give a true and fair view of the combined results and cash flows of the Group for each of the years ended 31st December, 2000 and 2001 and of the combined financial position of the Group as at 31st December, 2000 and 2001.

**I. COMBINED FINANCIAL STATEMENTS**

The following are the combined financial statements of the Group as at and for the years ended 31st December, 2000 and 2001, prepared on the basis set out in Note 1 below.

**Combined income statements**

	<i>Note</i>	<b>Years ended 31st December,</b>			
		<b>2000</b>		<b>2001</b>	
		<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
			<i>Note 2(l)</i>		<i>Note 2(l)</i>
Turnover	<b>3, 4</b>	27,782	124,975	58,117	253,784
Cost of sales	<b>3</b>	(19,138)	(86,090)	(47,820)	(208,821)
Gross profit		8,644	38,885	10,297	44,963
Other revenues	<b>3, 5</b>	190	855	90	393
Staff costs		(1,152)	(5,182)	(1,440)	(6,288)
Depreciation expenses		(171)	(768)	(170)	(743)
Minimum lease payments for operating leases	<b>3</b>	(252)	(1,134)	(453)	(1,978)
Exchange gain, net		912	4,103	494	2,157
Other operating expenses		(3,236)	(14,558)	(1,943)	(8,484)
Profit from operations		4,935	22,201	6,875	30,020
Share of profits of a joint venture		295	1,327	—	—
Finance costs, net	<b>6</b>	(2,107)	(9,478)	(2,053)	(8,965)
Profit before taxation	<b>7</b>	3,123	14,050	4,822	21,055
Taxation	<b>10</b>	(1,968)	(8,853)	(2,056)	(8,976)
Profit after taxation but before minority interests		1,155	5,197	2,766	12,079
Minority interests		(90)	(405)	11	48
Profit attributable to shareholders		<u>1,065</u>	<u>4,792</u>	<u>2,777</u>	<u>12,127</u>
Dividends	<b>11</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings per share (cents)	<b>12</b>	<u>0.35</u>	<u>1.56</u>	<u>0.87</u>	<u>3.79</u>

**Combined statements of recognised gains and losses**

	<b>Years ended 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
		<i>Note 2(l)</i>		<i>Note 2(l)</i>
(Losses) Gains from translation of the financial statements of foreign entities not recognised in the combined income statements	(144)	(656)	165	731
Net profit for the year	<u>1,065</u>	<u>4,792</u>	<u>2,777</u>	<u>12,127</u>
Total recognised gains	<u><u>921</u></u>	<u><u>4,136</u></u>	<u><u>2,942</u></u>	<u><u>12,858</u></u>

# APPENDIX I

# ACCOUNTANTS' REPORT

## Combined balance sheets

		As at 31st December,			
		2000		2001	
	Note	S\$'000	HK\$'000	S\$'000	HK\$'000
			Note 2(l)		Note 2(l)
<b>Non-current assets</b>					
Fixed assets	13	4,999	22,488	5,087	22,213
Prepaid rental expenses	14	7,640	34,367	9,099	39,735
<b>Current assets</b>					
Inventories	15	2,681	12,060	4,424	19,319
Accounts receivable, net	16	10,712	48,187	15,269	66,677
Prepayments, deposits and other current assets	14, 17	5,876	26,433	7,381	32,231
Due from related companies	18	266	1,197	35	153
Cash and bank deposits	19	4,180	18,803	8,539	37,288
<b>Total current assets</b>		<u>23,715</u>	<u>106,680</u>	<u>35,648</u>	<u>155,668</u>
<b>Current liabilities</b>					
Accounts payable	20	(1,892)	(8,511)	(1,778)	(7,764)
Accruals and other payables	10	(2,079)	(9,352)	(1,865)	(8,144)
Bills payable to banks	21	(8,309)	(37,377)	(19,693)	(85,996)
Due to related companies	22	(513)	(2,308)	(421)	(1,839)
Due to directors	22	(185)	(832)	(203)	(886)
Bank loans – current portion	21	(91)	(409)	(6,053)	(26,432)
Taxation	10	(2,134)	(9,600)	(3,134)	(13,686)
Dividends payable		(86)	(387)	(86)	(376)
Bank overdrafts	21	(11,156)	(50,184)	(1,804)	(7,878)
<b>Total current liabilities</b>		<u>(26,445)</u>	<u>(118,960)</u>	<u>(35,037)</u>	<u>(153,001)</u>
<b>Net current (liabilities) assets</b>		<u>(2,730)</u>	<u>(12,280)</u>	<u>611</u>	<u>2,667</u>
<b>Total assets less current liabilities</b>					
		<u>9,909</u>	<u>44,575</u>	<u>14,797</u>	<u>64,615</u>
<b>Non-current liabilities</b>					
Bank loans – non-current portion	21	(646)	(2,906)	(2,355)	(10,284)
Deferred taxation	10	—	—	(210)	(917)
Minority interests		(514)	(2,312)	(541)	(2,362)
<b>Net assets</b>		<u>8,749</u>	<u>39,357</u>	<u>11,691</u>	<u>51,052</u>
<b>Capital and reserves</b>					
Share capital	23	7,877	35,434	7,877	34,397
Share premium	23	1,044	4,696	1,044	4,559
Reserves	24	(172)	(773)	2,770	12,096
		<u>8,749</u>	<u>39,357</u>	<u>11,691</u>	<u>51,052</u>

**Combined cash flow statements**

	<i>Note</i>	<b>Years ended 31st December,</b>			
		<b>2000</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>
		<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
			<i>Note 2(l)</i>		<i>Note 2(l)</i>
Net cash inflow from operating activities	<b>25(a)</b>	2,332	10,487	9,021	39,391
Returns on investments and servicing of finance					
Interest received		145	652	203	887
Interest paid		(2,252)	(10,130)	(2,256)	(9,852)
Net cash outflow from returns on investments and servicing of finance		(2,107)	(9,478)	(2,053)	(8,965)
Taxation					
Overseas tax paid		(36)	(161)	(51)	(222)
Hong Kong profits tax paid		(35)	(157)	—	—
Withholding tax paid		(895)	(4,027)	(795)	(3,470)
Net cash outflow from taxation		(966)	(4,345)	(846)	(3,692)
Investing activities					
Proceeds from disposal of fixed assets		151	679	—	—
Proceeds from disposal of a joint venture		2,022	9,096	—	—
Purchase of fixed assets		(152)	(683)	(82)	(358)
Decrease (Increase) in fixed deposits pledged		1,705	7,670	(1,600)	(6,988)
Net cash inflow (outflow) from investing activities		3,726	16,762	(1,682)	(7,346)
Net cash inflow before financing		2,985	13,426	4,440	19,388
Financing activities					
Increase in share capital	<b>25(c)</b>	1,500	6,748	—	—
(Decrease) Increase in bank loans, net	<b>25(c)</b>	(12,503)	(56,244)	7,671	33,498
Repayment of finance lease liabilities	<b>25(c)</b>	(96)	(432)	—	—
Net cash (outflow) inflow from financing activities		(11,099)	(49,928)	7,671	33,498
(Decrease) Increase in cash and cash equivalents		(8,114)	(36,502)	12,111	52,886
Cash and cash equivalents, beginning of year		(2,538)	(11,415)	(10,652)	(46,515)
Cash and cash equivalents, end of year	<b>25(d)</b>	<u>(10,652)</u>	<u>(47,917)</u>	<u>1,459</u>	<u>6,371</u>

**NOTES TO THE FINANCIAL STATEMENTS**
**1. BASIS OF PRESENTATION**

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries (all of which are private companies or, if incorporated or established outside Hong Kong, having substantially the same characteristics as a Hong Kong private company):

<b>Name of subsidiary</b>	<b>Place and date of incorporation/ registration</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Principal activities</b>
German Automobiles Pte Ltd.	Singapore 26th August, 1993	S\$7,876,996	100%	Wholesale of motor vehicles
German Automobiles Limited	Hong Kong 3rd October, 1997	HK\$20,000	100%	Sales liaison and trading of spare parts for motor vehicles
Xiamen BMW Automobiles Service Co., Ltd.	The PRC 8th January, 1994	Registered and paid-in capital of US\$3,000,000	100%	Provision of repair and maintenance services for high-end automobiles
China Automobile Asia Pte Ltd.	Singapore 8th March, 1996	S\$2	100%	Investment holding (Currently dormant)
China National Auto Anhua (Tianjin) International Trade Co., Ltd.	The PRC 1st April, 1999	Registered and paid-in capital of US\$1,000,000	70%	Engaged in car related business

The combined results and cash flows include the results of the companies now comprising the Group, as if the current structure of the Group had been in existence throughout the years covered by this report or since their respective dates of acquisitions by the Group, where this is a shorter period. The combined balance sheets of the Group as at 31st December, 2000 and 2001 have been prepared to present the combined financial position of the companies now comprising the Group as at that date as if the current group structure had been in existence as at 31st December, 2000 and 2001.

