ANNUAL REPORT 2011

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)

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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This report, for which the directors (the "Directors") of G.A. Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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. Lin Ju Zheng*
Miss Song Qi Hong*

* *Independent non-executive Directors*

AUDIT COMMITTEE

Mr. Lee Kwok Yung *(Chairperson)**
Mr. Yin Bin*
Mr. Lin Ju Zheng*
Miss Song Qi Hong*

REMUNERATION COMMITTEE

Mr. Lee Kwok Yung*
Mr. Yin Bin*
Mr. Lin Ju Zheng*

NOMINATION COMMITTEE

Mr. Loh Boon Cha *(Chairperson)*
Mr. Yin Bin*
Mr. Lin Ju Zheng*

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

AUDITOR

BDO Limited
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 17M 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

51 Goldhill Plaza
#15-05
Singapore 308900

PRINCIPAL PLACE OF BUSINESS

Unit 1203, 12th Floor
Eton Tower, No.8 Hysan Avenue
Causeway Bay
Hong Kong

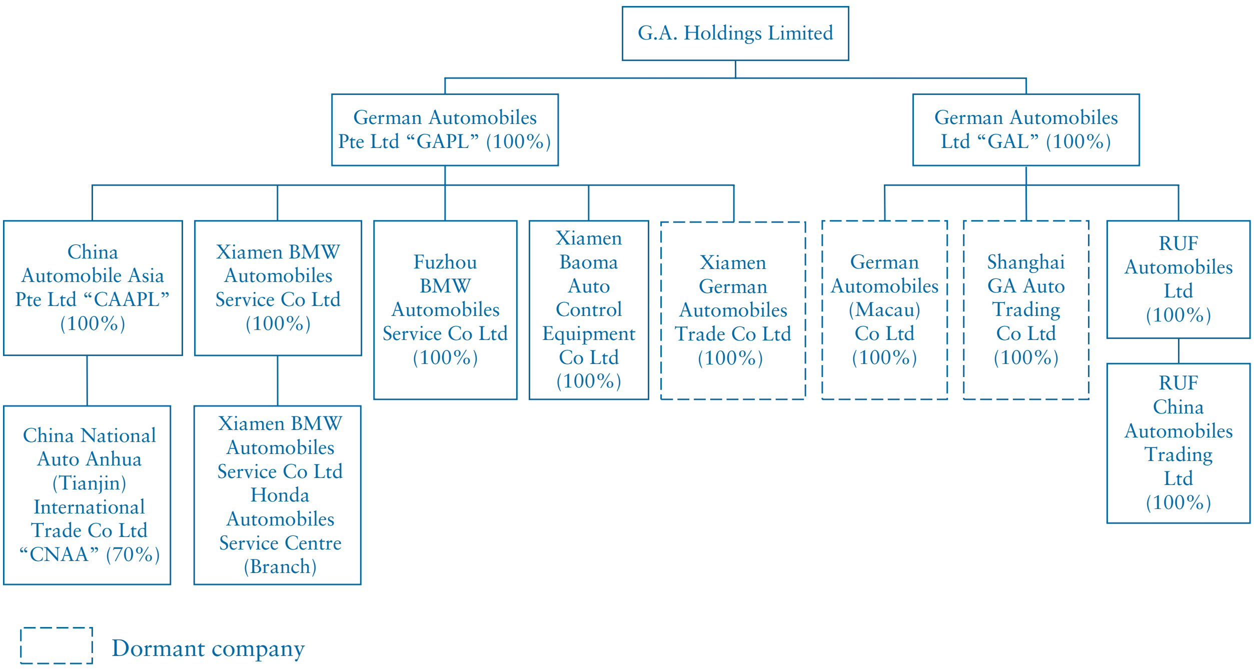
COMPANY WEBSITE

www.ga-holdings.com.hk

STOCK CODE

8126

Group Structure



Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present to the shareholders the consolidated financial statement of GA Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2011.

