Annual Report **2007**

G.A. Holdings Limited G.A. 控股有限公司

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

(Stock Code: 8126)

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of G.A. Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in the compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

Contents

Corporate Information

DIRECTORS

Mr. Loh Boon Cha *(Chairman)*
Mr. Loh Nee Peng *(Managing Director)*
Mr. Xu Ming
Mr. Lee Kwok Yung*
Mr. Yin Bin*
Mr. Zhang Lei*

* *Independent non-executive Directors*

AUDIT COMMITTEE

Mr. Yin Bin *(Chairperson)*
Mr. Lee Kwok Yung
Mr. Zhang Lei

REMUNERATION COMMITTEE

Mr. Lee Kwok Yung
Mr. Yin Bin
Mr. Zhang Lei

NOMINATION COMMITTEE

Mr. Loh Boon Cha *(Chairperson)*
Mr. Yin Bin
Mr. Zhang Lei

COMPLIANCE OFFICER

Mr. Loh Nee Peng

AUTHORISED REPRESENTATIVES

Mr. Loh Boon Cha
Mr. Yeung Chak Sang Johnson

QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson

COMPANY SECRETARY

Mr. Yeung Chak Sang Johnson

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

The Development Bank of Singapore Ltd.
Industrial and Commercial Bank of China,
Singapore Branch
Malayan Banking Berhad (Maybank)
Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Hopewell Centre 46th Floor
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HEAD OFFICE

101 Thomson Road
#15-01 United Square
Singapore 307591

PRINCIPAL PLACE OF BUSINESS

Unit 1206, 12th Floor
9 Queen's Road Central
Hong Kong

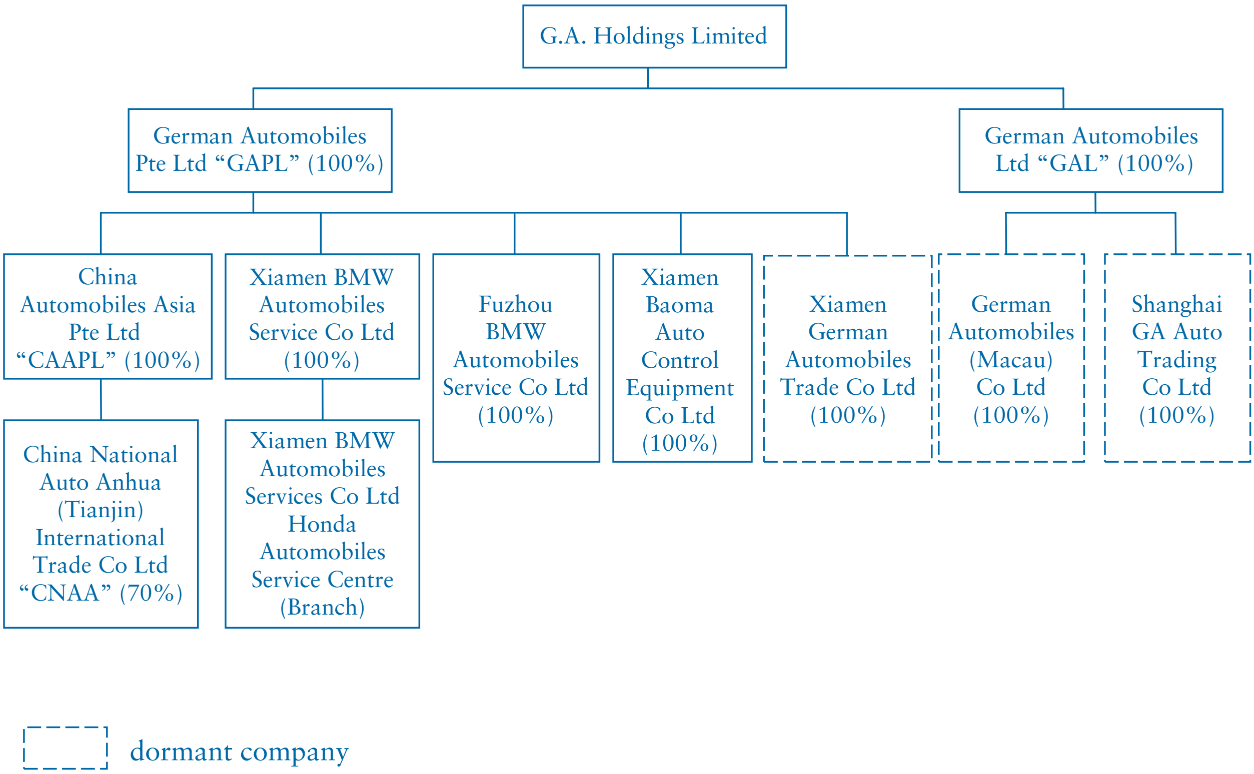
COMPANY WEBSITE

www.ga-holdings.com.hk

STOCK CODE

8126

Group Structure



Chairman's Statement

Dear Shareholders,

I am delighted to announce the annual results of the Group for the year ended 31 December 2007 for the shareholder's review. In this statement, I wish to discuss some of the issues and major developments of the Group during the year, as well as to introduce our shareholders with our profit-oriented policies and directions for the Group to meet the challenges ahead.

2007 is a year for solidifying the foundation and strategic position of the Group among rivals. Despite the strong inflationary impact, the Group still manages to achieve a steady return.

Our profit-oriented strategy has performed in line with our sales trend, and it has shielded the Group from fluctuating turnover which is especially prone to fiscal policy effects.

Hertz car rental division has taken a further step in expanding its geographical coverage by establishing another point of service in the Kowloon Station. The Board believes that rapid development of the Western Kowloon district as a commercial centre would definitely open up opportunities for the car rental business, especially when corporate flock to relocate their offices nearby in recent months. With car fleet expanded accordingly, the Group aims to maximize the service capacity and increase its market share among the car rental industry in Hong Kong.

On behalf of the Board and all employees, I would like to express my gratitude to all our shareholders and business partners for their support.

My gratitude is also extended to our dedicated management team and committed staffs for their hard work and continuous effort.

We are well positioned for the market's challenges and will continue to focus on bringing lucrative returns to our shareholders through our existing business and emerging opportunities.

By and on behalf of the Board,
Loh Boon Cha
Chairman

Hong Kong, 28 March 2008

Management Discussion and Analysis

BUSINESS REVIEW

During the year, gross profit margin recorded a steady increment. The growth was ascribed to the rosy economic boom in China, and nevertheless, the escalating sophistication of automobile consumption pattern in the domestic market. The implementation of profit oriented management strategy was proved a success, as our servicing sector was nurtured by the increase in demand for luxurious vehicles.

The Group has continued its strategy in expanding business segments with a higher profit margin during the year. The Board of Directors are pleased to announce the consolidated gross profit margin and net profit margin as 15.3%, up approximately 1% and 6.9%, up approximately 2% compared to the corresponding period in year 2006 respectively.

For the year ended 31 December 2007, the turnover of the Group decreased by approximately 38 % as compared to the year of 2006. The decrease was mainly a transitional consequence of the rapid development of the high profit margin business segment of the Company. During the fourth quarter of 2007, we have noted increase in order placed, however, the results would be reflected in the first quarter of 2008 due to timing difference.

SALES OF MOTOR VEHICLES

During the year, the turnover of this segment took up approximately 62.1% of the total Group turnover of the year. As for comparison to the corresponding period last year, there recorded a decrease of approximately 14.7% on the composition of turnover. The decrease was mainly due to the reduction in sales of motor vehicles during the year.

SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS

Turnover generated from the servicing of motor vehicles and sales of auto parts for the year 2007 increased by 9.4% as a result of the increasing capacity and increasing marginal productivity following the relocation of service centre to Haichang and the expansion of servicing market respectively. With such profitable business sector, the Group shifted its focus and started to explore geographical coverage in areas around Fuzhou. Servicing income increased to approximately S$10,339,000, contributing 27.6% of the Group's turnover, representing an increment of 11.9%.

TECHNICAL FEE INCOME

The Group received technical income from Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao") and certain of its subsidiaries, collectively (the "Zhong Bao Group") for providing management consulting and technical assistance for its purchase for the locally assembled BMW motor vehicles sold. The locally assembled BMW motor vehicles were introduced since 2003.

Technical fee income for the year ended 31 December 2007 was approximately S$3,829,000, taking up approximately 10.2% in terms of the Group's turnover composition, up 2.7% as compared to the corresponding period in 2006. The increment was due to the deliberate focus on profit-oriented segments.

CAR RENTAL BUSINESS

During the year 2007, the Hertz division has been maintaining its stringent cost control policies to enhance a steady yet prosperous growth. A new service location in the Kowloon Station has been established, and has commenced its operation in July 2007. The Board believes that rapid development of the Western Kowloon district would definitely open up opportunities for the car rental business, especially when corporates are flocking to relocate their offices nearby recently. Hertz has expanded its fleet size tremendously over the year. There are altogether 3 service locations, targeting the Hong Kong and Macau market. The Group has been awarded as Hertz's principal licensee in Macau, however, the new service point is at its infant stage, and still looking for expansion opportunities. Our objectives focus on grasping the blooming tourists' market in Macau, where long term corporate clients are what we are targeting at. The operation in Macau has not yet commenced as at year end.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2007, the turnover of the Group amounted to approximately S$37,416,000, a decrease of approximately 38% as compared with that of the year ended 31 December 2006. This was mainly a consequence as the Group intended to expand the more profitable sector of business.

For the year ended 31 December 2007, turnover generated from the sales of motor vehicles was approximately S$23,248,000, representing a decrease of approximately 49.9% as compared to the corresponding period in 2006. The decrease was mainly due to the reduction in sales of motor vehicles.

For the year ended 31 December 2007, income generating from servicing of motor vehicles and sales of auto parts was approximately S$10,339,000, representing an increase of approximately 9.4% as compared with that of the year ended 31 December 2006. The Directors believed that the increase in servicing income and sales of auto parts was due to the increase in servicing capacity of the Xiamen service centre, as well as the exploration of new market segment from Fuzhou.

The technical fee income decreased by approximately 15.7% to approximately S$3,829,000 for the year ended 31 December 2007 as compared with S$4,543,000 for the year ended 31 December 2006. This was mainly due to decreasing number of cars sold by our business partner, Zhong Bao Group.

Gross Profit

Gross profit margin for the Group was approximately 15.3% and 14.4% respectively for the years ended 31 December 2007 and 2006. The increase in gross profit margin is resulted from the Group's policy in expansion of higher profit margin business.

For the year ended 31 December 2007, the gross profit of the Group was approximately S$5,724,000, representing a decrease of approximately 34.1% over that of the year ended 31 December 2006.

Profit from operating activities attributable to equity holders

Profit from ordinary activities attributable to shareholders for the year ended 31 December 2007 was S$2,600,000 as compared with S$3,032,000 for the year ended 31 December 2006. The profits for 2007 decreased by approximately 14.2% as compared with that of 2006.

Financial resources and liquidity

As at 31 December 2007, shareholders' fund of the Group amounted to approximately S$31,047,000 (2006: S$29,844,000). Current assets amounted to approximately S$71,639,000 (2006: S$69,504,000). Of which approximately S$9,599,000 (2006: S$5,669,000) were cash and bank deposits. Current liabilities amounted to approximately S$53,216,000 (2006: S$48,820,000) mainly represents trade payables, bills payables, bank loans, accruals and other payables and current account with affiliated companies. The Group had non-current liabilities amounted to S$833,000 (2006: S$4,581,000). The net asset value per share as at 31 December 2007 was S$0.078 (2006: S$0.075).

Capital Structure of the Group

During the year ended 31 December 2007, the Group had no debt securities in issue (2006: Nil).

The Group obtained funding mainly from trade finance. Bank borrowings are denominated in either Hong Kong dollar, Singapore dollar, United States dollar or Renminbi.

Management Discussion and Analysis

Significant Investment

As at 31 December 2007, the Group had no significant investment held (2006: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2007, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2006: nil).