Significant transactions and balances between companies now comprising the Group have been eliminated on combination.



**2. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report are as follows:

**a. Basis of accounting**

The combined financial statements have been prepared under the historical cost convention and in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

**b. Turnover and revenue recognition**

Turnover represents the net invoiced value of merchandise sold and technical services rendered after allowances for returns and discounts.

Revenue is recognised provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Income from sale of goods is recognised upon delivery of goods and acceptance by customers, and income from services is recognised upon the rendering of services.

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. The aggregate cost of incentives on operating leases is recognised as a reduction of rental income over the lease term on a straight-line basis.

**c. Subsidiaries**

A subsidiary is a company in which the Group governs and controls its financial and operating policies and its board of directors.

**d. Joint venture**

A joint venture is a contractual arrangement where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

In the combined financial statements, the Group's interests in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the jointly controlled entity. The Group's share of post-acquisition results of the jointly controlled entity is included in the combined income statements.

**e. Taxation**

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method, at the current tax rate, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future.

A deferred tax asset is not recognised unless the related benefits are expected to crystallise in the foreseeable future.

**f. Employee retirement benefits**

The costs of employee retirement benefits are recognised as an expense in the period in which they are incurred.

**g. Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**h. Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Major expenditures on modification and betterments of fixed assets which will result in future economic benefits are capitalised while expenditures on maintenance and repairs of fixed assets are expensed when incurred. Depreciation is provided on the straight-line basis to write off the cost less estimated residual value of each asset over its expected useful life. The annual rates of depreciation are as follows:

Leasehold land and buildings	1.5% (over the remaining period of lease term)
Plant and machinery	10% to 33.3%
Motor vehicles	20% to 33.3%
Furniture and equipment	10% to 33.3%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the combined income statements. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the combined income statements.

When assets are sold or retired, their cost and accumulated depreciation and accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in the combined income statements.

**i. Inventories**

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

Inventories comprise fully-assembled motor vehicles and auto parts. Cost of fully-assembled motor vehicles is determined on a specific identification basis while the cost of auto parts is determined on the first-in, first-out cost formula. It comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated normal selling prices, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**j. Provisions and contingencies**

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the combined financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the combined financial statements but disclosed when an inflow of economic benefits is probable.

**k. Leases****(i) Finance leases**

Finance leases are leases under which substantially all the risks and rewards of ownership of the leased assets are transferred to the Group. Title may or may not eventually be transferred.

The Group recognises finance leases as assets and liabilities in the combined balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it can be determined. Otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

**(ii) Operating leases**

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors.

Lease payments under operating leases are charged to the combined income statements on a straight-line basis over the lease term. The aggregate benefit of incentives on operating leases is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**l. Foreign currencies**

The books and records of the companies in the Group are maintained in their respective measurement currencies. Transactions in foreign currencies during the year are translated into the respective measurement currencies at exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective measurement currencies at rates of exchange in effect at the balance sheet date. Exchange differences are dealt with in the combined income statements.

On combination, all monetary assets and liabilities of subsidiaries with measurement currencies other than Singapore dollars are translated into Singapore dollars at the applicable rates of exchange in effect at the balance sheet date. Share capital and reserves are translated at historical exchange rates. All of the income and expense items of subsidiaries with measurement currencies other than Singapore dollars are translated into Singapore dollars at the average applicable exchange rates during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation reserve.

Translation of amounts from Singapore dollars (S\$) into Hong Kong dollars (HK\$) is for the convenience of readers and has been made at the rates of exchange in effect at 31st December, 2000 of S\$22.23 = HK\$100 and 31st December, 2001 of S\$22.90 = HK\$100. No representation is made that the S\$ amounts could have been, or could be, converted into HK\$ at such rates or at any other rate. Such translation does not conform to accounting principles generally accepted in Hong Kong.

**m. Segments**

Business segments: For management purposes, the Group is organised on a world-wide basis into three major operating businesses. The divisions are the basis upon which the Group reports its primary segment information.

Intersegment transactions: Segment revenue, segment expenses and segment performance include transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated on combination.

**n. Subsequent events**

Post-year-end events that provide additional information about a company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

**3. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Particulars of significant transactions between the companies now comprising the Group and related companies during the years covered by this report are summarised below:

	<i>Note</i>	<b>Years ended 31st December,</b>			
		<b>2000</b>		<b>2001</b>	
		<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
<b>Income</b>					
<b>Continuing –</b>					
Sales to a related company	<b>(a)</b>	26	117	—	—
Rental income from related companies	<b>(b)</b>	21	94	21	92
<b>Expenses</b>					
<b>Continuing –</b>					
Rental expenses to related companies	<b>(c)</b>	<u>170</u>	<u>765</u>	<u>173</u>	<u>755</u>

- (a) Sale of auto parts to China National Automotive Anhua Service Centre Co., Ltd. which is related by virtue of Mr. Loh Nee Peng, a common director.

Sales of auto parts to China National Automotive Anhua Service Centre Co., Ltd were made at cost. Had the sales been made at the average gross margins of about 20%, the Group would have earned an additional profit after tax of approximately S\$4,000 (HK\$18,000) during the year ended 31st December, 2000. There were no transactions during the year ended 31st December, 2001.

- (b) Rental income from Octavus Properties Pte Ltd and Eng Kheng (S) Pte Ltd for sub-lease of office premises in Singapore. Octavus Properties Pte Ltd is 99.9% owned by Ms. Chan Xiao Li, sister of Mr. Anthony Chan Hing Ka, a director and shareholder of the Company. Eng Kheng (S) Pte Ltd is 61% owned by Mr. Anthony Chan Hing Ka, a director and shareholder of the Company; and 39% owned by Ms. Chan Xiao Li, sister of Mr. Anthony Chan Hing Ka.

Subsequent to 31st December, 2001, Ms. Chan Xiao Li transferred her 99.9% interest in Octavus Properties Pte Ltd to her brother Mr. Anthony Chan Hing Ka.

DTZ Debenham Tie Leung Limited has given their opinion in a letter dated 27th November, 2001 that the rental was charged at rates which approximate market rates.

- (c) Being rental expenses to Atland Properties Pte Ltd and Xiamen L&B Property Co., Ltd for rental of office and showroom premises in Singapore and Xiamen, the PRC, respectively. Atland Properties Pte Ltd is 99.9% owned by Ms. Chan Xiao Li, sister of Mr. Anthony Chan Hing Ka, a director and shareholder of the Company. Xiamen L&B Property Co., Ltd is beneficially held as to 5% by Mr. Loh Kim Her and 95% by his family members.

DTZ Debenham Tie Leung Limited has given their opinion in a letter dated 27th November, 2001 that the rental was charged at rates which approximate market rates.

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business of the Group and on normal commercial terms except for the sales of auto parts to China National Automotive Anhua Service Centre Co., Ltd. as mentioned above. Certain of the Group's banking facilities were guaranteed by certain related parties as disclosed in Note 21 to the combined financial statements.

**4. TURNOVER**

Turnover represents sales of goods and services in the normal course of business. Analysis of turnover is as follows:

	<b>Years ended 31st December,</b>		<b>2001</b>	
	<b>2000</b>			
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Sales of motor vehicles	19,342	87,009	50,102	218,786
Servicing of motor vehicles and sales of auto parts	2,283	10,270	3,340	14,585
Technical fee income	6,157	27,696	4,675	20,413
	<u>27,782</u>	<u>124,975</u>	<u>58,117</u>	<u>253,784</u>

**5. OTHER REVENUES**

Analysis of other revenues is as follows:

	<b>Years ended 31st December,</b>		<b>2001</b>	
	<b>2000</b>			
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Gain on disposal of fixed assets	86	387	—	—
Rental income	21	94	82	358
Insurance claims	43	193	6	26
Others	40	181	2	9
	<u>190</u>	<u>855</u>	<u>90</u>	<u>393</u>

**6. FINANCE COSTS, NET**

	<b>Years ended 31st December,</b>		<b>2001</b>	
	<b>2000</b>			
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Interest expenses				
– Bank loans	534	2,402	342	1,493
– Overdrafts	792	3,563	662	2,891
– Bills payable	474	2,132	561	2,450
– Finance leases	8	36	—	—
– Late payment charges	205	922	81	354
– Letters of credit and trust receipts charges	239	1,075	610	2,664
	<u>2,252</u>	<u>10,130</u>	<u>2,256</u>	<u>9,852</u>
Interest income				
– Fixed deposits	(139)	(625)	(194)	(847)
– Bank balances	(6)	(27)	(9)	(40)
	<u>(145)</u>	<u>(652)</u>	<u>(203)</u>	<u>(887)</u>
	<u>2,107</u>	<u>9,478</u>	<u>2,053</u>	<u>8,965</u>

**7. PROFIT BEFORE TAXATION**

Profit before taxation is stated after charging (crediting) the following:

	<b>Years ended 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Charging (crediting):				
Auditors' remuneration				
Audit fee	41	184	103	450
Non-audit fee <sup>(a)</sup>	130	585	—	—
Bad debts written off	105	472	—	—
Fixed assets written off	65	292	66	288
Depreciation of fixed assets	171	768	170	743
Exchange gain, net	(912)	(4,103)	(494)	(2,157)
Loss on disposal of a joint venture <sup>(b)</sup>	646	2,906	—	—
Loss on disposal of a subsidiary <sup>(c)</sup>	195	877	—	—
Gain on disposal of fixed assets	(86)	(387)	—	—
Provision for doubtful trade debts	458	2,060	84	369
Provision for doubtful non-trade debts	78	351	15	67
Provision for inventory obsolescence	56	252	—	—
Minimum lease payments for				
operating leases	252	1,134	453	1,978
Staff costs including directors' emoluments	1,152	5,182	1,440	6,288
Write-back of provision for inventory				
obsolescence	—	—	(162)	(707)
Write-back of inventories previously				
written down to net realisable value	—	—	(35)	(154)
Write-back of provision for				
doubtful trade debts	(1)	(4)	(200)	(873)
Write-down of inventories to				
net realisable value	<u>35</u>	<u>157</u>	<u>—</u>	<u>—</u>

(a) Non-audit expenses in relation to the potential initial public offering opportunity in Singapore that the Group explored in the year ended 31st December, 2000.

(b) Relates to the loss on disposal of a 55% joint venture company, Beijing China National Automotive Anhua Spare Parts Ltd.

(c) Relates to the loss on disposal of a 80% subsidiary, Xiamen Xiangyu Jinbow International Trading Co., Ltd.



**8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS**

- (a) During the Relevant Periods, the Company did not pay any emoluments to the directors of the Company.
- (b) Details of emoluments paid to the executive directors of the Company by the companies now comprising the Group were as follows:

	<b>Years ended 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Fees	—	—	—	—
Other emoluments				
– Salaries	180	810	144	629
– Bonus	27	122	30	131
– Allowances	—	—	—	—
– Pension fund	23	103	28	122
– Benefits in kind	—	—	—	—
	<u>230</u>	<u>1,035</u>	<u>202</u>	<u>882</u>

Executive director A received emoluments of approximately S\$90,000 (HK\$405,000) and S\$101,000 (HK\$441,000) for the years ended 31st December, 2000 and 2001, respectively. Executive director B received emoluments of approximately S\$90,000 (HK\$405,000) and S\$101,000 (HK\$441,000) for the years ended 31st December, 2000 and 2001, respectively. Executive director C received emoluments of approximately S\$50,000 (HK\$225,000) and S\$Nil (HK\$Nil) for the years ended 31st December, 2000 and 2001, respectively.

No directors waived any emoluments during the years ended 31st December, 2000 and 2001. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the years ended 31st December, 2000 and 2001.

The number of directors whose remuneration falls within the following bands is as follows:

	<b>Years ended</b>	
	<b>31st December, 2000</b>	<b>2001</b>
Nil – HK\$1,000,000	3	2
HK\$1,000,001 – HK\$1,500,000	—	—
HK\$1,500,001 – HK\$2,000,000	<u>—</u>	<u>—</u>

- (c) Details of emoluments paid to the five highest paid individuals (including directors and other employees) were:

	<b>Years ended 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Fees	—	—	—	—
Other emoluments				
– Salaries	334	1,502	355	1,550
– Bonus	41	184	57	249
– Allowances	—	—	—	—
– Pension fund	35	158	64	279
– Benefits in kind	—	—	—	—
	<u>410</u>	<u>1,844</u>	<u>476</u>	<u>2,078</u>
Number of directors	3	3	2	2
Number of employees	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the years ended 31st December, 2000 and 2001, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The number of the five highest paid individuals whose remuneration falls within the bands is as follows:

	<b>Years ended</b>	
	<b>31st December,</b>	<b>2001</b>
	<b>2000</b>	<b>2001</b>
Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	—	—
HK\$1,500,001 – HK\$2,000,000	<u>—</u>	<u>—</u>

**9. RETIREMENT BENEFITS**

The Group has not operated any provident funds for its employees in Hong Kong for the period from 1st January, 2000 to 30th November, 2000. Following the introduction of the Mandatory Provident Fund legislation in Hong Kong, the subsidiary in Hong Kong participated in the defined contribution Mandatory Provident Fund since 1st December, 2000. Both the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions of the Group and the employees are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary.

Employees in Singapore participate in a defined contribution provident fund, which is managed by an independent trustee. The employees make monthly contributions of 20% of the employees' basic salaries. The Group makes monthly contributions at 10% of the employees' basic salaries for the period from January to March 2000, thereafter, the contribution rate was revised to 12%. It was further revised to 16% with effect from January 2001. As defined under the Central Provident Fund legislation, the Group's contribution is subject to a cap computed based on S\$1,200 per month.

As stipulated by the rules and regulations in the PRC, the PRC subsidiaries are required to contribute to a state-sponsored social insurance scheme for all of its employees at rates ranging from 6% to 30% of the basic salary of its employees. The state-sponsored retirement plan was responsible for the entire pension obligations payable to all retired employees and the subsidiaries had no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the years ended 31st December, 2000 and 2001, the aggregate amount of the Group's employer contributions amounted to approximately S\$75,000 (HK\$337,000) and S\$166,000 (HK\$727,000), respectively. As at 31st December, 2000 and 2001, there was no material forfeited contribution available to reduce the Group's employer contribution payable in future periods.

**10. TAXATION**

	Years ended 31st December,			
	2000		2001	
	S\$'000	HK\$'000	S\$'000	HK\$'000
Hong Kong profits tax	11	49	156	681
Overseas taxation	1,062	4,777	895	3,908
Withholding tax	895	4,027	795	3,470
Deferred taxation	—	—	210	917
	<u>1,968</u>	<u>8,853</u>	<u>2,056</u>	<u>8,976</u>

**a. Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the years.

**b. Singapore income tax**

Overseas taxation relates to tax calculated based on the estimated assessable profit of Singapore subsidiaries at the rates prevailing of 25.5% and 24.5% for the years ended 31st December, 2000 and 2001, respectively.

As at 31st December, 2000 and 2001, the tax payable to the Inland Revenue Authority of Singapore amounted to approximately S\$2,134,000 (HK\$9,598,000) and S\$2,982,000 (HK\$13,022,000), respectively.

In addition, as at 31st December, 2000 and 2001, the Group had provision for tax penalty of approximately S\$307,000 (HK\$1,381,000) and S\$350,000 (HK\$1,528,000) respectively arising from late tax payment in relation to the years of assessment from 1997 to 2001 and these amounts are included in "Accruals and other payables". The tax penalty of approximately S\$88,000 (HK\$395,000) and S\$43,000 (HK\$188,000) was charged to "Other operating expenses" of the combined income statements for the years ended 31st December, 2000 and 2001, respectively.

**c. PRC enterprise income tax**

No profits tax has been provided for the PRC subsidiaries as they have been making losses during the years.

**d. PRC value-added tax and government surcharges**

The PRC subsidiaries are subject to value-added tax ("VAT") at 17% of revenue from sale of merchandise and provision of repair services in the PRC, and city and county maintenance tax at 3.5% of the amount of VAT levied and social welfare surcharge at 1.5% of the amount of VAT levied. Input VAT paid on purchases can be used to offset the output VAT levied on sales revenue to determine the net VAT payable.