Employees

As at 31 December 2007, the total number of employee of the Group was approximately 150. For the year ended 31 December 2007, the staff costs including directors' remuneration of the Group amounted to approximately S$2,148,000 (2006: 2,284,000), around 5.8% of the turnover of the Group and a decrease of approximately S$136,000 or approximately 6% as compared to that of the year ended 31 December 2006. It is the Group policy to review its employer's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Charges on Group Assets

As at 31 December 2007, the Group pledged time deposits of approximately S$7,103,000 (2006: S$4,032,000) and charged plant and machinery of approximately S$1,188,000 (2006: S$984,000) and motor vehicles of approximately S$50,000 (2006: Nil) to several banks for banking facilities for the Group and a related company of North Anhua Group Corporation ("NAGC"). Leaseheold Lands and buildings of approximately S$625,000 (2006: nil) and S$146,000 (2006: nil) respectively are pledged to bank to secure banking facilities up to approximately S$1,176,000 (2006: nil) granted to Zhong Bao Group at the balance sheet date.

Material Investments or Capital Assets

As at 31 December 2007, the Group had no future plans for material investment.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of bills payable, bank borrowings and long-term debts over total assets. As at 31 December 2007, the Group had a gearing ratio of 0.44 (2006: 0.39).

Foreign Exchange Exposure

During the year ended 31 December 2007, the Group had an exchange gain of approximately S$1,670,000 (2006: S$1,040,000), mainly due to the appreciation of RMB against other currencies, as the Group's main operation was conducted in RMB.

Contingent Liabilities

As at 31 December 2007, the Group provided a bank guarantee of approximately S$4,052,000 (2006: S$4,304,000) to a bank in respect of banking facilities to a related company of NAGC. As at 31 December 2007, the Group provided bank guarantee amounted to S$24,696,000 in respect of banking facilities to Zhong Bao Group (2006: S$23,640,000).

BUSINESS PROSPECT

Looking up to year 2008, the Group foresees the upward trend for imported automobiles to be hindered by sky-rocket commodity prices and inflationary pressure. Costs of automobiles are expected to surge, especially with the new Corporate Income Tax Regime (the "CIT Regime") implemented from 1 January 2008 onwards. Within the automotive industry, competition is intense. Whilst inflation hits consumers pockets, automobile prices are unlikely to rise, due to the extremely price-sensitive nature of consumers. This will eventually rip out the profit margin of automobiles seller. According to the China Association of Automobiles Manufacturing, the average price of a sedan in China fell by 8.5% in year 2007, and further price slash is expected in 2008, as companies jockey to raise their profiles ahead of the Olympic Games in Beijing this summer.

The boom of gaming and tourist industry in Macau will enable itself to become a scenic spot for leisure in Asia. The Group believes that our car-rental business in Macau could take a leading role in the industry. We will strive for innovative strategies to pioneer the market.

In harmony with our stringent cost control objective, the Company plans a relocation of its head office in year 2008, for the sake of reducing the overhead expenditure in the long run. The Group will continue to seek for corporate restructuring opportunities.

Biographical Information of Directors and Senior Management

DIRECTORS

Executive directors

Mr. Loh Boon Cha, *Chairman*

Mr. Loh, aged 66, is the Chairman of the Group and the director of L&B Holdings Pte Ltd ("L&B") in Singapore. He is responsible for the daily operations and business development of L&B. He possesses over 35 years of extensive working experience and knowledge especially in the area in import and export trading in the People's Republic of China. Over the years, he has maintained good and well established working relationships and strategic business connections with various government-linked companies and bankers.

Mr. Loh Nee Peng, *Managing Director*

Mr. Loh Nee Peng, aged 40, is the Managing Director and a co-founder of the Group, which was established in August 1993. Mr. Loh is responsible for the business development in the PRC. Mr. Loh gained more than 15 years of experience in the PRC's auto industry. Mr. Loh graduated from the University of San Francisco in 1988 with a bachelor degree in business administration.

Mr. Xu Ming

Mr. Xu Ming, aged 37, is an executive director of the Company. He joined the Group in October 2003. Mr. Xu has more than 10 years of experience in managing business in the PRC. Mr. Xu is the founder, chairman and the Chief Executive Officer of Dalian Shide Group Co., Ltd. He also serves as the chairman of the board of Dalian Shide Football Club Co., Ltd., and the vice chairman of the board of Dalian City Commercial Bank. Mr. Xu completed the postgraduate course of Commercial Economy in Dongbei University of Finance.

Independent non-executive directors

Mr. Lee Kwok Yung

Mr. Lee Kwok Yung, aged 52, has been appointed as an independent non-executive director of the Company since June 2002. Mr. Lee is a solicitor admitted to practice law in Hong Kong and a member of the Law Society of Hong Kong. He is currently a partner at Messrs Hau, Lau, Li & Yeung, Solicitors & Notaries in Hong Kong. Mr. Lee has over 15 years of experience in law practicing. He holds a diploma from the College of Radiographers and an honours degree in law from the University of London, and a postgraduate certificate in law from the University of Hong Kong. Mr. Lee is experienced in commercial law, litigation and conveyance.

Mr. Yin Bin

Mr. Yin Bin, aged 36, obtained a master degree in Economics from the Hunan University. Mr. Yin is the general manager of a trading financial service agent in the PRC and has extensive experience in trade and finance. He has been appointed as an independent non-executive director of the Company since July 2004.

Mr. Zhang Lei

Mr. Zhang Lei, aged 37, is a member of the Chinese Institute Certified Public Accountants (CICPA) in the PRC and has more than 9 years of professional experience in the field of finance and accounting. Currently, Mr. Zhang Lei is working as a senior manager in Shenzhen Jun He Certified Public Accountants Co. Ltd. He has been appointed as an independent non-executive director of the Company since July 2004.

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lim Tee Peng, aged 45, is the general manager of the auto parts and accessories division of the Group. Prior to joining the group in August 1993, Mr. Lim was a sales manager of an authorized dealer of European luxurious motor vehicles. Mr. Lim has extensive experience in trading of auto parts and accessories.

Mr. Tan Cheng Kim, aged 41, is the general manager of the motor vehicle distribution division of the Group. Mr. Tan has extensive experience in the trading of motor vehicles in the PRC. Prior to joining the Group in August 1993, Mr. Tan was an engineer of an authorized dealer of an European luxurious auto brand. Mr. Tan graduated from the Ngee Ann Polytechnic Singapore in 1987 with a diploma in mechanical engineering.

Mr. Yeung Chak Sang Johnson, aged 43, is the Qualified Accountant and the Company Secretary of the Group. He joined the Group in 2005 and has more than 15 years of experience in the field of accounting, auditing and financial management. He holds a bachelor degree in business, and a master degree in science from the Chinese University of Hong Kong. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Directors' Report

The Board of Directors is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales of motor vehicles and provision of car-related technical services, servicing of motor vehicles and sales of auto parts. In the current year, the Group has ceased the business of provision of management services in respect of car rental.

The business of each subsidiaries and details of its nature of business, country of incorporation or other establishment, and particulars of the issued share capital and debt securities are set out in note 16 to the financial statements.

An analysis of the Group's turnover, other income and profit before income tax is set out in notes 5, 7 and 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 29.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2007 (2006: Nil).

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company had reserves available for distribution to shareholders amounted to approximately S$1,164,000. It comprised share premium of approximately S$4,006,000 less accumulated loss of approximately S$2,842,000.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment of the Group during the year ended 31 December 2007 are set out in note 13 to the financial statements.

CONNECTED TRANSACTIONS

The connected transactions as specified in the GEM Listing Rules undertaken by the Group are set out as below:

1. On 11 June 1999, a tenancy agreement was entered into between Atland Properties Pte Ltd., a company all shares of which are beneficially held by Ms. Chan Xiao Li, sister of Mr. Anthony Chan, as the lessor and GAPL as the lessee in respect of premises in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 6 September 2001 for a term of 12 months from 25 September 2001 to 24 September 2002. The agreement was further renewed on 27 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further renewed on 22 September 2004 for a term of 24 months commencing on 25 September 2004. The agreement has been early terminated on 24 September 2006. No rental expense was incurred during year 2007 (2006: S$45,000)

2. On 11 June 1999, a tenancy agreement was entered into between GAPL as the lessor and Octavus Properties Pte Ltd., a company all shares of which are beneficially held by Mr. Anthony Chan, as the lessee in respect of premises of approximately 353 sq. ft. in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 10 September 2001 for a term of 12 months upon its expiration. The agreement was further renewed on 28 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further renewed on 23 September 2004 for a term of 24 months commencing on 25 September 2004. The agreement has been early terminated in September 2006. No rental income was received during the year 2007. (2006: S$7,650)

In accordance with the conditions agreed with the Stock Exchange with respect to certain connected transactions, the independent non-executive directors have reviewed the connected transactions aforementioned. In their opinion, these transactions entered into by the Group were:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;

(3) fall under the definition of "connected transaction" or "continuing connected transaction" as in Chapter 20 of the GEM Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Directors' Report

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

As at 31 December 2007, the interests or short positions 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 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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

		Number of ordinary shares held					
Name	Capacity	Personal Interest	Family Interest	Corporate Interest	Other Interests	Total	Approximate percentage of shareholding
Loh Nee Peng	Interest of a controlled corporation	–	–	100,149,480 *(Note 1)*	–	100,149,480	25.04%
Loh Boon Cha	Deemed interest	–	54,865,480 *(Note 2)*	45,284,000 *(Note 2)*	–	100,149,480	25.04%

Notes:

1. The 100,149,480 shares are held as to 54,865,480 shares by Big Reap International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap International Limited and Loh & Loh Construction Group Ltd.

2. The 100,149,480 shares are held as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which is interested as to 21% by Mr. Loh Boon Cha; and as to 54,865,480 shares by Big Reap International Limited which is interested as to 100% by Mr. Loh Nee Peng. By virtue of SFO, Mr. Loh Boon Cha is deemed to be interested in the shares held by Big Reap International Limited due to family ties as Mr. Loh Boon Cha is the father of Mr. Loh Nee Peng.

Save as disclosed above, as at 31 December 2007, none of the Directors or their associates, has any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (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 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2007, the persons or corporations (other than directors or chief executive of the Company) who have interests or short positions in the shares ad underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh & Loh Construction Group Ltd.	Beneficial owner *(Note 1)*	45,284,000	11.32%
Loh Kim Her	Interest of a controlled corporation *(Note 2)*	53,284,000	13.32%
Comfort DelGro Corporation Limited	Interest of a controlled corporation *(Note 3)*	44,600,000	11.15%
Chan Hing Ka Anthony	Interest of a controlled corporation *(Note 4)*	94,765,925	23.69%

Notes:

1. Loh & Loh Construction Group Ltd. is held as to 49% by Mr. Chan Hing Ka Anthony, as to 15% by Mr. Loh Kim Her, as to 15% by Mr. Loh Nee Peng and as to 21% by Mr. Loh Boon Cha. Mr. Chan Hing Ka Anthony, Mr. Loh Kim Her and Mr. Loh Nee Peng are directors and Mr. Loh Boon Cha is the brother of Mr. Loh Kim Her and the father of Mr. Loh Nee Peng.

2. The 53,284,000 shares held as to 8,000,000 shares by Affluence Investment International Limited, and as to 45,284,000 shares by Loh & Loh construction Group Ltd., which are interested as to 100% and 15% respectively by Mr. Loh Kim Her. By virtue of the SFO, Mr. Loh Kim Her is deemed to be interested in the shares held by Affluence Investment Limited, and Loh & Loh Construction Group Ltd.

3. The 44,600,000 shares held by ComfortDelGro (China) Pte Ltd., the wholly owned subsidiary of Comfort DelGro Corporation Limited. By virtue of the SFO, Comfort DelGro Corporation Limited is deemed to be interested in the shares held by Comfort DelGro (China) Pte Ltd.

4. The 94,765,925 shares held as to 49,481,925 shares by Tycoons Investment International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 49% respectively by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 31 December 2007, the Directors are not aware of any other person or corporation having an interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2007 and up to the date of this report are:

Executive Directors

Mr. Loh Boon Cha *(Chairman)*
Mr. Loh Nee Peng *(Managing Director)*
Mr. Xu Ming

Independent Non-executive Directors

Mr. Lee Kwok Yung
Mr. Zhang Lei
Mr. Yin Bin

In accordance with Article 87 of the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last re-elections and appointments. In accordance with these provisions, Mr. Xu Ming and Mr. Lee Kwok Yung, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Apart from Mr. Xu Ming, the two executive directors, Mr. Loh Nee Peng and Mr. Loh Boon Cha have entered into a service contract with the Company for an initial term of three years, commencing from 1 January 2005 and 4 August 2006 respectively, subject to early termination by the Company giving not less than three months notice of termination or payment in lieu. Mr. Xu Ming, has not entered into any service contract with the Company.

Two independent non-executive directors, Mr. Yin Bin and Mr. Zhang Lei have entered into appointment letters with the Company for a term of five years commencing from 1 July 2006 and 16 July 2006 respectively. Another independent non-executive Directors, Mr. Lee Kwok Yung has entered into appointment letter with the Company for a term of three years commencing from 1 June 2005.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract of significance (as defined in the GEM Listing Rules) to which the Company or any of its subsidiaries was a party in which a director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors and chief executive 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.

GROUP'S EMOLUMENT POLICY

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are determined with regard to the performance of individuals, the Company's operating results and market standards.

DIRECTORS' EMOLUMENTS AND THE HIGHEST PAID EMPLOYEES

Details of directors' emoluments are set out on notes 12 of the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 78 of this annual report. This summary does not form part of the audited financial statements.

PENSION SCHEMES

Details of the pension schemes of the Group are set out in note 32 to the financial statements.

MANAGEMENT OF RISKS

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Credit risk

Credit risk refers to the risk the debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to Group. The Group's sales are made to luxury car dealers in PRC. The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements).

As disclosed in note 17 to the financial statements, the Group made advances to two business partners, NAGC Group and Zhong Bao Group. The Group has been actively monitoring the repayments in order to control the credit risk. In addition, collaterals would be required whenever deemed necessary for these advances.

The Group has concentration of credit risk due to its relatively small customer base.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

Liquidity risk

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash-outflows due in day-to-day business, and maintains adequate reserves, banking facilities and reserve borrowing facilities.

Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs are monitored by forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's operations are financed mainly through bank borrowings, finance leases and accumulated profits.

Directors' Report

Foreign exchange risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States Dollars ("US$"), Europe Dollars ("EUR"), Hong Kong Dollar ("HKD") and RMB. Foreign exchange risk arises from commercial transactions and recognized assets and liabilities. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw material denominated in the same currency.

Interest rate risk

The Group's interest rate risk relates to interest-bearing borrowings which includes bank borrowings and obligations under finance leases. The interest rates and terms of repayment have been disclosed in note 24 to the financial statements.

SEGMENTAL INFORMATION

Details of the segmental information of the Group are set out in note 6 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors are set out on pages 10 to 11 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence has been received from each of independent non-executive directors of the Company and the Company considers all existing independent non-executive directors to be independent according to the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales

– The largest customer	23.36%
– The total of five largest customers	66.87%

Purchases

– The largest supplier	44.21%
– The total of five largest suppliers	70.46%

As far as the Directors aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

AUDITORS

The financial statements of the Company for the year ended 31 December 2007 were audited by Grant Thornton, who will retire and a resolution to re-appoint Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

Moores Rowland Mazar resigned as auditors of the Company on 19 July 2004. Grant Thornton were appointed as auditors of the Company by the Board on 10 August 2004 since then to fill the casual vacancy.

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson, aged 43, is the Qualified Accountant and the Company Secretary of the Group. He joined the Group in 2005 and has more than 15 years of experience in the field of accounting, auditing and financial management. He holds a bachelor degree in business and a master degree in science from the Chinese University of Hong Kong. He is also an associate member of the Hong Kong Society of Accountants and a fellow member of Association of Chartered Certified Accountants.

COMPLIANCE OFFICER

Mr. Loh Nee Peng, aged 40, is an executive director of the Company and a co-founder of the Group. He is appointed as the Company's compliance officer on 14 July 2004. Mr. Loh graduated from the University of San Francisco in 1988 with a bachelor degree in business administration, and he gained more than 15 years of experience in the PRC's auto industry.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

For the year ended 31 December 2007, the Company has not adopted any share option scheme, nor does 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 17.16 and 17.17, a disclosure obligation arises where the increment of advanced amount to an entity from the Group individually exceed 3% under the assets ratio as defined under Rule 19.07(i) of the GEM Listing Rules (the "Assets Ratio"). As at 31 December 2007, the Company's total assets were approximately S$85,442,000.

	31 December 2007		Assets Ratio	31 December 2006		Increment as compared to Assets Ratio
	S$'000	**HK$'000**	(%)	S$'000	HK$'000	(%)
NAGC Group:						
Car rental advances	**–**	**–**		97	487	
Prepaid rental expenses	**6,864**	**36,903**	8.0%	7,017	35,261	N/A
Advances to NAGC	**7,563**	**40,661**	8.9%	8,234	41,377	N/A
Guarantee to NAGC	**4,052**	**21,785**	4.7%	4,304	21,628	N/A
	18,479	**99,349**	21.6%	19,652	98,753	
Zhong Bao Group*:						
Advances to Zhong Bao Group	**37,352**	**200,817**	43.7%	33,404	167,859	4.6%
Guarantee to Zhong Bao Group	**24,696**	**132,774**	28.9%	23,640	118,794	N/A
	62,048	**333,591**		57,044	286,653	
	80,527	**432,940**	94.2%	76,696	385,406	

Directors' Report

Relevant advances in comparison to the previous disclosure is shown below:

	(Audited) 31 December 2007		(Unaudited) Previous disclosure 30 September 2007		Increment as compared to Assets Ratio
	S$'000	HK$'000	S$'000	HK$'000	(%)
Zhong Bao Group*:					
Advances to Zhong Bao Group	**37,352**	**220,817**	**16,936**	**86,851**	23.9%

* Being Xiamen Zhong Bao and certain of its subsidiaries and related companies ("Zhong Bao Group")

Car Rental Advances, Prepaid Rental Expenses, Guarantee, Advances to NAGC and Zhong Bao Group

The total advances, guarantees provided to and due from NAGC and its subsidiaries or any of their respective associates (collectively the "NAGC") and Zhong Bao Group are in aggregate of approximately S$80,527,000 (equivalent to approximately HK$432,940,000) as at 31 December 2007 (as at 31 December 2006: S$76,696,000; equivalent to approximately HK$385,406,000), representing 94.2% of the Assets Ratio.

NAGC engages in a wide range of business operations including state-grant import and export business of motor vehicles. NAGC Group is the business partner of the Group with a nationwide distribution network in the PRC. It assists the Group in distribution of motor vehicles and setting up car rental business in the PRC.

Zhong Bao Group engages in the operation of distribution of locally manufactured BMW motor vehicles in the PRC. On the other hand, the Group provides technical expertise and financial assistance to Zhong Bao Group. Technical agreement was entered between Zhong Bao Group and the Group which set out the basis for the amount of technical fee charged by the Group.

1) The details of transactions to NAGC which are of trading nature and remain outstanding as at 31 December 2007 are announced as follows:

Car Rental Advances due from NAGC

At 31 December 2007, there is no car rental advance provided to NAGC. (as at 31 December 2006: S$97,000; equivalent to approximately HK$487,000)

Prepaid rental Expenses due from NAGC

As at 31 December 2007, prepaid rental expenses of the amount of approximately S$6,864,000 (equivalent to approximately HK$36,903,000) (as at 31 December 2006: S$7,017,000; equivalent to approximately HK$35,261,000) were made in accordance with the co-operation agreement in March 2000 and entered between the Group and China National Automotive Anhua Hertz Services Centre Co., Ltd. ("CNA Anhua (Hertz)"), a wholly owned subsidiary of NAGC for the construction of three showrooms/service centres and related facilities in Guangdong Province, Xiamen and Beijing. CNA Anhua (Hertz) is not connected with the Company, the Directors, chief executive, substantial shareholders or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined under the GEM Listing Rules). As further disclosed under the section headed "Update on the Progress of the Co-operation Projects with North Anhua Group Corporation and its "Related Companies" issued by the Company dated 6 January 2004 (the "Circular"), according to the supplemental agreement entered between the Group and CNA Anhua (Hertz) dated 5 October 2002, the establishment of a showroom/service centre in Guangdong Province was not pursued. Therefore, the number of service centres was reduced to two. The Directors are of the view that the construction of showrooms/service centres and related facilities under these co-operation projects are important to the Group to achieve its business objectives as mentioned in the Prospectus and the prepaid rental expenses were made under normal commercial terms and in the ordinary course of business of the Group. The prepaid rental expenses entitle the Group to use such facilities for 50 years from the date of completion of the developments. The prepaid rental expense for the development project in Beijing was completed in December 2001. The development in Haichang, Xiamen, was completed in December 2003. The prepaid rental expenses were unsecured and interest free. The prepaid rental expenses for the development project in Beijing and Xiamen are amortized on a straight line basis over 50 years from the date of completion.

Advances to NAGC

Approximately S$7,563,000 (equivalent to approximately HK$40,661,000) (as at 31 December 2006: S$8,234,000; equivalent to approximately HK$41,377,000) were advanced to NAGC Group, representing 8.9% of the Group's Asset's Ratio. The advances were for their purchase of automobiles and related import tax expenses so as to leverage the distribution network of NAGC Group for marketing and promotional purposes. As disclosed under the section headed "Risk Factors" of the Prospectus, the PRC imposes restrictions on the imports of motor vehicles. NAGC Group is one of the eligible entities in the PRC which are allowed to distribute imported automobiles in the PRC. The Directors considered that the Group's reliance on NAGC Group in promoting sales of imported cars in the PRC and the provision of advances to NAGC Group by the Group in this regard are normal commercial practice. The advances were unsecured, interest free and repayable in or before August 2008.

Guarantee to NAGC

Guarantee in the amount of approximately S$4,052,000 (equivalent to approximately HK$21,785,000) (as at 31 December 2006: S$4,304,000; equivalent to approximately HK$21,628,000) were provided to a bank in respect of banking facilities granted to NAGC Group The guarantee were for the banking facilities granted for the use in car rental business by the three sub-licensees. The Group is negotiating with the correspondent bank to release the above guarantees. The Group does not have any security or receive any considerations from NAGC Group by giving such guarantee.

2) The details of transactions to Zhong Bao Group which are of trading nature and remain outstanding as at 31 December 2007 are announced as follows:

Advances to Zhong Bao Group

As at 31 December 2007, advances of approximately S$37,352,000 (equivalent to approximately HK$200,817,000) (as at 31 December 2006: S$33,404,000; equivalent to approximately HK$ 167,859,000) were advanced to Zhong Bao Group, representing 43.7% of the Group's Assets Ratio. The increment represents 4.6 % and 23.9% of the Group's Assets Ratio when the relevant amount is compared to the balance as at 31 December 2006 and 30 September 2007 respectively.

The advances were made for the marketing activities of the PRC manufactured BMW motor vehicles in accordance with a co-operation agreement entered between Xiamen Zhong Bao and the Group on 7 October 2003. The remaining portion were the technical fee income derived from the provision of management consulting and technical assistance to Zhong Bao Group 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 cash by the end of August 2008.

Directors' Report

Guarantee to Zhong Bao Group

Guarantee in the amount of approximately S$24,696,000 (equivalent to approximately HK$132,774,000) (as at 31 December 2006: S$23,640,000; equivalent to approximately HK$118,794,000) were provided to a bank in respect of banking facilities granted to Zhong Bao Group. The guarantee were for the bank facilities granted for the use in car trade business of Zhong Bao Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2007.

On behalf of the Board
Loh Nee Peng
Managing Director

Hong Kong, 28 March 2008

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

Pursuant to rule 18.44 (2) and Appendix 16 of the GEM Listing Rules, the Company wish to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 15 of the GEM Listing Rules (the "Code") during the year.

(1) CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group. The Group has applied in Appendix 15 of the GEM Listing Rules with these objectives in mind.

Under the code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The existing articles of association of the Company provide that no Directors holding office as chairman and/or managing director shall be subject to retirement by rotation. Accordingly, as at the date of this announcement, Mr. Loh Boon Cha and Mr. Loh Nee Peng, being the Chairman and Managing Director of the Company respectively, are not subject to retirement by rotation. In order to comply with the code provision A.4.2, Mr. Xu Ming and Mr. Lee Kwok Yung will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the directors of the Company, all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors.

(3) BOARD OF DIRECTORS

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman and the management.

Corporate Governance Report

BOARD COMPOSITION

The Board comprises a total of six directors, with three executive directors, namely, Mr. Loh Boon Cha (Chairman), Mr. Loh Nee Peng (Managing Director), Mr. Xu Ming; and three independent non-executive directors, namely, Mr. Lee Kwok Yung, Mr. Zhang Lei and Mr. Yin Bin. Subject to Rule 5.05 in the GEM Listing Rules, more than one independent non-executive directors have appropriate professional qualifications, accounting and financial management expertise.