**e. Withholding tax**

Withholding tax relates to 17% tax withheld in respect of technical fees received by a Singapore subsidiary from a customer in the PRC.

**f. Deferred taxation**

Deferred taxation represents the taxation effect of temporary differences of general provisions and movements in unrealised exchange differences.

There was no significant unprovided deferred taxation as at and for the years ended 31st December, 2000 and 2001.

**11. DIVIDENDS**

No dividend has been paid or declared by the Company since its incorporation.

No dividend has been declared by any subsidiary during each of the years ended 31st December, 2000 and 2001.

**12. EARNINGS PER SHARE**

The calculation of earnings per share for the years ended 31st December, 2000 and 2001 is based on the profit attributable to shareholders during the years and on the weighted average number of approximately 306,302,000 shares and 320,000,000 shares in issue during the years ended 31st December, 2000 and 2001, respectively, by reference to 320,000,000 shares in issue as at the date of this Prospectus.

**13. FIXED ASSETS**

Movements of fixed assets are as follows:

	<b>Leasehold land and buildings</b> <i>S\$'000</i>	<b>Plant and machinery</b> <i>S\$'000</i>	<b>Motor vehicles</b> <i>S\$'000</i>	<b>Furniture and equipment</b> <i>S\$'000</i>	<b>Total</b> <i>S\$'000</i>
<b>Cost</b>					
As at 1st January, 2000	1,290	4,038	371	483	6,182
Additions	—	110	2	40	152
Disposal	—	—	(193)	(7)	(200)
Translation adjustment	—	61	8	17	86
As at 31st December, 2000	1,290	4,209	188	533	6,220
Additions	—	3	—	79	82
Write-off	—	(69)	—	—	(69)
Reclassification	—	(606)	567	39	—
Translation adjustment	2	237	34	33	306
As at 31st December, 2001	1,292	3,774	789	684	6,539
<b>Accumulated depreciation</b>					
As at 1st January, 2000	44	620	237	247	1,148
Charge for the year	20	65	29	57	171
Disposal	—	—	(128)	—	(128)
Translation adjustment	—	15	5	10	30
As at 31st December, 2000	64	700	143	314	1,221
Charge for the year	20	56	45	49	170
Write-off	—	(3)	—	—	(3)
Translation adjustment	—	33	11	20	64
As at 31st December, 2001	84	786	199	383	1,452
<b>Net book value</b>					
As at 31st December, 2000	<u>1,226</u>	<u>3,509</u>	<u>45</u>	<u>219</u>	<u>4,999</u>
As at 31st December, 2001	<u>1,208</u>	<u>2,988</u>	<u>590</u>	<u>301</u>	<u>5,087</u>

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# ACCOUNTANTS' REPORT

	<b>Leasehold land and buildings</b> <i>HK\$'000</i>	<b>Plant and machinery</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Furniture and equipment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>					
As at 1st January, 2000	5,803	18,165	1,669	2,173	27,810
Additions	—	494	9	180	683
Disposal	—	—	(868)	(32)	(900)
Translation adjustment	—	274	36	76	386
As at 31st December, 2000	5,803	18,933	846	2,397	27,979
Additions	—	13	—	345	358
Write-off	—	(301)	—	—	(301)
Reclassification	—	(2,646)	2,476	170	—
Translation adjustment	(162)	481	123	75	517
As at 31st December, 2001	5,641	16,480	3,445	2,987	28,553
<b>Accumulated depreciation</b>					
As at 1st January, 2000	198	2,790	1,066	1,111	5,165
Charge for the year	90	292	130	256	768
Disposal	—	—	(576)	—	(576)
Translation adjustment	—	67	22	45	134
As at 31st December, 2000	288	3,149	642	1,412	5,491
Charge for the year	87	245	197	214	743
Write-off	—	(13)	—	—	(13)
Translation adjustment	(9)	51	30	47	119
As at 31st December, 2001	366	3,432	869	1,673	6,340
<b>Net book value</b>					
As at 31st December, 2000	<u>5,515</u>	<u>15,784</u>	<u>204</u>	<u>985</u>	<u>22,488</u>
As at 31st December, 2001	<u>5,275</u>	<u>13,048</u>	<u>2,576</u>	<u>1,314</u>	<u>22,213</u>

Included in fixed assets are machinery, motor vehicles and office equipment amounting to approximately S\$3,385,000 (HK\$15,227,000) and S\$2,447,000 (HK\$10,686,000), which were not depreciated as they were not in use during the years ended 31st December, 2000 and 2001, respectively.

Leasehold land and buildings, located in the PRC, were held under land use rights for 70 years expiring in 2063.

Leasehold land and buildings are pledged to the banks for credit facilities granted to the Group as disclosed in Note 21 to the combined financial statements.

**14. PREPAID RENTAL EXPENSES**

In March 2000, the Group signed a project development co-operation agreement with China National Automotive Anhua Hertz Services Centre Co., Ltd. ("CNA Anhua (Hertz)"), a subsidiary of North Anhua Group Corporation ("North Anhua"), for the development of land and buildings for use as motor vehicle showrooms, service centres, auto parts factories and other related facilities in Guangdong Province, Fujian Province and Beijing Municipality. Under the agreement, all land title certificates and ownership of facilities will belong to CNA Anhua (Hertz), while the Group will have free use of such facilities for 50 years from the date of completion of the developments. As at 31st December, 2001, the development project in Beijing amounting to approximately S\$4,113,000 (HK\$17,961,000) has been completed.

The Group has also signed another project development co-operation agreement with Jin Tian Cheng Development Co., Ltd. ("Jin Tian Cheng"), another related company of North Anhua in August 2001 for the development of a motor vehicle maintenance and service centre in Fuzhou Municipality of Fujian Province. Under the agreement, all land title certificates and ownership of facilities will belong to Jin Tian Cheng while the Group will have use of such facilities for a nominal consideration of RMB10,000 per month for 20 years from the date of completion of the development.

Accordingly, the advances made in respect of such development projects amounting to approximately S\$7,640,000 (HK\$34,367,000) and S\$9,218,000 (HK\$40,255,000) as at 31st December, 2000 and 2001 have been classified as prepaid rental expenses to be charged to the combined income statements over 20 to 50 years, commencing from the date of completion of the respective development projects.

Total prepayment relating to the development projects in Guangdong Province and Fujian Province as at 31st December, 2000 and 2001 amounted to approximately S\$3,527,000 (HK\$15,865,000) and S\$3,676,000 (HK\$16,052,000) respectively. As at 31st December, 2000 and 2001, approximately S\$Nil (HK\$Nil) and S\$37,000 (HK\$160,000) has been classified as current under "Prepayments, deposits and other current assets".

Total prepayment relating to the development project in Beijing Municipality of 31st December, 2000 and 2001 amounted to approximately S\$4,113,000 (HK\$18,502,000) and S\$4,113,000 (HK\$17,961,000) respectively. As at 31st December, 2000 and 2001, approximately S\$Nil (HK\$Nil) and S\$82,000 (HK\$360,000) has been classified as current under "Prepayments, deposits and other current assets".

Total prepayment relating to the development project in Fuzhou Municipality as at 31st December, 2000 and 2001 amounted to approximately S\$Nil (HK\$Nil) and S\$1,429,000 (HK\$6,242,000) respectively. As at 31st December, 2001, this whole amount is non-current and classified under "Prepaid rental expenses".

**15. INVENTORIES**

	<b>As at 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Motor vehicles	614	2,761	63	275
Motor vehicles in transit	—	—	2,590	11,310
Auto parts and accessories	2,067	9,299	1,771	7,734
	<u>2,681</u>	<u>12,060</u>	<u>4,424</u>	<u>19,319</u>

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The amount of inventories (included above) carried at net realisable value is approximately S\$833,000 (HK\$3,747,000) and S\$1,835,000 (HK\$8,013,000) as at 31st December, 2000 and 2001, respectively.

During the year ended 31st December, 2001, inventory of approximately S\$1,933,000 (HK\$8,677,000) was returned to a supplier, North Anhua, at cost.