Two independent non-executive directors, Mr. Yin Bin and Mr. Zhang Lei have entered into appointment letters with the Company for a term of five years commencing from 1 July 2006 and 16 July 2006 respectively. Another independent non-executive directors, Mr. Lee Kwok Yung has entered into appointment letter with the Company for a term of three years commencing from 1 June 2005.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of view that all independent non-executive directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Relationship

Mr. Loh Boon Cha (Chairman) is the father of Mr. Loh Nee Peng (Managing Director) and the brother of a former director Mr. Loh Kim Her.

Board Operation

The Board meets regularly over the Company's affairs and operations. In 2007, the Board held eight meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Loh Boon Cha *(Chairman)*	6/8
Loh Nee Peng *(Managing Director)*	7/8
Xu Ming	2/8
Independent Non-Executive Directors	
Lee Kwok Yung	6/8
Yin Bin	5/8
Zhang Lei	5/8

Nomination Committee

A Nomination Committee was established during the year which comprises 1 executive director and 2 independent non-executive directors, namely Mr. Loh Boon Cha (the Chairman of the Committee), Mr. Yin Bin and Mr. Zhang Lei as members. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors and senior management, making recommendations to the Board on the appointment and succession planning of directors and senior management, and assessment of the independence of the independent non-executive directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship and senior management by making reference to the skills, experience, professional knowledge, personal integrity and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Nomination Committee was established on 29 September 2006 and met once since its establishment and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

Remuneration of Directors

A remuneration committee was formed on 27 September 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment for a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for executive directors and senior management and to make recommendations to the Board on the remuneration of non-executive directors.

The Remuneration Committee is made up of all the Company's independent non-executive directors, namely, Mr. Lee Kwok Yung (Chairman), Mr. Yin Bin and Mr. Zhang Lei.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters when needs arise. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met once during the year ended 31 December 2007, and reviewed the remuneration policy and structure of the Company and remuneration packages of the independent non-executive directors and the senior management for the year under review.

Corporate Governance Report

Auditor's Remuneration

The remuneration provision in respect of audit services for the year 2007 as provided by the auditors, Grant Thornton, amounts to HK$450,000 (approximately S$87,000).

Audit Committee

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company's Audit Committee was formed on 5th June 2002 and is currently composed of namely, Mr. Lee Kwok Yung, Mr. Zhang Lei and Mr. Yin Bin. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and the internal control procedures of the Group.

In 2007, the Audit Committee held four meetings. The attendance record of each. Member of the Committee is set out as below:

	Attendance
Lee Kwok Yung *(Chairman)*	4/4
Zhang Lei	3/4
Yin Bin	3/4

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during 2007.

A statement of director responsibilities for preparing the financial statements is set out in this Annual Report. The Independent Auditor's Report states auditors' reporting responsibilities.

The Directors have reviewed and are satisfied with the effectiveness of the Group's internal control system, including financial, operational and compliance controls and risk management functions.

Independent auditors' report

Grant Thornton
均富

To the members of G.A. Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of G.A. Holdings Limited (the "Company") and its subsidiaries (collectively referred as at the "Group") set out on pages 29 to 77, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

28 March 2008

Consolidated income statement

for the year ended 31 December 2007

	Notes	2007 S$'000	2006 S$'000
Revenue	5	**37,416**	60,381
Other income	7	**5,634**	4,913
Cost of sales	8.1	**(31,692)**	(51,699)
Employee benefit expenses	12	**(2,148)**	(2,284)
Depreciation and amortisation		**(1,399)**	(1,318)
Operating lease charges		**(333)**	(371)
Exchange differences, net		**1,670**	1,040
Impairment of receivables		**–**	(1,846)
Other operating expenses		**(2,553)**	(1,379)
Profit from operating activities		**6,595**	7,437
Finance costs	8.2	**(3,270)**	(3,527)
Profit before income tax		**3,325**	3,910
Income tax expense	9	**(729)**	(924)
Profit for the year		**2,596**	2,986
Attributable to :			
Equity holders of the Company		**2,600**	3,032
Minority interests		**(4)**	(46)
Profit for the year		**2,596**	2,986
Earnings per share for profit attributable to the equity holders of the Company during the year	11	**Singapore cent**	Singapore cent
Basic		**0.65**	0.76
Diluted		**N/A**	N/A

Consolidated Balance sheet

as at 31 December 2007

	Notes	2007 S$'000	2006 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	6,183	6,215
Leasehold lands	14	859	870
Prepaid rental expenses	15	6,758	6,911
Non-current receivables	17	3	97
		13,803	14,093
Current assets			
Inventories	18	2,057	3,547
Trade receivables	19	9,493	15,150
Prepayments, deposits and other current assets	20	50,486	45,134
Due from a director	26	4	4
Pledged deposits	21	7,103	4,032
Cash and cash equivalents	21	2,496	1,637
		71,639	69,504
Current liabilities			
Trade payables	22	1,116	4,771
Accruals and other payables	23	7,608	8,650
Pension and other employee obligations	32	12	16
Bills payables	24	17,723	17,517
Borrowings	24	19,435	10,556
Due to related companies	25	412	422
Due to directors	26	848	681
Tax payable	28	6,062	6,207
		53,216	48,820
Net current assets		18,423	20,684
Total assets less current liabilities		32,226	34,777
Non-current liabilities			
Borrowings	24	571	4,390
Deferred tax	27	262	191
		833	4,581
Net assets		31,393	30,196

Consolidated Balance sheet

as at 31 December 2007

	Notes	2007 S$'000	2006 S$'000
EQUITY			
Equity attributable to Company's equity holders			
Share capital	29	**9,040**	9,040
Reserves	30	**22,007**	20,804
		31,047	29,844
Minority interests		**346**	352
Total equity		**31,393**	30,196

Loh Boon Cha
Director

Loh Nee Peng
Director

Balance sheet

as at 31 December 2007

	Notes	2007 S$'000	2006 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	11,326	11,245
Current assets			
Other receivables	20	12	–
Current liabilities			
Other payables	23	397	61
Due to directors	26	92	92
		489	153
Net current liabilities		(477)	(153)
Total assets less current liabilities		10,849	11,092
EQUITY			
Issued capital	29	9,040	9,040
Reserves	30	1,809	2,052
Total equity		10,849	11,092

Loh Boon Cha
Director

Loh Nee Peng
Director

Consolidated statement of changes in equity

for the year ended 31 December 2007

The Group

	Equity attributable to equity holders of the Company							
	Issued Capital	Share premium*	Capital Reserve*	Translation reserve*	Retained Profit*	Total	Minority interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	(Note 29)	(Note 30)	(Note 30)	(Note 30)				
At 1 January 2006	9,040	4,006	1,689	301	14,292	29,328	421	29,749
Net gains/(losses) recognised directly in equity								
Translation difference	–	–	–	(2,516)	–	(2,516)	(23)	(2,539)
Profit for the year	–	–	–	–	3,032	3,032	(46)	2,986
Total recognised income and expenses for the year	–	–	–	(2,516)	3,032	516	(69)	447
At 31 December 2006	9,040	4,006	1,689	(2,215)	17,324	29,844	352	30,196
Net gains/(losses) recognised directly in equity								
Translation difference	–	–	–	(1,397)	–	(1,397)	(2)	(1,399)
Profit for the year	–	–	–	–	2,600	2,600	(4)	2,596
Total recognised income and expenses for the year	–	–	–	(1,397)	2,600	1,203	(6)	1,197
At 31 December 2007	9,040	4,006	1,689	(3,612)	19,924	31,047	346	31,393

* These reserves accounts comprise the consolidated reserves of S$22,007,000 (2006: S$20,804,000) in the consolidated balance sheet as at 31 December 2007.

Consolidated cash flow statement

for the year ended 31 December 2007

	Notes	2007 S$'000	2006 S$'000
Cash flows from operating activities			
Profit before income tax		3,325	3,910
Adjustments for:			
Interest expense	8.2	3,186	3,418
Interest element of finance lease rental payments	8.2	84	109
Interest income	7	(181)	(197)
Gain on disposal of property, plant and equipment	8.3	(88)	(85)
Depreciation of property, plant and equipment	8.3	1,235	1,154
Annual charges of prepaid operating lease payment	8.3	11	11
Amortisation of prepaid rental expenses	8.3	153	153
Impairment of receivables	8.3	–	1,846
Impairment of inventories	8.1	171	–
Operating profit before working capital changes		7,896	10,319
Decrease/(increase) in inventories		1,319	(1,070)
Decrease in trade receivables		5,657	9,584
Decrease in bills receivable		–	3,842
Increase in prepayments, deposits and other current assets		(5,352)	(14,627)
Net movement in balances with related companies		(10)	50
Net movement in balances with directors		167	192
Decrease in trade payables		(3,655)	(2,417)
Decrease in pension and other employee obligations		(4)	(4)
(Decrease)/increase in accruals and other payables		(1,042)	2,561
Increase/(decrease) in bills payable		206	(25,725)
Cash generated from/(used in) operations		5,182	(17,295)
Interest received		181	197
Interest paid		(3,186)	(3,418)
Interest element of finance lease rental payments		(84)	(109)
Overseas tax paid		(131)	–
Hong Kong profit tax paid		(814)	(219)
Net cash generated from/(used in) operating activities		1,148	(20,844)

Consolidated cash flow statement

for the year ended 31 December 2007

	Notes	2007 S$'000	2006 S$'000
Cash flows from investing activities			
Payment of prepaid rental expenses		–	(47)
Purchase of property, plant and equipment		(903)	(1,737)
Proceeds from disposal of property, plant and equipment		224	608
(Increase)/decrease in pledged deposits		(3,071)	8,570
Decrease in non-current receivables		94	1,659
Purchase of a land use right		–	(102)
Net cash (used in)/generated from investing activities		(3,656)	8,951
Cash flows from financing activities			
New bank loans		12,718	14,220
Repayment of bank loans		(7,339)	(7,130)
Capital element of finance lease rental payments		(1,247)	(1,452)
Net cash generated from financing activities		4,132	5,638
Net increase/(decrease) in cash and cash equivalents		1,624	(6,255)
Translation adjustment		(1,008)	(2,142)
Cash and cash equivalents at the beginning of the year		1,634	10,031
Cash and cash equivalents at end of year		2,250	1,634
Analysis of balances of cash and cash equivalents			
Cash and bank balances		2,496	1,637
Bank overdrafts	24.1	(246)	(3)
		2,250	1,634

Notes to the financial statements

for the year ended 31 December 2007

1. GENERAL INFORMATION

G.A. Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 5 July 2001. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is unit 1206, 12th Floor, 9 Queen's Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in the sales of motor vehicles and provision of car-related technical services, servicing of motor vehicles and sales of auto parts. In the current year, the Group has ceased the business of provision of management services in respect of car rental.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The financial statements for the year ended 31 December 2007 were approved by the Board of Directors on 28 March 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has adopted, for the first time, the following new standards, amendment and interpretations issued by HKICPA, which are relevant to the Group's operations and effective for financial year beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Interpretation 8	Scope of IFRS 2
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment

The adoption of these new or amended HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented but with expanded disclosures on the Group's capital management policies and the significance, nature and extent of risk relating to the Group's use of financial instruments. Accordingly, no prior period adjustment is required.

2.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 38.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

2.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitivity analysis that explains the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

as at the balance sheet date.

2.3 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs – Comprehensive Revision to Prohibit Immediate Expensing[1]
HKAS 27 (Revised)	Consolidated and Separate Statement[5]
HKFRS 2 (Amended)	Share-based Payment – Amendment Relating to Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combination – Comprehensive Revision on Applying the Acquisition Method[5]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 11	Group and Treasury Share Transactions[2]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[3]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 July 2009

Among these new standards and interpretation, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements.

Amendment to HKAS 1 Presentation of Financial statements

The amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

The directors are currently assessing the impact of other new standards and interpretations but are not yet in a position to state whether they would have any material financial impact on the Group's financial statements.

Notes to the financial statements

for the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with HKFRSs. The significant accounting policies that have been adopted in the preparation of these consolidated financial statements are summarised below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the minority's share of losses previously absorbed by the Group has been recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation

The consolidated financial statements are presented in Singapore Dollars ("S$"). The functional currency of the Company is Hong Kong Dollars ("HK$").

In the individual financial statements of the subsidiaries, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

In the consolidated financial statements, all individual financial statements of foreign operations originally presented in a currency different from the Group's presentation currency, have been converted into Singapore Dollars. Assets and liabilities have been translated into Singapore Dollars at the closing rate at the balance sheet date. Income and expenses have been converted into Singapore Dollars at the exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rate does not fluctuate significantly. Any differences arising from this procedure have been charged/(credited) to the currency translation reserve in equity.

3.5 Revenue recognition

Revenue comprises the fair value for the sales of goods and services, net of rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sales of goods are recognised when significant risks and rewards of ownership have been transferred to the buyers, provided that collectibility of the related receivable is reasonably assured and the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Services fee are recognised when the relevant services are rendered.

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on a time proportion basis using the effective interest method.

3.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Notes to the financial statements

for the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method to allocate the costs over the estimated useful lives, as follows:

Buildings	1.5% per annum
Leasehold improvements	10% to 50% per annum
Plant and machinery	10% to 33.3% per annum
Motor vehicles	20% to 33.3% per annum
Furniture and equipment	10% to 33.3% per annum

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

Construction in progress, which represents buildings under construction is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.7 Impairment of non-financial assets

The Group's property, plant and equipment, leasehold lands, prepaid rental expenses and the Company's interest in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units with an indefinite useful life and those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

An impairment loss is reversed if there has been a change in the favourable estimates used to determine the asset's or cash-generating unit's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair values of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liabilities are reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(iv) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Notes to the financial statements

for the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial assets

The Group's financial assets include trade and other receivables, amount due from a director and related companies, cash and bank balances and pledged deposits.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

The Group's financial assets are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Derecognition occurs when the rights to receive cash flows expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognized. The amount of impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement in the period in which the reversal occurs.

3.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise fully-assembled motor vehicles and auto parts. Cost includes purchase and other costs incurred in bringing the inventories to their present location and condition using First-in First-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.11 Income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Income tax *(Continued)*

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, no deferred taxes are recognised in conjunction with temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hands, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

3.14 Borrowing costs

All borrowing costs are expensed as incurred.

3.15 Pension obligation and short term benefits

Pension to employees are provided through several defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Notes to the financial statements

for the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Pension obligation and short term benefits *(Continued)*

Short-term employee benefits are recognised for the number of paid leave days (usually holiday entitlement) remaining at the balance sheet date. They are included in pension and other employee obligation at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

3.16 Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, bills payables, trade and other payables, amounts due to related companies and directors and finance lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance cost in the income statement.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.17 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no contingent liability is recognised in the consolidated balance sheet, unless assumed in the course of a business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisaton.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company/Group that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is an associate of the Company/Group;

(c) the party is a joint venture in which the Company/Group is a venturer;

(d) the party is a member of the key management personnel of the Company/Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, joint controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is related party of the Company/Group.

3.19 Financial guarantees

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised to the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

Notes to the financial statements

for the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Segmental reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical business as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, leasehold land, prepaid rental expenses, non-current receivables, inventories, trade receivables, bills receivables and bank balances and cash. Segment liabilities comprise operating liabilities such as trade payables and bills payables and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are currently evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarises (1) estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year and (2) significant judgements made in the process of applying the Group's accounting policies.

Impairment of receivables

Assessment for impairment of receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor.

Depreciation

The Group depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

5. REVENUE – GROUP

The Group is principally engaged in (i) sales of motor vehicles and provision of car-related technical services and (ii) servicing of motor vehicles and sale of auto parts. Revenue generated from these principal activities, which is also the Group's turnover, recognised during the year is as follows:

	2007	2006
	S$'000	S$'000
Sales of motor vehicles	**23,248**	46,388
Technical fee income	**3,829**	4,543
Servicing of motor vehicles and sales of auto parts	**10,339**	9,450
	37,416	60,381

6. SEGMENT INFORMATION – GROUP

Primary reporting format – business segment

The Group is organised into 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 (the related business has ceased during the year); and
Activity 4:	Commission income from sales of cars from German Automobiles Pte Ltd. ("GAPL") to German Automobiles Limited ("GAL") (i.e. intra-Group) and others

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

Notes to the financial statements

for the year ended 31 December 2007

6. SEGMENT INFORMATION – GROUP *(Continued)*

Primary reporting format – business segment *(Continued)*

Business segment analysis as at and for the year ended 31 December 2007 is as follows:

	Activity 1 S$'000	Activity 2 S$'000	Activity 3 S$'000	Activity 4 S$'000	Inter-segment elimination S$'000	Group S$'000
Revenue						
External sales	27,077	10,339	–	–	–	37,416
Inter-segment sales	–	–	–	931	(931)	–
	27,077	10,339	–	931	(931)	37,416
Segment results	4,132	2,185	–	356	–	6,673
Unallocated income						181
Unallocated expenses						(259)
Profit from operating activities						6,595
Finance costs						(3,270)
Profit before income tax						3,325
Income tax expenses						(729)
Profit for the year						2,596
Segment assets	24,798	47,310	–	–	–	72,108
Unallocated assets						13,334
Total assets						85,442
Segment liabilities	19,030	2,379	–	–	–	21,409
Unallocated liabilities						32,640
Total liabilities						54,049
Capital expenditure	–	663	–	–	–	663
Unallocated portion						925
						1,588
Depreciation	30	350	–	–	–	380
Unallocated portion						855
						1,235
Annual charges of prepaid operating lease payment	11	–	–	–	–	11
Amortisation of prepaid rental expenses	153	–	–	–	–	153
Impairment of inventories	–	171	–	–	–	171

6. SEGMENT INFORMATION – GROUP *(Continued)*

Primary reporting format – business segment *(Continued)*

Business segment analysis as at and for the year ended 31 December 2006 is as follows:

	Activity 1 S$'000	Activity 2 S$'000	Activity 3 S$'000	Activity 4 S$'000	Inter-segment elimination S$'000	Group S$'000
Revenue						
External sales	50,931	9,450	–	–	–	60,381
Inter-segment sales	–	–	–	1,781	(1,781)	–
	50,931	9,450	–	1,781	(1,781)	60,381
Segment results	5,464	874	(161)	1,351	–	7,528
Unallocated income						197
Unallocated expenses						(288)
Profit from operating activities						7,437
Finance costs						(3,527)
Profit before income tax						3,910
Income tax expenses						(924)
Profit for the year						2,986
Segment assets	31,038	42,066	275	–	–	73,379
Unallocated assets						10,218
Total assets						83,597
Segment liabilities	22,427	4,307	1,227	–	–	27,961
Unallocated liabilities						25,440
Total liabilities						53,401
Capital expenditure	8	1,398	–	–	–	1,406
Unallocated portion						1,289
						2,695
Depreciation	67	331	–	–	–	398
Unallocated portion						756
						1,154
Annual charges of prepaid operating lease payment	11	–	–	–	–	11
Amortisation of prepaid rental expenses	153	–	–	–	–	153
Impairment of receivables	1,066	780	–	–	–	1,846

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for the year ended 31 December 2007

6. SEGMENT INFORMATION – GROUP *(Continued)*

Secondary reporting format-geographical segment

The Group's operations are located in three main geographical areas, namely People's Republic of China except Hong Kong (the "PRC"), Hong Kong and Singapore. The following table provides an analysis of the Group's revenue from external customers by location of customers:

	2007 S$'000	2006 S$'000
The PRC	**37,416**	59,371
Hong Kong	**–**	1,010
	37,416	60,381

The following is an analysis of the carrying amount of segment assets and capital expenditure (additions to property, plant and equipment) by geographical area in which the assets are located:

	Segment assets		Capital expenditure	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
The PRC	**71,952**	63,070	**663**	1,398
Singapore	**156**	1,488	**–**	8
Unallocated assets	**13,334**	19,039	**925**	1,289
	85,442	83,597	**1,588**	2,695

7. OTHER INCOME – GROUP

	2007 S$'000	2006 S$'000
Rental income – sublease	**1,988**	1,809
Interest income on financial assets stated at amortised cost	**181**	197
Other income	**3,465**	2,907
	5,634	4,913

8. PROFIT BEFORE INCOME TAX – GROUP

Profit before income tax is arrived at after charging/(crediting):

	2007 S$'000	2006 S$'000
8.1 Cost of sales		
Cost of inventories sold	**21,936**	42,590
Cost of services rendered (including impairment loss of inventories of S$171,000 (2006: nil))	**9,756**	9,109
	31,692	51,699
8.2 Finance costs on financial liabilities stated at amortised cost		
Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five year	**3,186**	3,418
Finance charges on finance leases	**84**	109
	3,270	3,527
8.3 Other items		
Auditors' remuneration	**87**	80
Depreciation of property, plant and equipment*	**1,235**	1,154
Gain on disposal of property, plant and equipment	**(88)**	(85)
Amortisation of prepaid rental expenses	**153**	153
Annual charges of prepaid operating lease payment	**11**	11
Impairment of receivables	**–**	1,846

* Amount included depreciation charge of S$828,000 (2006: S$726,000) for the Group's leased assets.

9. INCOME TAX EXPENSES – GROUP

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. During the 5th session of the 10th National People's Congress, which was concluded on 31 March 2007, the PRC Corporate Income Tax Law was approved and has become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

Notes to the financial statements

for the year ended 31 December 2007

9. INCOME TAX EXPENSES – GROUP *(Continued)*

	2007 S$'000	2006 S$'000
Current tax – Hong Kong		
Charge for the year	293	225
Under-provision in prior year	26	–
Current – Overseas		
Charge for the year	339	718
Deferred taxation (note 27)	71	(19)
Total tax charge for the year	729	924

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 S$'000	2006 S$'000
Profit before income tax	3,325	3,910
Tax at applicable rate	580	875
Non-deductible expenses	148	51
Tax exempt revenue	(25)	(2)
Under-provision in prior years	26	–
Income tax expenses	729	924

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

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR

Of the consolidated profit attributable to equity holder of the Company for the year of S$2,600,000 (2006: S$3,032,000), a loss of S$243,000 (2006: S$282,000) has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE – GROUP

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company for the year of approximately S$2,600,000 (2006: S$3,032,000) and on 400,000,000 (2006: 400,000,000) ordinary shares in issue during the year.

Diluted earning per share for the years ended 31 December 2007 and 2006 was not presented as there was no dilutive potential ordinary share for the year ended 31 December 2007 and 2006.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – GROUP

	2007 S$'000	2006 S$'000
Salaries and wages	1,813	2,060
Other benefits	231	105
Pension costs – defined contribution plans	104	119
	2,148	2,284

12.1 Directors' emoluments

12.1.1 Executive directors and non-executive directors

	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Bonus S$'000	Contribution to defined contribution plan S$'000	Total S$'000
2007					
Executive directors:					
Mr. Loh Boon Cha	–	–	–	–	–
Mr. Loh Nee Peng	–	180	–	7	187
Mr. Xu Ming	–	–	–	–	–
Independent non-executive directors:					
Mr. Lee Kwok Yung	23	–	–	–	23
Mr. Yin Bin	36	–	–	–	36
Mr. Zhang Lei	36	–	–	–	36
	95	180	–	7	282
2006					
Executive directors:					
Mr. Loh Boon Cha*	–	–	–	–	–
Mr. Chan Hing Ka Anthony**	–	174	–	7	181
Mr. Loh Nee Peng	–	180	–	7	187
Mr. Xu Ming	–	–	–	–	–
Independent non-executive directors:					
Mr. Lee Kwok Yung	24	–	–	–	24
Mr. Yin Bin	36	–	–	–	36
Mr. Zhang Lei	36	–	–	–	36
	96	354	–	14	464

* appointed on 4 August 2006

** resigned on 17 November 2006

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

Notes to the financial statements

for the year ended 31 December 2007

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) – GROUP *(Continued)*

12.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2006: two) director whose emoluments is included in the analysis presented above. The emoluments payable to the remaining four (2006: three) individuals during the year are as follows:

	2007 S$'000	2006 S$'000
Basic salaries, allowances and other benefits in kind	381	270
Contributions to pension schemes	10	12
	391	282

The emoluments fell within the following bands.