### 16. ACCOUNTS RECEIVABLE, NET

	As at 31st December,			
	2000		2001	
	S\$'000	HK\$'000	S\$'000	HK\$'000
Accounts receivable ( <i>Note 21(a)</i> )	11,170	50,247	15,612	68,233
Less: Provision for doubtful debts	(458)	(2,060)	(343)	(1,556)
	<u>10,712</u>	<u>48,187</u>	<u>15,269</u>	<u>66,677</u>

The credit periods of the Group range from 2 to 5 months. The aging analysis of accounts receivable is as follows:

	As at 31st December,			
	2000		2001	
Aged:	S\$'000	HK\$'000	S\$'000	HK\$'000
0 to 1 month	3,650	16,419	1,402	6,123
1 to 2 months	719	3,233	696	3,041
2 to 3 months	485	2,180	5,257	23,002
3 to 6 months	1,309	5,889	3,480	15,200
6 to 9 months	1,362	6,129	1,898	8,291
9 to 12 months	3,499	15,739	1,454	6,352
Over 12 months	146	658	1,425	6,224
	<u>11,170</u>	<u>50,247</u>	<u>15,612</u>	<u>68,233</u>

*Note:*

The Group has a major customer in the PRC, North Anhua, which accounts for approximately 8% of sales (including 100% of technical fee income) for the year ended 31st December, 2001. As at 31st December, 2001, North Anhua accounted for 35.4% of the gross accounts receivable of the Group.

Other than the accounts receivable as stated above, the Group has the following exposures to North Anhua, its subsidiaries and related companies as at 31st December, 2001:

- 1) Included in "Prepayments, deposits and other current assets" is an amount of approximately S\$1,814,000 (HK\$7,921,000) deposits placed with various related companies of North Anhua in the PRC for the setting up of car rental business;
- 2) Prepaid rental expenses relating to development projects in Guangdong, Fujian, Fuzhou and Beijing of approximately S\$9,218,000 (HK\$40,255,000) was made to CNA Anhua (Hertz), a subsidiary of North Anhua, and Jin Tian Cheng, a related company of North Anhua. The prepaid rental expenses are included in "Prepaid rental expenses" and "Prepayments, deposits and other current assets".
- 3) Non-trade advance of approximately S\$2,579,000 (HK\$11,262,000) included in "Prepayments, deposits and other current assets" had been made to Jin Tian Cheng, a related company of North Anhua.



- 4) Included in "Prepayments, deposits and other current assets" is an amount of approximately S\$1,933,000 (HK\$8,677,000) receivable from North Anhua for the return of inventory; and
- 5) Certain fixed deposits of the Group were pledged to a bank to secure banking facilities of up to approximately S\$7,912,000 (HK\$34,550,000) granted to Beijing China National Automotive Anhua Spare Parts Ltd., a related company of North Anhua.

Two directors, Mr. Anthony Chan Hing Ka and Mr. Loh Kim Her, have undertaken to indemnify the Group against any losses arising from unsettled balances if North Anhua or any of its subsidiaries and related companies default on the repayment of the above balances.

**17. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS**

	As at 31st December,			
	2000		2001	
	S\$'000	HK\$'000	S\$'000	HK\$'000
Deposits placed with various companies in the PRC for the setting up of car rental offices ( <i>Note a</i> )	1,681	7,562	1,814	7,921
Sundry debtors	1,503	6,761	2,040	8,908
Sundry deposits	142	639	56	244
Prepayments	160	720	985	4,301
Other debtors	2,468	11,102	—	—
Other current asset ( <i>Note b</i> )	—	—	2,579	11,262
	5,954	26,784	7,474	32,636
Less: Provision for doubtful debts	(78)	(351)	(93)	(405)
	<u>5,876</u>	<u>26,433</u>	<u>7,381</u>	<u>32,231</u>

*Note a: This relates to deposits placed with various companies in the PRC to lay the ground works for setting up car rental offices. Since the Group cannot operate the car rental business directly in the PRC, such amount has been fully repaid subsequent to the year-end.*

*Note b: This relates to a non-trade advance to Jin Tian Cheng, a related company of North Anhua. The advance is interest-free, repayable within one year and its repayment is guaranteed by North Anhua.*

*Had interest been charged on the advance outstanding as at 31st December, 2001, based on the interest rate earned by the Group on fixed deposits of approximately 2% per annum, the Group would have earned interest income, net of tax of approximately S\$Nil (HK\$Nil) and S\$43,000 (HK\$188,000) for the years ended 31st December, 2000 and 2001, respectively.*

**18. DUE FROM RELATED COMPANIES**

The outstanding balances as at 31st December, 2000 and 2001 are as follows:

	As at 31st December,			
	2000		2001	
	S\$'000	HK\$'000	S\$'000	HK\$'000
Octavus Properties Pte Ltd.*	24	108	35	153
Beijing China National Automotive Anhua Spare Parts Ltd.**	242	1,089	—	—
	<u>266</u>	<u>1,197</u>	<u>35</u>	<u>153</u>

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Maximum balances during the years ended 31st December, 2000 and 2001 are as follows:

	Years ended 31st December,			
	2000		2001	
	S\$'000	HK\$'000	S\$'000	HK\$'000
Octavus Properties Pte Ltd.*	35	157	35	153
Beijing China National Automotive Anhua Spare Parts Ltd.**	242	1,088	242	1,039

\* Octavus Properties Pte Ltd. is 99.9% owned by Ms. Chan Xiao Li, sister of Mr. Anthony Chan Hing Ka, a director and shareholder of the Company.

Subsequent to 31st December, 2001, Ms. Chan Xiao Li transferred her 99.9% interest in Octavus Properties Pte Ltd. to her brother, Mr. Anthony Chan Hing Ka.

\*\* Beijing China National Automotive Anhua Spare Parts Ltd. was a 55% joint venture company, which was disposed of by the Group during 2000.

The outstanding balances with these related companies are unsecured, interest-free and repayable on demand. Had interest been charged on the outstanding balances due from these related companies based on the interest rate earned by the Group on fixed deposits of approximately 2% per annum, the Group would have earned interest income, net of tax, of approximately S\$4,000 (HK\$18,000), and S\$500 (HK\$2,000) for the years ended 31st December, 2000 and 2001, respectively.

### 19. CASH AND BANK DEPOSITS

Included in cash and bank deposits are fixed deposits of approximately S\$2,470,000 (HK\$11,111,000) and S\$3,344,000 (HK\$14,602,000) pledged to banks for banking facilities granted to the Group as at 31st December, 2000 and 2001, respectively. In addition, as at 31st December, 2000 and 2001, approximately S\$78,000 (HK\$351,000) and S\$620,000 (HK\$2,707,000), respectively of the cash and bank deposits were denominated in Renminbi, which is not freely convertible to other currencies.

In addition, as at 31st December, 2000 and 2001, fixed deposits of approximately S\$1,119,000 (HK\$5,034,000) and S\$1,840,000 (HK\$8,035,000), respectively were pledged to a bank to secure banking facilities of up to approximately S\$4,848,000 (HK\$21,809,000) and S\$7,912,000 (HK\$34,550,000), respectively granted to Beijing China National Automotive Anhua Spare Parts Ltd. for use in the car rental business by the 3 car rental sub-licensees. A fixed deposit of approximately S\$87,000 (HK\$391,000) and S\$92,000 (HK\$402,000) as at 31st December, 2000 and 2001, respectively was pledged to a bank to secure the bankers' guarantees as disclosed in Note 27(c) to the combined financial statements.