	Number of individuals 2007	2006
Emolument bands		
HK$ nil to HK$1,000,000 (equivalent to S$ nil to S$186,000)	4	3

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings S$'000	Leasehold improvements S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Furniture and equipment S$'000	Construction in progress S$'000	Total S$'000
At 1 January 2006							
Cost	553	1,598	3,944	5,028	1,235	–	12,358
Accumulated depreciation and impairment	(401)	(169)	(3,555)	(1,975)	(664)	–	(6,764)
Net carrying amount	152	1,429	389	3,053	571	–	5,594
Year ended 31 December 2006							
Opening net carrying amount	152	1,429	389	3,053	571	–	5,594
Exchange differences	–	(87)	(32)	(254)	(24)	–	(397)
Additions	–	408	706	1,394	187	–	2,695
Disposals	–	–	–	(523)	–	–	(523)
Depreciation	(3)	(90)	(79)	(806)	(176)	–	(1,154)
Closing net carrying amount	149	1,660	984	2,864	558	–	6,215
At 1 January 2007							
Cost	553	1,906	4,428	5,006	1,366	–	13,259
Accumulated depreciation and impairment	(404)	(246)	(3,444)	(2,142)	(808)	–	(7,044)
Net carrying amount	149	1,660	984	2,864	558	–	6,215
Year ended 31 December 2007							
Opening net carrying amount	149	1,660	984	2,864	558	–	6,215
Exchange differences	–	(9)	(61)	(174)	(5)	–	(249)
Additions	–	71	389	879	135	114	1,588
Disposals	–	–	–	(136)	–	–	(136)
Depreciation	(3)	(102)	(124)	(884)	(122)	–	(1,235)
Closing net carrying amount	146	1,620	1,188	2,549	566	114	6,183
At 31 December 2007							
Cost	553	1,960	4,460	5,218	1,490	114	13,795
Accumulated depreciation and impairment	(407)	(340)	(3,272)	(2,669)	(924)	–	(7,612)
Net carrying amount	**146**	**1,620**	**1,188**	**2,549**	**566**	**114**	**6,183**

The buildings are held under long team lease and located in the PRC. It is pledged to secure the banking facilities of Zhong Bao Group as disclosed in note 33 to the financial statements.

The net carrying amount of the motor vehicles of the Group includes an amount of approximately S$2,427,000 (2006: S$2,802,000) in respect of assets held under finance leases.

Certain plant and machinery with an aggregate carrying amount of approximately S$1,188,000 (2006: S$984,000) and motor vehicles of approximately S$50,000 (2006: nil) are pledged to the banks for facilities granted to the Group as disclosed in note 24 to the financial statements.

Notes to the financial statements

for the year ended 31 December 2007

14. LEASEHOLD LANDS – GROUP

The Group's interests in leasehold lands represent prepaid operating lease payments and their net carrying amounts are analysed as follows:

	2007 S$'000	2006 S$'000
Outside Hong Kong, held on Lease of over 50 years	859	870

	2007 S$'000	2006 S$'000
Opening net carrying amount at 1 January	870	647
Additions	–	234
Annual charges	(11)	(11)
Closing net carrying amount at 31 December	859	870

Leasehold land with carrying amount of approximately S$625,000 (2006: nil) is pledged to secure the banking facilities of Zhong Bao Group as disclosed in note 33 in the financial statements.

15. PREPAID RENTAL EXPENSES – GROUP

	2007 S$'000	2006 S$'000
Opening net carrying amount at 1 January	7,064	7,170
Addition	–	47
Amortisation for the year	(153)	(153)
Closing net carrying amount at 31 December	6,911	7,064
Less: Current portion of prepaid rental expenses (note 20)	(153)	(153)
Non-current portion	6,758	6,911

China National Automotive Anhua Hertz Service Centre Co., Ltd. ("CNA Anhua (Hertz)")

In March 2000, the Group entered into a project development co-operation agreement (the "Agreement") with CNA Anhua (Hertz), in which a director of the Company, Mr Loh Nee Peng, had significant influence through his directorship in CNA Anhua (Hertz) before 12 March 2003. Pursuant to the Agreement, CNA Anhua (Hertz) is responsible for the development of land and buildings for use as motor vehicle showrooms, service centres, auto parts factories and other related facilities in the Guangdong Province (the "Guangdong Project"), Fujian Province (the "Fujian Project") and Beijing Municipality (the "Beijing Project"). Pursuant to the Agreement, all land title certificates and ownership of facilities belong to CNA Anhua (Hertz), while the Group has the right to use such facilities for 50 years from the date of completion of the developments without additional consideration.

15. PREPAID RENTAL EXPENSES – GROUP *(Continued)*

China National Automotive Anhua Hertz Service Centre Co., Ltd. ("CNA Anhua (Hertz)") *(Continued)*

Accordingly, the advances made in respect of the Agreement have been classified as prepaid rental expenses and have been charged to the consolidated income statement over 50 years, commencing from the date of completion of the respective development projects.

The development in the Beijing Project in respect of prepaid rental expense of approximately S$4,113,000 (2006: S$4,113,000) was completed in 2001 and its charge for the year amounting to S$82,000 (2006: S$82,000). In October 2002, the Group decided to abandon the Guangdong Project. The sum prepaid was transferred for the construction of the enlarged Fujian Project. The Fujian Project in respect of prepaid rental expense of approximately S$3,527,000 (2006: S$3,527,000) was completed in December 2003 and its charge for the year amounting to S$71,000 (2006: S$71,000).

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2007	2006
	S$'000	S$'000
Unlisted shares, at cost	**7,882**	7,882
Due from a subsidiary	**3,782**	3,988
Due to subsidiaries	**(675)**	(625)
Financial guarantee issued	**337**	–
	11,326	11,245

The amounts are unsecured, interest-free and are not repayable within one year.

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16. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Details of the subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activities
GAPL###	Singapore	7,876,996 shares of S$1 each	100%	–	Distribution of motor vehicles and provision of technical services
GAL###	Hong Kong	20,000 ordinary shares of HK$1 each	100%	–	Sales liaison and trading of spare parts for motor vehicles and provision of technical services (2006: Sales liaison and trading of spare parts for motor vehicles)
Xiamen BMW Automobiles Service Co., Ltd.#	The PRC	Paid-in capital of US$11,200,000	–	100%	Provision of repair and maintenance services of high-end automobiles
Fuzhou BMW Automobiles Service Co., Ltd.#	The PRC	Registered and paid-in capital of US$5,100,000	–	100%	Provision of repair and maintenance services of high-end automobiles
China Automobile Asia Pte Ltd.###	Singapore	2 shares of S$1 each	–	100%	Investment holding
China National Auto Anhua (Tianjin) International Trade Co., Ltd.##	The PRC	Registered and paid-in capital of US$1,000,000	–	70%	Car related business

\# registered as a wholly foreign-owned enterprise under the PRC law

\## registered as a sino-foreign joint venture under the PRC law

\### incorporated as a limited liability company under local jurisdiction

The above table lists the subsidiaries of the Company which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. NON-CURRENT RECEIVABLES – GROUP

	Notes	2007 S$'000	2006 S$'000
Advances to NAGC Group	(a)	7,563	8,331
Advances to Zhong Bao Group	(b)	37,352	33,404
		44,915	41,735
Portion classified as current assets (note 20)	(c)	(44,912)	(41,638)
Non-current portion		3	97

Notes:

(a) The advances made to North Anhua Group Corportaion ("NAGC") and certain of its subsidiaries and related companies ("NAGC Group") were principally for the operations of the distribution of motor vehicles business in the PRC. The amounts due from NAGC Group are unsecured and interest-free. During the year, the maximum outstanding balance due from NAGC Group was S$11,454,000.

On 20 March 2008 the Group entered into an agreement (the "NAGC Payment Agreement") with NAGC in respect of the settlement of the outstanding receivables from NAGC Group as at 31 December 2007. Pursuant to the NAGC Payment Agreement, NAGC agreed to settle the outstanding balance amounted to S$7,563,000 as at 31 December 2007 by monthly instalments by 30 September 2008.

Following the signing of the NAGC Payment Agreement, NAGC Group has made repayment of approximately SGD1.3 million in he Group.

(b) The Group has established a close working relationship with Xiamen Zhong Bao Automobiles Co., Limited ("Xiamen Zhong Bao") and certain of its subsidiaries and related companies ("Zhong Bao Group"), in which Mr Loh Nee Peng, a director of the Company, is a director and shareholder. In the opinion of the directors of the Company, Zhong Bao Group is the key partner of the Group in developing the Group's potential business in the distribution of locally manufactured BMW motor vehicles.

Pursuant to a technical and management service agreement (the "Technical Agreement") entered into between the Group and Xiamen Zhong Bao on 7 October 2003, the Group would provide technical expertise and financial assistance to Zhong Bao Group. Advances were made by the Group for the operations of the distribution of locally manufactured BMW motor vehicles in the PRC by Zhong Bao Group. On 28 September 2004, the Group entered into a supplementary agreement to the Technical Agreement with Xiamen Zhong Bao which set out the basis for the amount of technical fee charged by the Group to Xiamen Zhong Bao. The charge is based on agreed terms with reference to the monthly closing balance of the current accounts between the Group and Zhong Bao Group. On 7 March 2007, the Group entered into agreements with Quanzhou Fubao Automobiles Co., Ltd and Tianjin Tianbao Automobiles Co., Ltd (entities within the Zhong Bao Group) and the terms of these agreements were similar to those agreed with Xiamen Zhongbao. During the year, the maximum outstanding balance due from Zhong Bao Group was S$60,608,000.

On 20 March 2008 the Group entered into agreements (the "ZB Payment Agreements") with Xiamen Zhong Bao in respect of the settlement of the outstanding receivables from Zhong Bao Group as at 31 December 2007 (the "ZB Advance"). Pursuant to the ZB Payment Agreements, Xiamen Zhong Bao agreed to settle the outstanding balance amounted to S$43,187,000 (consisting of advances RMB37,352,000 and trade balance of S$5,835,000) as at 31 December 2007 to the Group by monthly instalments by 31 December 2008. All of the existing motor vehicles purchased by Xiamen Zhong Bao have been pledged to the Group. The Group has taken physical possession of the motor vehicles purchased by Xiamen Zhong Bao as well as the related title documents of these motor vehicles. Prior to the full settlement of the ZB Advance by Xiamen Zhong Bao, all of the motor vehicles to be purchased by Xiamen Zhong Bao will also be pledged to the Group. The Group will take physical possession of the motor vehicles to be purchased by Xiamen Zhong Bao as well as the related title documents of these motor vehicles. The Group will release the motor vehicles and the related title documents to Xiamen Zhong Bao upon receiving 80% of the sales proceeds of the respective motor vehicles.

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17. NON-CURRENT RECEIVABLES – GROUP *(Continued)*

Notes: *(Continued)*

Following the signing of the ZB Payment Agreements in March 2008, Xiamen Zhong Bao has made aggregate repayments of approximately S$20 million to the Group.

(c) The directors believe that these advances are crucial to the Group in coping with the anticipated tremendous growth of the motor vehicles distribution and related business in the forthcoming years in the PRC. In view of the satisfactory settlement record, the directors are of the opinion that the balances due from NAGC Group and Zhong Bao Group will ultimately be recovered.

18. INVENTORIES – GROUP

	2007 S$'000	2006 S$'000
Motor vehicles	567	567
Motor vehicles in transit	–	1,240
Auto parts and accessories	1,490	1,740
	2,057	3,547

19. TRADE RECEIVABLES – GROUP

At 31 December 2007, the ageing analysis of trade receivables was as follows:

	2007 S$'000	2006 S$'000
0 – 90 days	4,852	8,936
91 – 180 days	2,079	3,161
181 – 365 days	1,509	2,659
Over 1 year	1,635	976
	10,075	15,732
Less: allowance for impairment of receivables	(582)	(582)
	9,493	15,150

In addition to the advances to NAGC Group and Zhong Bao Group as disclosed in note 17, the Group's trade receivables included trade balances of nil (2006: S$490,000) due from NAGC Group and of S$5,835,000 (2006: S$4,809,000) due from Zhong Bao Group as at 31 December 2007.

19. TRADE RECEIVABLES – GROUP *(Continued)*

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against trade receivables directly. The movement in the allowance for impairment of trade receivables is as follows:

	2007 S$'000	2006 S$'000
At 1 January	582	569
Charge for the year	–	13
At 31 December	582	582

At each balance sheet date, the Group's trade receivables were individually determined to assess if they are impaired. The individually impaired receivables are recognised based on the credit history of the customers. Consequently, specific impairment was recognised.

The majority of the Group's sales are on letter of credit. The Group allows a credit period from 3 months to 9 months to its trade customers. The ageing analysis of trade receivables that are past due but not impaired is as follows:

		2007 S$'000	2006 S$'000
Neither past due nor impaired		8,328	14,149
1 – 90 days past due		196	983
91 – 180 days past due	(a)	158	18
Over 180 days past due	(b)	811	–
		1,165	1,001
		9,493	15,150

(a) The directors of the Group are of the opinion that no further impairment of trade receivables is necessary as there was no recent history of default in respect of these trade receivables.

(b) The directors are of the opinion that the amount over 180 days past due was not impaired due to full settlement after the balance sheet date.

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20. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2007	2006	**2007**	2006
	S$'000	S$'000	**S$'000**	S$'000
Current portion of non-current receivables (note 17)	**44,912**	41,638	**–**	–
Current portion of prepaid rental expenses (note 15)	**153**	153	**–**	–
Other prepayments, deposits and current assets	**5,421**	3,343	**12**	–
	50,486	45,134	**12**	–

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP

	Notes	**2007**	2006
		S$'000	S$'000
Cash and bank balances		**2,496**	1,637
Pledged deposits:			
For banking facilities granted to the Group (note 24)		**5,096**	2,373
Guarantee money in respect of security of suppliers	(a)	**412**	–
For banking facilities granted to NAGC Group	(b)	**1,595**	1,659
		7,103	4,032
		9,599	5,669

Notes:

(a) Some bank deposits of the Group were pledged in respect of providing security to suppliers. All restriction on these bank deposits will be removed by 31 December 2008

(b) The banking facilities were granted up to approximately S$4,052,000 (2006: S$4,304,000) which were fully utilised as at 31 December 2007.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged deposits are made for various periods of one month to one year and earn interest at rates ranging from 2.5% to 4.5% (2006: 2.9% to 3.12%) per annum.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately S$3,374,000 (2006: S$673,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. TRADE PAYABLES – GROUP

The ageing analysis of trade payables is as follows:

	2007 S$'000	2006 S$'000
0 – 30 days	703	696
31 – 180 days	30	71
181 – 365 days	–	2,215
1 – 2 years	217	1,463
Over 2 years	166	326
	1,116	4,771

The trade payables are generally with credit terms of 3 months.

23. ACCRUALS AND OTHER PAYABLES – GROUP

	The Group		The Company	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Accruals	3,593	2,603	60	61
Deposit received	1,229	1,308	–	–
Other payables	2,786	4,739	–	–
Financial guarantee issued	–	–	337	–
	7,608	8,650	397	61

24. BILLS PAYABLES AND BORROWINGS – GROUP

Borrowings	Notes	2007 S$'000	2006 S$'000
Non-current			
Secured bank loans	24.2	35	3,488
Finance lease liabilities	24.4	536	902
		571	4,390
Current			
Bank overdrafts	24.1	246	3
Secured bank loans	24.2	14,803	5,899
Unsecured bank loans		3,528	3,600
Finance lease liabilities	24.4	858	1,054
		19,435	10,556

Notes to the financial statements

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24. BILLS PAYABLES AND BORROWINGS – GROUP *(Continued)*

24.1 Bank overdrafts and bills payables to banks

At the balance sheet date, the Group's bank overdrafts and bills payables are secured by the Group's fixed deposits amounting to approximately S$3,136,000 (2006: S$2,373,000), and corporate guarantees from the Company (note 35). In addition, the Group charged and assigned its interests and rights in certain proceeds under trade and bills receivables and certain inventories in favour of a bank in respect of these bank overdrafts and bills payables.

24.2 Secured bank loans

Secured bank loans comprise:

	Note	2007 S$'000	2006 S$'000
Term loans	(i)	**14,838**	9,387
Less: current portion		**(14,803)**	(5,899)
Non-current portion		**35**	3,488

(i) The term loans are secured by the following:

- Pledge of bank deposits of approximately S$4,236,000 (2006: S$2,373,000), which is part of the fixed deposits of S$5,096,000 (2006: S$2,373,000) mentioned in note 24.1 above;
- Legal charge over the plant and machinery and motor vehicles with net carrying amount of S$1,188,000 (2006: S$984,000) and S$50,000 (2006: nil) respectively;
- Corporate guarantees provided by the Company (note 35); and
- Corporate guarantees provided by Zhong Bao Group.

24.3 Other information about the borrowings

	Original currency	Effective interest rate (%) 2007 Fixed	2007 Floating	2006 Fixed	2006 Floating
Bank loans	S$	–	**4.0%-5.4%**	–	6.8%-7.5%
Bank loans	HK$	–	**7.8%-9.3%**	–	8.3%-9.3%
Bank loans	RMB	**6.4%**	–	6.4%	5.6%-6.1%
Finance lease liabilities	HK$	**3.1%-3.4%**	–	2.7%-3.7%	–

24. BILLS PAYABLES AND BORROWINGS – GROUP *(Continued)*

24.4 Finance lease liabilities

The analysis of the obligations under finance leases is as follows:

	Group	
	2007	2006
	S$'000	S$'000
Due within one year	**921**	1,122
Due in the second to fifth years	**594**	968
	1,515	2,090
Future finance charges on finance leases	**(121)**	(134)
Present value of finance lease liabilities	**1,394**	1,956

The present value of finance lease liabilities is as follows:

	Group	
	2007	2006
	S$'000	S$'000
Due within one year	**858**	1,054
Due in the second to fifth years	**536**	902
	1,394	1,956
Less: Portion due within one year included under current liabilities	**(858)**	(1,054)
Non-current portion included under non-current liabilities	**536**	902

25. DUE TO RELATED COMPANIES

Amounts due to related companies, of which the Group's directors have equity interests in, were unsecured, interest-free and repayable on demand.

Notes to the financial statements

for the year ended 31 December 2007

26. BALANCES WITH DIRECTORS – GROUP

Particulars of the amount due from a director, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	2007	Maximum amount outstanding during the year	2006
	S$'000	S$'000	S$'000
Loh Nee Peng	4	4	4

The amounts due from/to directors are unsecured, interest-free and repayable on demand.

27. DEFERRED TAX – GROUP

The movement on the deferred tax liabilities is as follows:

	Accelerated tax depreciation
	S$'000
At 1 January 2006	210
Deferred tax credited to the income statement during the year (note 9)	(19)
Deferred tax liabilities at 31 December 2006 and 1 January 2007	191
Deferred tax charged to the income statement during the year (note 9)	71
Deferred tax liabilities at 31 December 2007	262

28. TAX PAYABLE – GROUP

Included in tax payable of the Group was an amount of approximately S$3,731,000 (2006: S$3,401,000) being tax and penalty payable by a subsidiary of the Company incorporated in Singapore to the Inland Revenue Authority of Singapore ("IRAS") for prior years of assessments. Under the Singapore Income Tax Act ("ISTA"), IRAS may take actions to recover the outstanding tax payable including penalties and interest. As stipulated under the ISTA, these include the power to freeze the bank accounts of the subsidiary operated in Singapore. According to the management of the subsidiary, the subsidiary has negotiated with the IRAS for a repayment schedule in order to manage the cash flows of the subsidiary. Under the schedule, monthly payment of S$30,000 would be made since November 2007 (increased to S$35,000 per month since December 2007). In view of the recent development of negotiation with the IRAS and the legal and tax advices, the directors of the Company are of the opinion that the Group's tax provision is fairly presented.

29. SHARE CAPITAL

	2007 HK$'000	2006 HK$'000
Authorised:		
2,000,000,000 (2006: 2,000,000,000) ordinary shares of HK$0.10 each	**200,000**	200,000

	2007 S$'000	2006 S$'000
Issued and fully paid:		
400,000,000 (2006: 400,000,000) ordinary share of HK$0.10 each	**9,040**	9,040

30. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) The amounts of the Company's reserves and the movements therein for the current and prior years are presented as follows:

The Company

	Share premium S$'000	Capital reserve S$'000	Accumulated losses S$'000	Total S$'000
At 1 January 2006	4,006	645	(2,317)	2,334
Loss for the year	–	–	(282)	(282)
At 31 December 2006	4,006	645	(2,599)	2,052
Loss for the year	–	–	(243)	(243)
At 31 December 2007	4,006	645	(2,842)	1,809

Share premium

The share premium account of the Group and the Company represents the premium arising from the issue of shares, net of placing expenses.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Notes to the financial statements

for the year ended 31 December 2007

30. RESERVES *(Continued)*

(b) *(Continued)*

Capital reserve

The capital reserve of the Company represents the difference between the then combined net asset value of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefor.

The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefor.

Translation reserve

The translation reserve has been set up and is dealt with in accordance with the accounting policy for foreign currencies as stated in note 3.4 to the financial statements.

31. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of S$685,000 (2006: S$958,000).

32. PENSION AND OTHER EMPLOYEE OBLIGATIONS – GROUP

	2007	2006
	S$'000	S$'000
Current obligations on:		
– pensions – defined contributions plans	**12**	16

Pensions – defined contribution plans

Following the introduction of the Mandatory Provident Fund legislation in Hong Kong, the Company's subsidiary incorporated in Hong Kong participates in the defined contribution mandatory provident fund since 1 December 2000. Both the subsidiary of the Company and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation.

Employees of the Company's subsidiaries incorporated in Singapore participate in The Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. During the year, the employees and the subsidiaries in Singapore made monthly contributions of 20% (2006: 20%) and 14.5% (2006: 13%) of the employees' basic salaries respectively.

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 their employees at rates ranging from 6% to 30% of the basic salary of their 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.

32. PENSION AND OTHER EMPLOYEE OBLIGATIONS – GROUP *(Continued)*

As at the balance sheet date, there was no forfeited contribution available to reduce the Group's employer contribution payable in future periods.

During the year, contributions totalling S$104,000 (2006: S$119,000) were paid to the schemes.

33. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP

As stated in note 17 to these financial statements, NAGC Group and Zhong Bao Group have been key elements in the Group's business operations and development.

I. NAGC Group

At the balance sheet date, the Group had the following exposures to NAGC Group:

(i) Prepaid rental expenses made as disclosed in note 15 to the financial statements.

(ii) Advances made as disclosed in note 17 to the financial statements.

(iii) Trade balances of nil (2006: S$490,000) receivable from NAGC Group as included in "Trade receivables".

(iv) Certain fixed deposits of the Group of approximately S$1,595,000 (2006: S$1,659,000) pledged to a bank to secure banking facilities up to approximately S$4,052,000 (2006: S$4,304,000) granted to NAGC Group as disclosed in note 21 to the financial statements.

(v) Contingent liabilities arising from the transactions as disclosed in note 35 to the financial statements.

II. Zhong Bao Group

During the year, the Group sold motor vehicles and sales of autoparts of S$8,389,000 (2006: S$5,355,000) and earned technical fee income of S$3,829,000 (2006: S$4,543,000) from Zhong Bao Group, the details of which have been disclosed in note 17 to the financial statements.

At the balance sheet date, the Group had the following exposures to Zhong Bao Group:

(a) Advances made as disclosed in note 17 to the financial statements.

(b) Trade balances of S$5,835,000 (2006: S$4,809,000) receivables from Zhong Bao Group as included in "Trade receivables".

(c) Leasehold lands and buildings of approximately S$625,000 (2006: nil) (note 14) and S$146,000 (2006: nil) (note 13) respectively are pledged to bank to secure banking facilities up to approximately S$1,176,000 (2006: nil) granted to Zhong Bao Group at the balance sheet date.

(d) Contingent liabilities arising from transactions as disclosed in note 35 to the financial statements.

In the opinion of the directors of the Company, all of the above transactions were entered into in the ordinary course of the Group's business.

Notes to the financial statements

for the year ended 31 December 2007

34. COMMITMENTS

34.1 As lessor

At 31 December 2007, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	S$'000	S$'000
Within one year	**759**	1,072
After one year but within five years	**515**	924
	1,274	1,996

34.2 As lessee

The Group leases certain of its office premises and furniture and equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years.

At 31 December 2007, total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	Group	
	2007	2006
	S$'000	S$'000
Within one year	**276**	306
After one year but within five years	**195**	140
	471	446

The Company does not have any significant operating lease commitments.

35. CONTINGENT LIABILITIES

Group

At 31 December 2007, the Group had given guarantees in the ordinary course of business as follows:

	Notes	2007 S$'000	2006 S$'000
Guarantees for bank loans to NAGC Group:	(1)	**4,052**	4,304
Guarantees for bank loans to Zhong Bao Group:	(2)	**24,696**	23,640
		28,748	27,944

Notes:

(1) The Group's fixed deposits of approximately S$1,595,000 (2006: S$1,659,000) are pledged to secure these banking facilities at the balance sheet date (note 21(b)).