### 20. ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	As at 31st December,			
	2000		2001	
Aged:	S\$'000	HK\$'000	S\$'000	HK\$'000
0 to 1 month	—	—	48	209
1 to 6 months	56	251	346	1,511
6 to 12 months	1	3	105	459
1 to 2 years	1,293	5,815	568	2,478
Over 2 years	542	2,442	711	3,107
	<u>1,892</u>	<u>8,511</u>	<u>1,778</u>	<u>7,764</u>

**21. BANK BORROWINGS**

As at 31st December, 2000:

	<b>Bills payable to banks</b> (Note a)		<b>Bank loans</b> (Note b)		<b>Bank overdrafts</b> (Note a)		<b>Total</b>	
	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000
Current portion								
– due within one year	8,309	37,377	91	409	11,156	50,184	19,556	87,970
Non-current portion								
– Due after one year but within two years	—	—	92	414	—	—	92	414
– Due after two years but within five years	—	—	287	1,291	—	—	287	1,291
– Due after five years	—	—	267	1,201	—	—	267	1,201
	—	—	646	2,906	—	—	646	2,906
	<u>8,309</u>	<u>37,377</u>	<u>737</u>	<u>3,315</u>	<u>11,156</u>	<u>50,184</u>	<u>20,202</u>	<u>90,876</u>

As at 31st December, 2001:

	<b>Bills payable to banks</b> (Note a)		<b>Bank loans</b> (Note b)		<b>Bank overdrafts</b> (Note a)		<b>Total</b>	
	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000	S\$'000	HK\$'000
Current portion								
– due within one year	19,693	85,996	6,053	26,432	1,804	7,878	27,550	120,306
Non-current portion								
– Due after one year but within two years	—	—	1,871	8,170	—	—	1,871	8,170
– Due after two years but within five years	—	—	315	1,376	—	—	315	1,376
– Due after five years	—	—	169	738	—	—	169	738
	—	—	2,355	10,284	—	—	2,355	10,284
	<u>19,693</u>	<u>85,996</u>	<u>8,408</u>	<u>36,716</u>	<u>1,804</u>	<u>7,878</u>	<u>29,905</u>	<u>130,590</u>

**(a) Bills payable to banks and bank overdrafts**

These are secured by the Group's fixed deposits amounting to approximately S\$2,470,000 (HK\$11,111,000) and S\$2,976,000 (HK\$12,996,000) as at 31st December, 2000 and 2001, respectively, fixed deposits amounting to approximately S\$375,000 (HK\$1,687,000) and S\$375,000 (HK\$1,638,000) of a director of the Company as at 31st December, 2000 and 2001, respectively, joint and several guarantees from three directors of the Company, Mr. Chan Kung Git, Mr. Loh Boon Cha, legal mortgage over certain properties belonging to Harley Investment Pte Ltd and Ivory Investments Pte Ltd, as well as corporate guarantees from L&B Holdings Pte Ltd and Eng Kheng (S) Pte Ltd. Mr. Chan Kung Git and Mr. Loh Boon Cha are immediate family members of certain directors. Harley Investment Pte Ltd and Ivory Investments Pte Ltd are companies which are 99.9% owned by Ms. Goh Lan Khiaw, wife of Mr. Loh Kim Her, a director and shareholder of the Company. L&B Holdings Pte Ltd is 18.9% owned by Mr. Loh Kim Her, a director and shareholder of the Company and 0.6% owned by Ms. Goh Lan Kiaw, the wife of Mr. Loh Kim Her and the remaining shareholding is held by the immediate family members of Mr. Loh Kim Her. Mr. Loh Kim Her is also a director of L&B Holdings Pte Ltd. Eng Kheng (S) Pte Ltd is 61% owned by Mr. Anthony Chan Hing Ka, a director and shareholder of the Company; and 39% owned by Ms. Chan Xiao Li, sister of Mr. Anthony Chan Hing Ka. In addition, the Group charged and assigned all its interests and rights in all of its accounts receivable in favour of a bank.

Subsequent to 31st December, 2001, Ms. Goh Lan Khiaw transferred her 99.9% interest in Harley Investment Pte Ltd and Ivory Investments Pte Ltd to her husband, Mr. Loh Kim Her.

Based on letters from the Group's bankers dated 22nd November, 2001, 6th December, 2001 and 21st December, 2001, the bankers agreed in principle, subject to certain conditions, to release the above guarantees upon the listing of the Company. These conditions mainly pertain to the Company giving the corporate guarantees to the respective banks in place of the guarantees given by the directors and the bankers' satisfaction on the capacity and financial ability of the Company to provide such corporate guarantees.

**(b) Bank loans**

Bank loans comprise:

- i. A mortgage loan with outstanding balances of approximately S\$493,000 (HK\$2,218,000) and S\$447,000 (HK\$1,952,000) as at 31st December, 2000 and 2001, respectively. This was secured by a legal mortgage on a leasehold property of the Group with net book values of approximately S\$867,000 (HK\$3,900,000) and S\$853,000 (HK\$3,725,000) as at 31st December, 2000 and 2001, respectively and joint and several guarantees by two directors of the Company. The loan is repayable in 120 instalments commencing October 1997 and bears interest at 1.75% per annum above the bank's Singapore Inter-Bank Offered Rates ("SIBOR").

Based on a letter from the Group's banker dated 14th December, 2001, the banker agreed in principle to release the existing personal guarantee of the directors after the listing of the Company in exchange for a guarantee given by the Company.

- ii. A mortgage loan with outstanding balances of approximately S\$244,000 (HK\$1,097,000) and S\$240,000 (HK\$1,048,000) as at 31st December, 2000 and 2001, respectively secured by a legal mortgage on the Group's land and building with net book values of approximately S\$360,000 (HK\$1,619,000) and S\$354,000 (HK\$1,546,000) as at 31st December, 2000 and 2001 and joint and several guarantees by three directors of the Company. The loan is repayable in 120 instalments commencing from February 2000 and bears interest at 1.25% per annum above the bank's prime lending rate.

Based on a letter from the Group's banker dated 19th November, 2001, the banker agreed in principle to release the existing personal guarantee of the directors after the listing of the Company in exchange for a guarantee given by the Company.

- iii. A term loan with an outstanding balance of approximately S\$Nil (HK\$Nil) and S\$7,077,000 (HK\$30,904,000) as at 31st December, 2000 and 2001 bearing interest at 2% above SIBOR or 5% on default and is secured by the following:
  - 1) joint and several personal guarantees from three directors of the Company and Mr. Chan Kung Git, an immediate family member of Mr. Anthony Chan Hing Ka;
  - 2) personal guarantee of Mr. Loh Boon Cha, an immediate family member of a director;
  - 3) corporate guarantee by L&B Holdings Pte Ltd, a corporate shareholder. L&B Holdings Pte Ltd is 18.9% owned by Mr. Loh Kim Her, a director and shareholder of the Company and 0.6% owned by Ms. Goh Lan Kiaw, the wife of Mr. Loh Kim Her and the remaining shareholding is held by the immediate family members of Mr. Loh Kim Her. Mr. Loh Kim Her is also a director of L&B Holdings Pte Ltd; and
  - 4) corporate guarantee by Eng Kheng (S) Pte Ltd which is 61% owned by Mr. Anthony Chan Hing Ka, a director and shareholder of the Company; and 39% owned by Ms. Chan Xiao Li, sister of Mr. Anthony Chan Hing Ka.

Under the terms of the loan agreement, if an initial public offering occurs at any time prior to full repayment of the debt, the Group has to make a mandatory repayment of approximately S\$3,680,000 (HK\$16,070,000) or 75% of the debt then outstanding, whichever is higher. If the bank determines that the debt then outstanding is less than approximately S\$3,680,000 (HK\$16,070,000), the debt shall be repaid in full.

Based on a letter from the Group's banker dated 24th December, 2001, the banker agreed in principle to release the existing personal guarantee of the directors after the listing of the Company in exchange for a guarantee given by the Company.

- iv. Two term loans, drawn in 2001, with a total outstanding balance of approximately S\$644,000 (HK\$2,812,000) as at 31st December, 2001, bearing interest at 4.9% and 6.0% per annum respectively, are secured by a fixed deposit amounting to approximately S\$368,000 (HK\$1,606,000). The term loans are repayable one year from their respective draw down dates.

## **22. DUE TO RELATED COMPANIES AND DIRECTORS**

The amounts due to related companies and directors are unsecured, interest-free and repayable on demand. Had interest been charged on the outstanding balances due to these related companies and directors during the years ended 31st December, 2000 and 2001, based on the Group's overdraft borrowing cost of approximately 5.5% per annum, the Group would have incurred interest expenses, net of tax of approximately S\$29,000 (HK\$131,000) and S\$24,000 (HK\$105,000), respectively.

## **23. SHARE CAPITAL AND SHARE PREMIUM**

The Company was incorporated in the Cayman Islands on 5th July, 2001. As at 31st December, 2001, the Company had authorised share capital of HK\$100,000 divided into 10,000,000 shares with a nominal value of HK\$0.01 each, of which one share was issued but not paid on 16th July, 2001, and accordingly, the Company had no fully paid-up share capital at that date. The balance represents the share capital of German Automobiles Pte Ltd., the subsidiary directly held by the Company.

Share premium arose as a result of issue of 455,396 ordinary shares of S\$1 each at S\$3.294 per share by German Automobiles Pte Ltd. for cash in the year ended 31st December, 2000. The share premium arising thereon is thus approximately S\$1,044,000 (HK\$4,696,000) as at 31st December, 2000.