(2) Leasehold lands and buildings of approximately of S$625,000 (2006: nil) (note 14) and S$146,000 (2006: nil) (note 13) respectively are pledged to bank to secure banking facilities up to approximately S$1,176,000 (2006: nil) granted to Zhong Bao Group at the balance sheet date.

Company

In addition to the guarantees for bank loans to NAGC Group and Zhong Bao Group disclosed above, the Company has executed guarantees amounting to approximately S$51,218,000 (2006: S$56,812,000) with respect to banking facilities made available to the subsidiaries.

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

(i) on 11 June 1999, a tenancy agreement was entered into between Atland Properties Pte Ltd., a company all shares of which are beneficially held by Ms. Chan Xiao Li, sister of Anthony Chan, an ex-director of the Company, as the lessor and GAPL as the lessee in respect of premises in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 6 September 2001 for a term of 12 months from 25 September 2001 to 24 September 2002. The agreement was further renewed on 27 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further renewed on 22 September 2004 for a term of 24 months commencing on 25 September 2004. The agreement has been terminated in September 2006. The rental expense incurred by the Group for the year ended 31 December 2006 was approximately S$45,000. No such rental was paid during the current year.

Notes to the financial statements

for the year ended 31 December 2007

36. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) on 11 June 1999, a tenancy agreement was entered into between GAPL as the lessor and Octavus Properties Pte Ltd., a company all shares of which are beneficially held by Mr. Anthony Chan, as the lessee in respect of premises of approximately 353 sq. ft. in Singapore, for a term of 36 months commencing on 25 September 1998. Such tenancy agreement was renewed on 10 September 2001 for a term of 12 months upon its expiration. The agreement was further renewed on 28 January 2003 for a term of 24 months commencing on 25 September 2002. After expiration, the agreement was further renewed on 23 September 2004 for a term of 24 months commencing on 25 September 2004. The agreement has been terminated in September 2006. The rental income for the year ended 31 December 2006 was approximately S$7,650. No such rental was paid during the current year.

In the opinion of the directors of the Company, all of the above transactions were entered into in the ordinary course of the Group's business.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks through its use of financial instruments and specifically to credit risk, liquidity risk, foreign exchange risk and interest rate risk, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Credit risk

Credit risk refers to the risk the debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's sales are made to luxury car dealers in the PRC. The Group has adopted procedures in granting credit terms to customers and in monitoring its credit risk. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the trade receivables and other current assets as shown on the face of the consolidated balance sheet (or in the detailed analysis provided in the notes 17, 19 and 20 to the financial statements). The Group's credit risk exposure also extend to financial guarantees provided to NAGC Group and Zhong Bao Group as disclosure in note 35 to the financial statements.

As disclosed in note 17, the Group made advances to two business partners, NAGC Group and Zhong Bao Group. The Group has been actively monitoring the repayments in order to control the credit risk. In addition, collaterals would be required whenever deemed necessary for these advances.

The Group has concentration of credit risk due to its relatively small customer base of car dealer companies in PRC.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are unavailable.

Liquidity risk

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash-outflows due in day-to-day operation, maintaining adequate reserves and banking facilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs are monitored by forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's operations are financed mainly through bank borrowings, finance leases and accumulated profits.

As at 31 December 2007 and 31 December 2006, the Group's financial liabilities have contractual maturities which are summarized below:

	Carrying amount S$'000	Total contractual undiscounted cash flow S$'000	Within one year or on demand S$'000	More than one year but less than two years S$'000
At 31 December 2007				
Trade payables	1,116	1,116	1,116	–
Other payables	7,620	7,620	7,620	–
Bills payables	17,723	17,723	17,723	–
Short-term borrowings	19,435	19,435	19,435	–
Due to related companies	412	412	412	–
Due to directors	848	848	848	–
Long-term borrowings	571	629	–	629
Total	47,725	47,783	47,154	629
At 31 December 2006				
Trade payables	4,771	4,771	4,771	–
Other payables	8,666	8,666	8,666	–
Bills payables	17,517	17,517	17,517	–
Short-term borrowings	10,556	10,556	10,556	–
Due to related companies	422	422	422	–
Due to directors	681	681	681	–
Long-term borrowings	4,390	4,900	–	4,900
	47,003	47,513	42,613	4,900

Notes to the financial statements

for the year ended 31 December 2007

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars ("US$"), Euro ("EUR"), Hong Kong Dollars ("HK$") and RMB. Foreign exchange risk arises from commercial transactions and recognized assets and liabilities. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw materials denominated in the same currency.

The sales transactions of the Group are mainly denominated in US$, RMB and HK$ and there are expenses and acquisition of plant and machinery that are required to be settled in US$, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, RMB and HK$. Thus, when the RMB and USD strengthens in value against the S$, as has occurred in 2006 and 2007, the Group's operating margins are negatively impacted unless recovered from our customers in the form of price increases. The Group currently does not have a foreign currency hedging policy.

The following table illustrates the sensitivity of the net results for the year in regards to the Group's financial assets and financial liabilities at the balance sheet date and the reasonable possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the balance sheet date, based on the assumption that other variables are held constant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2007 and 2006 are as follows:

	Denominated in US$	Denominated in EUR	Denominated in RMB	Denominated in HK$
	S$'000	S$'000	S$'000	S$'000
2007				
Monetary assets				
Non-current receivables	–	–	3	–
Trade and other receivables	–	–	54,590	863
Pledged deposits	2,668	–	2,317	1,776
Cash and cash equivalents	1,403	1	1,343	90
	4,071	1	58,253	2,729
Monetary liabilities				
Trade and other payables	(610)	(79)	(2,284)	(3,894)
Bills payables	(4,919)	(1,770)	–	(3,442)
Borrowings	(719)	–	(11,368)	(3,108)
Long-term borrowings	–	–	–	(571)
	(6,248)	(1,849)	(13,652)	(11,015)
Net monetary assets/(liabilities)	(2,177)	(1,848)	44,601	(8,286)
Foreign currency strengthen/(weaken) by:	6%/(6%)	5%/(5%)	1%/(1%)	6%/(6%)
Increase/(decrease) in profit after tax and retained earnings	(130)/130	(92)/92	446/(446)	(497)/497

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign exchange risk *(Continued)*

	Denominated in US$ S$'000	Denominated in EUR S$'000	Denominated in RMB S$'000	Denominated in HK$ S$'000
2006				
Monetary assets				
Non-current receivables	–	–	97	–
Trade and other receivables	–	–	51,457	8,434
Pledged deposits	2,776	–	–	1,256
Cash and cash equivalents	643	44	672	263
	3,419	44	52,226	9,953
Monetary liabilities				
Trade and other payables	(301)	(31)	(4,623)	(6,415)
Bills payables	(5,246)	(1,683)	–	(1,901)
Borrowings	(769)	–	(5,418)	(4,366)
Long-term borrowings	–	–	(3,488)	(902)
	(6,316)	(1,714)	(13,529)	(13,584)
Net monetary assets/(liabilities)	(2,897)	(1,670)	38,697	(3,631)
Foreign currency strengthen/(weaken) by:	6%/(6%)	5%/(5%)	1%/(1%)	6%/(6%)
Increase/(decrease) in profit after tax and retained earnings	(174)/174	(84)/84	387/(387)	(218)/218

Interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. The average interest rate of unrestricted bank deposits throughout the year was approximately 3.5%. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk mainly relates to interest-bearing borrowings which include bank borrowings and obligations under finance leases. The interest rates and terms of repayment have been disclosed in note 24 to the financial statements.

The Group's interest rate risk which affects its income and operating cash flows mainly arises from bank borrowings at 31 December 2007, at rates ranging from the prime rate minus 0.5% to the prime rate plus 2% per annum (2006: prime rate minus 0.5% to the prime rate plus 2% per annum).

Notes to the financial statements

for the year ended 31 December 2007

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

If interest rates had been 75 basis point higher/lower and all other variables were held constant, the Group's profit after tax and retained earnings for the year ended 31 December 2007 would decrease/increase by SGD83,000 (2006: decrease/increase by SGD156,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date and the reasonable possible changes in the interest rates in the next 12 months, the assumption that other variables are held constant.

Group

	2007 Effect on profit after tax and retained earnings SGD'000	2006 Effect on profit after tax and retained earnings SGD'000
USD	**(12)/12**	(20)/20
EUR	**(13)/13**	(12)/12
RMB	**27/(27)**	(31)/31
HKD	**(29)/29**	(28)/28
SGD	**(56)/56**	(65)/65

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2007 and 2006 may be categorised as follows. See notes 3.9 and 3.16 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2007 S$'000	2006 S$'000	**2007 S$'000**	2006 S$'000
Financial assets				
Pledged deposits	**7,103**	4,032	**–**	–
Cash and bank deposits	**2,496**	1,637	**–**	–
	9,599	5,669	**–**	–
Loans and receivables:				
Non-current receivables	**3**	97	**–**	–
Trade receivables	**9,493**	15,150	**–**	–
Other current assets	**50,333**	44,981	**12**	–
Due from a director	**4**	4	**–**	–
	59,833	60,232	**12**	–
	69,432	65,901	**12**	–

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Summary of financial assets and liabilities by category *(Continued)*

	Group		Company	
	2007	2006	**2007**	2006
	S$'000	S$'000	**S$'000**	S$'000
Financial liabilities				
Financial liabilities at amortised cost:				
Current liabilities				
Trade payables	**1,116**	4,771	**–**	–
Other payables	**6,379**	7,342	**60**	61
Pension and other employee obligations	**12**	16	**–**	–
Bills payables	**17,723**	17,517	**–**	–
Borrowings	**19,435**	10,556	**–**	–
Due to related companies	**412**	422	**–**	–
Due to directors	**848**	681	**92**	92
	45,925	41,305	**152**	153
Non-current liabilities				
Non-current portion of long-term borrowings	**571**	4,390	**–**	–
	46,496	45,695	**152**	153

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide an adequate return to shareholders.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bills payables, short-term borrowings and long-term borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2006 and 2007 were as follows:

	2007	2006
	S$'000	S$'000
Total borrowings	**37,729**	32,463
Less: Cash and cash equivalents	**(2,496)**	(1,637)
Net debt	**35,233**	30,826
Total equity	**31,393**	30,196
Total capital	**66,626**	61,022
Gearing ratio	**53%**	51%

Financial summary

RESULTS

	2007 S$'000	2006 S$'000	2005 S$'000	2004 S$'000	2003 S$'000
	Year ended 31 December (Restated)				
Turnover	**37,416**	60,381	158,704	100,246	139,319
Other revenue and gains	**5,634**	4,913	2,369	1,283	1,240
Cost of sales	**(31,692)**	(51,699)	(141,289)	(88,745)	(124,310)
Employee benefits expenses	**(2,148)**	(2,284)	(2,148)	(1,880)	(2,157)
Depreciation and amortisation	**(1,399)**	(1,318)	(1,067)	(1,123)	(860)
Operating lease charges	**(333)**	(371)	(308)	(269)	(642)
Exchange differences, net	**1,670**	1,040	(241)	(807)	(1,751)
Allowance for doubtful receivables	**–**	(780)	–	–	–
Other operating expenses	**(2,553)**	(2,445)	(8,182)	(4,595)	(4,880)
Profit from operating activities	**6,595**	7,437	7,838	4,110	5,959
Finance costs	**(3,270)**	(3,527)	(2,649)	(1,493)	(1,552)
Profit before income tax	**3,325**	3,910	5,189	2,617	4,407
Tax	**(729)**	(924)	(1,537)	(896)	(1,088)
Profit for the year	**2,596**	2,986	3,652	1,721	3,319
Attributable to:					
Equity holders of the Company	**2,600**	3,032	3,671	1,741	3,341
Minority interest	**(4)**	(46)	(19)	(20)	(22)
Profit for the year	**2,596**	2,986	3,652	1,721	3,319
Dividends	**–**	–	–	–	–
Basic earnings per share attributable to equity holders of the Company (Singapore cent)	**0.65**	0.76	0.92	0.44	0.84

ASSETS AND LIABILITIES

	2007 S$'000	2006 S$'000	2005 S$'000	2004 S$'000	2003 S$'000
	31 December				
Total assets	**85,442**	83,597	104,010	74,598	87,827
Total liabilities	**(54,049)**	(53,401)	(74,261)	(49,960)	(64,062)
	31,393	30,196	29,749	24,638	23,765
Minority interests	**(346)**	(352)	(421)	(418)	(452)
Equity attributable to equity holders of the Company	**31,047**	29,844	29,328	24,220	23,313