**24. RESERVES**

	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Capital reserve				
As at 1st January	2	9	—	—
On disposal of a subsidiary	(2)	(9)	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at 31st December	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cumulative translation reserve				
As at 1st January	59	274	(85)	(382)
Net adjustment during the year	(144)	(656)	165	731
	<u>(85)</u>	<u>(382)</u>	<u>80</u>	<u>349</u>
As at 31st December	<u>(85)</u>	<u>(382)</u>	<u>80</u>	<u>349</u>
(Accumulated losses) Retained profits				
As at 1st January	(1,152)	(5,358)	(87)	(391)
Net profit for the year	1,065	4,792	2,777	12,127
Translation adjustment	—	175	—	11
	<u>(87)</u>	<u>(391)</u>	<u>2,690</u>	<u>11,747</u>
As at 31st December	<u>(87)</u>	<u>(391)</u>	<u>2,690</u>	<u>11,747</u>
	<u>(172)</u>	<u>(773)</u>	<u>2,770</u>	<u>12,096</u>

**25. NOTES TO THE COMBINED CASH FLOW STATEMENTS**

**a. Reconciliation of profit before taxation to net cash inflow from operating activities:**

	Years ended 31st December,			
	2000		2001	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Profit before taxation	3,123	14,050	4,822	21,055
Interest expenses	2,252	10,130	2,256	9,852
Interest income	(145)	(652)	(203)	(887)
Share of profits of a joint venture	(295)	(1,327)	—	—
Gain on disposal of fixed assets	(86)	(387)	—	—
Loss on disposal of a subsidiary	195	877	—	—
Loss on disposal of a joint venture	646	2,906	—	—
Bad debts written off	105	472	—	—
Provision for doubtful trade debts	458	2,060	84	369
Provision for doubtful non-trade debts	78	351	15	67
Provision for inventory obsolescence	56	252	—	—
Write-back of inventories previously written down to net realisable value	—	—	(35)	(154)
Write-down of inventories to net realisable value	35	157	—	—
Write-back of provision for inventory obsolescence	—	—	(162)	(707)
Write-back of provision for doubtful trade debts	(1)	(4)	(200)	(873)
Depreciation of fixed assets	171	768	170	743
Fixed assets written off	65	292	66	288
Increase in prepaid rental expenses	(6)	(27)	(1,459)	(6,371)
Decrease in loan to a related company	1,183	5,322	—	—
Decrease (Increase) in inventories	2,258	10,157	(1,546)	(6,751)
Decrease (Increase) in accounts receivable, net	11,773	52,960	(4,441)	(19,393)
Increase in prepayments, deposits and other current assets	(5,576)	(25,083)	(1,520)	(6,638)
(Increase) Decrease in due from related companies	(161)	(724)	231	1,009
Decrease in accounts payable	(9,006)	(40,513)	(114)	(498)
Decrease in accruals and other payables	(1,403)	(6,311)	(214)	(934)
(Decrease) Increase in bills payable to banks	(3,054)	(13,738)	11,384	49,711
Increase (Decrease) in due to related companies	173	778	(92)	(401)
(Decrease) Increase in due to directors	(484)	(2,177)	18	79
Translation adjustment	(22)	(102)	(39)	(175)
Net cash inflow from operating activities	<u>2,332</u>	<u>10,487</u>	<u>9,021</u>	<u>39,391</u>

**b. Analysis of disposal of a subsidiary as at date of disposal**

	<b>2000</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>
Inventories	585	2,631
Trade creditors	(123)	(553)
Other creditors	(219)	(985)
	<hr/>	<hr/>
	243	1,093
Minority interests	(48)	(216)
	<hr/>	<hr/>
Loss on disposal of a subsidiary	<u>195</u>	<u>877</u>

**c. Analysis of changes in financing**

	<b>Share capital</b>	<b>Share premium</b>	<b>Bank loans</b>	<b>Finance lease</b>	<b>Total</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
As at 1st January, 2000	7,421	—	13,240	96	20,757
Issue of share capital	456	1,044	—	—	1,500
Decrease in bank loans, net	—	—	(12,503)	—	(12,503)
Repayment of finance leases	—	—	—	(96)	(96)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31st December, 2000	7,877	1,044	737	—	9,658
Increase in bank loans, net	—	—	7,671	—	7,671
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31st December, 2001	<u>7,877</u>	<u>1,044</u>	<u>8,408</u>	<u>—</u>	<u>17,329</u>

  

	<b>Share capital</b>	<b>Share premium</b>	<b>Bank loans</b>	<b>Finance lease</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1st January, 2000	33,382	—	59,559	432	93,373
Issue of share capital	2,052	4,696	—	—	6,748
Decrease in bank loans, net	—	—	(56,244)	—	(56,244)
Repayment of finance leases	—	—	—	(432)	(432)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31st December, 2000	35,434	4,696	3,315	—	43,445
Increase in bank loans, net	—	—	33,498	—	33,498
Translation adjustment	(1,037)	(137)	(97)	—	(1,271)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31st December, 2001	<u>34,397</u>	<u>4,559</u>	<u>36,716</u>	<u>—</u>	<u>75,672</u>



**d. Analysis of cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances, fixed deposits and bank overdrafts. Fixed deposits of approximately S\$3,676,000 (HK\$16,536,000) and S\$5,276,000 (HK\$23,039,000) are excluded from cash and cash equivalents as at 31st December, 2000 and 2001, respectively because they may not be realisable as they are fully pledged to banks for banking facilities granted to the Group as disclosed in Note 19.

	<b>As at 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	504	2,267	479	2,093
Unpledged fixed deposits	—	—	2,784	12,156
Bank overdrafts	(11,156)	(50,184)	(1,804)	(7,878)
	<u>(10,652)</u>	<u>(47,917)</u>	<u>1,459</u>	<u>6,371</u>

**26. SEGMENT INFORMATION**

**a. Primary segment**

The Group is organised on a worldwide basis into three main business segments, namely:

Activity 1: Sales of motor vehicles and technical fees;

Activity 2: Servicing of motor vehicles and sales of auto parts; and

Activity 3: Commission income from sales of cars from German Automobiles Pte Ltd. to German Automobiles Limited (i.e. inter-group).

An analysis of turnover, profit (loss) from operations, share of profits of a joint venture, finance costs, net, taxation, minority interest and profit (loss) attributable to shareholders according to the three main business segments is as follows. Inter-segment pricing is on an arm's length basis.

**APPENDIX I****ACCOUNTANTS' REPORT**

For the year ended 31st December, 2000:

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Elimination</b>	<b>Total</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Turnover	25,537	2,691	579	(1,025)	<u>27,782</u>
Profit (loss) from operations	6,404	(628)	—	—	5,776
Loss on disposal of a subsidiary	—	—	—	—	(195)
Loss on disposal of a joint venture	—	—	—	—	<u>(646)</u>
					4,935
Share of profits of a joint venture	—	—	—	—	295
Finance costs, net	(2,067)	(40)	—	—	(2,107)
Taxation	(1,957)	(11)	—	—	(1,968)
Minority interests	—	(90)	—	—	<u>(90)</u>
Profit (loss) attributable to shareholders	2,380	(769)	—	—	<u>1,065</u>
Depreciation					<u>171</u>

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Elimination</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	114,876	12,105	2,605	(4,611)	<u>124,975</u>
Profit (loss) from operations	28,809	(2,825)	—	—	25,984
Loss on disposal of a subsidiary	—	—	—	—	(877)
Loss on disposal of a joint venture	—	—	—	—	<u>(2,906)</u>
					22,201
Share of profits of a joint venture	—	—	—	—	1,327
Finance costs, net	(9,298)	(180)	—	—	(9,478)
Taxation	(8,803)	(50)	—	—	(8,853)
Minority interests	—	(405)	—	—	<u>(405)</u>
Profit (loss) attributable to shareholders	10,708	(3,460)	—	—	<u>4,792</u>
Depreciation					<u>768</u>

# APPENDIX I

# ACCOUNTANTS' REPORT

For the year ended 31st December, 2001:

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Elimination</b>	<b>Total</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Turnover	54,777	3,505	1,557	(1,722)	<u>58,117</u>
Profit from operations	6,634	241	—	—	6,875
Share of profits of a joint venture	—	—	—	—	—
Finance costs, net	(2,020)	(33)	—	—	(2,053)
Taxation	(1,910)	(146)	—	—	(2,056)
Minority interests	—	11	—	—	<u>11</u>
Profit attributable to shareholders	2,704	73	—	—	<u>2,777</u>
Depreciation					<u>170</u>

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Elimination</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	239,201	15,306	6,797	(7,520)	<u>253,784</u>
Profit from operations	28,969	1,051	—	—	30,020
Share of profits of a joint venture	—	—	—	—	—
Finance costs, net	(8,821)	(144)	—	—	(8,965)
Taxation	(8,340)	(636)	—	—	(8,976)
Minority interests	—	48	—	—	<u>48</u>
Profit attributable to shareholders	11,808	319	—	—	<u>12,127</u>
Depreciation					<u>743</u>

**APPENDIX I****ACCOUNTANTS' REPORT**

An analysis of the Group's assets, liabilities and capital expenditures is as follows:

For year ended 31st December, 2000:

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Elimination</b>	<b>Total</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Assets	12,527	6,130	—	—	18,657
Unallocated assets					<u>17,697</u>
Total assets					<u><u>36,354</u></u>
Liabilities	11,174	1,313	—	—	12,487
Unallocated liabilities					<u>15,118</u>
Total liabilities					<u><u>27,605</u></u>
Capital expenditures					<u><u>152</u></u>

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Elimination</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	56,352	27,575	—	—	83,927
Unallocated assets					<u>79,608</u>
Total assets					<u><u>163,535</u></u>
Liabilities	50,265	5,906	—	—	56,171
Unallocated liabilities					<u>68,007</u>
Total liabilities					<u><u>124,178</u></u>
Capital expenditures					<u><u>683</u></u>

For year ended 31st December 2001:

	<b>Activity 1</b>	<b>Activity 2</b>	<b>Activity 3</b>	<b>Elimination</b>	<b>Total</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Assets	28,293	10,306	—	—	38,599
Unallocated assets					<u>11,235</u>
Total assets					<u><u>49,834</u></u>
Liabilities	21,288	2,434	—	—	23,722
Unallocated liabilities					<u>14,421</u>
Total liabilities					<u><u>38,143</u></u>
Capital expenditures					<u><u>82</u></u>

# APPENDIX I

# ACCOUNTANTS' REPORT

	Activity 1	Activity 2	Activity 3	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets	123,550	45,005	—	—	168,555
Unallocated assets					49,061
Total assets					217,616
Liabilities	92,961	10,629	—	—	103,590
Unallocated liabilities					62,974
Total liabilities					166,564
Capital expenditures					358

## b. Secondary segment

The Group has business operations in the PRC, Hong Kong and Singapore. An analysis of turnover of the Group by geographical segments is as follows. Turnover is based on the location of customers.

	Years ended 31st December,			
	2000		2001	
	S\$'000	HK\$'000	S\$'000	HK\$'000
The PRC	13,347	60,040	26,490	115,675
Hong Kong	14,435	64,935	31,515	137,620
Philippines and Madagascar	—	—	112	489
	27,782	124,975	58,117	253,784

An analysis of the Group's assets and capital expenditures as at 31st December, 2000 and 2001 by geographical segments is as follows. Assets and capital expenditures are based on the location of those assets.

As at 31st December, 2000:

	Assets		Capital expenditures	
	S\$'000	HK\$'000	S\$'000	HK\$'000
The PRC	12,623	56,784	139	625
Hong Kong	12,390	55,735	—	—
Singapore	11,341	51,016	13	58
	36,354	163,535	152	683

As at 31st December, 2001:

	<b>Assets</b>		<b>Capital expenditures</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
The PRC	38,156	166,620	80	349
Hong Kong	6,948	30,341	2	9
Singapore	4,730	20,655	—	—
	<u>49,834</u>	<u>217,616</u>	<u>82</u>	<u>358</u>

**27. COMMITMENTS AND CONTINGENT LIABILITIES**

The Group has the following significant commitments and contingent liabilities which were not provided for in the combined financial statements.

**a. Operating leases**

The Group has various operating lease agreements for offices and residential premises. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

As at 31st December, 2000 and 2001, total future minimum lease payments under non-cancellable operating leases in respect of rented premises are analysed as follows:

	<b>As at 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Total future minimum lease payment payable				
Within 1 year	253	1,138	572	2,498
After 1 year but within 5 years	430	1,934	788	3,441
After 5 years	353	1,588	541	2,362
	<u>1,036</u>	<u>4,660</u>	<u>1,901</u>	<u>8,301</u>

The Group has sublet part of a leased property in Singapore to Octavus Properties Pte Ltd and Eng Kheng (S) Pte Ltd, related companies. Sublease income receivables are analysed as follows:

	<b>As at 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Total future minimum sublease income receivable				
Within 1 year	21	94	20	89
After 1 year but within 5 years	—	—	15	67
	<u>21</u>	<u>94</u>	<u>35</u>	<u>156</u>

**b. Contingent liabilities**

As at 31st December, 2000 and 2001, contingent liabilities not provided for are analysed as follows:

	<b>As at 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Guarantees provided to a bank in respect of banking facilities granted to a third party*	<u>4,848</u>	<u>21,809</u>	<u>7,912</u>	<u>34,550</u>

\* The guarantee is provided to Beijing China National Automotive Anhua Spare Parts Ltd., which was formerly a joint venture of the Group but was disposed of to Super Yield Trading Co., Ltd. in June 2000. Fixed deposits of approximately S\$1,119,000 (HK\$5,034,000) and S\$1,840,000 (HK\$8,035,000) are pledged to secure the banking facilities as at 31st December, 2000 and 2001, respectively.

Based on a letter from the bank dated 10th May, 2002, the bank will unconditionally release the Company as corporate guarantor from the above guarantees upon the listing of the Company.

In addition, the Group as the master licensee of the "Hertz" model of the car rental business ("the Car Rental Business"), has given corporate guarantees to Hertz International Ltd, the principal of the Car Rental Business, guaranteeing the performance and timely payment by the three car rental sub-licensees of all amounts payable under the respective sub-licensees agreements to Hertz International Ltd. These car rental sub-licensees are related companies of North Anhua.

**c. Bankers' guarantees**

As at 31st December, 2000 and 2001, the Group had the following bankers' guarantees issued to various parties as follows:

	<b>As at 31st December,</b>			
	<b>2000</b>		<b>2001</b>	
	<i>S\$'000</i>	<i>HK\$'000</i>	<i>S\$'000</i>	<i>HK\$'000</i>
Guarantees provided to the principal of the Car Rental Business*	<u>87</u>	<u>391</u>	<u>92</u>	<u>402</u>
Guarantees provided to a supplier for auto parts purchases	<u>329</u>	<u>1,482</u>	<u>334</u>	<u>1,457</u>

\* A fixed deposit of approximately S\$87,000 (HK\$391,000) and S\$92,000 (HK\$402,000) was pledged to a bank to secure the above bankers' guarantees as at 31st December, 2000 and 2001, respectively.

**28. SUBSEQUENT EVENTS**

The following transactions took place subsequent to 31st December, 2001 and up to the date of this report:

- a. The Group completed a reorganisation in preparation for a listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the details of which are set out in the subsection headed "Corporate reorganisation" of appendix IV to the Prospectus; and
- b. Resolutions were passed to effect the transactions set out in the subsection headed "Written resolutions of the sole shareholder of the Company passed on 5th June, 2002" of appendix IV to the Prospectus.

**II. FINANCIAL INFORMATION ABOUT THE COMPANY****1. DISTRIBUTABLE RESERVES**

The Company has not carried on any business since its incorporation, except for the acquisition on 5th June, 2002 of the subsidiaries set out in Section I above. Accordingly, the Company had no reserves available for distribution to shareholders as at 31st December, 2001.

**2. NET ASSETS OF THE COMPANY**

The Company was incorporated on 5th July, 2001. The Company has not carried on any business since its incorporation, except for the acquisition on 5th June, 2002 of the subsidiaries set out in Section I above. The net assets of the Company as at 31st December, 2001, on the basis set out in Note 1 above amounted to approximately S\$11,691,000 (HK\$51,052,000), representing its investments in subsidiaries.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st December, 2001. In addition, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st December, 2001.

Yours faithfully,  
**ARTHUR ANDERSEN & CO**  
*Certified Public Accountants*  
Hong Kong