I would like to draw your attention to the change in presentation currency from Singapore Dollars to Hong Kong Dollars in this annual report. The functional currency of the Company is Hong Kong dollars ("HK$"). Since the listing of the Company in 2002, the annual reports were presented in Singapore dollars ("S$"). From 2011 onwards, the directors decided to present the consolidated financial statements in HK$ with a view to provide more relevant information about the performance of the Group.

On the business side of the Group, sales of BMW automobiles, in particular the 7-series, the X6 and the 5–Series in China is encouraging in 2011. China was one of the major and most profitable markets of BMW, after Germany and the US. This contributes to the increase in technical fee income of the total revenue of the Group. By staying at the deluxe automotive sector in mainland China, the Group is continuous to be benefited from the advantage of economy growth in China quickly. During 2011, the Group took a further step in exploring its span of premier product and service. In early 2011, the Group entered into a distributorship agreement with RUF Vertriebs Gmbh. According to this distributorship agreement, the Group was granted non-exclusive right to market, promote and sell the products of the prestigious of RUF. RUF Automobile GmbH is expertised in automotive performance for more than 70 years and is renowned for its skills as an automobile manufacturer and performance tuner of Porsche automobiles.

Around the Lunar New Year holiday season of 2012, the retail market in China shows its slowest pace in growth and is adding to sign the world's second-largest economy is cooling. However, demand of luxury goods is still there and consumers in the smaller, less developed cities will still have a growing need for cars. Prior to the Chinese New Year, Chinese consumers who are looking to enhance their prestige and status symbol have chosen high-end luxury brands. All these give rise of the continuous increase of BMW cars in China.

Supplemented by the precious service of the Group's 4S servicing centres, the Group will continue to enhance its competitiveness and market position through its unmatched professional customer services.

In view of the encouraging results for the year, the Board is delighted to propose a payment of final dividend of HK$0.0063 per ordinary share to our long supportive shareholders and investors.

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

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

Hong Kong, 29 March 2012

Biographical Information of Directors and Senior Management

DIRECTORS

Executive directors

Mr. Loh Boon Cha, *Chairman*

Mr. Loh Boon Cha, aged 70, 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 44, 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 41, 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 56, 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 honor 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 40, 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. Lin Ju Zheng

Mr. Lin Ju Zheng, aged 64, holds a bachelor degree in foreign language majoring in English from Fujian No.2 Normal College (福建第二師範學院) (which merged with other colleges to become Fujian Normal University (福建師範大學)). He is a senior economist with over 35 years of experience in banking operations and management. Before joining the Company, Mr. Lin had worked in various senior positions in one of the major banks in China till December 2007. He has been appointed as an independent non-executive director of the Company since June 2010.

Biographical Information of Directors and Senior Management

Miss Song Qi Hong

Ms. Song, aged 40, holds a bachelor degree in economics and a master degree in business administration from Huazhong Agricultural University (華中農業大學). She is a certified tax planner registered with China Enterprise Confederation and a member of each of The Chinese Institute of Certified Public Accountants and The Institute of Internal Auditors. Ms. Song has more than 18 years of experience in the fields of auditing, accounting and financial management. She was a senior project manager of a bank in China and then served a chief financial officer of in the commercial sector.

She is currently the general manager of finance and auditing department and a committee member of the credit guarantee risk appraisal committee of Guangdong Yinda Guaranty Investment Group Company Limited (廣東銀達擔保投資集團有限公司).

She has been appointed as an independent non-executive director of the Company since August 2010.

SENIOR MANAGEMENT

Mr. Lim Tee Peng, aged 49, 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 45, 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 motor vehicles. Mr. Tan graduated from the Ngee Ann Polytechnic Singapore in 1987 with a diploma in mechanical engineering.

Mr. Yeung Chak Sang Johnson, aged 47, is the qualified accountant and the company secretary of the Group. He joined the Group in 2005 and has more than 20 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.

Management Discussion And Analysis

BUSINESS REVIEW

The Group has continued to maintain its market share and strategic position by staying at the luxury automotive sector in mainland China. However, since October in year 2011, there has been a decline in car sales for the Group, the sales of motor vehicles has dropped from HK$87,149,000 to HK$76,160,000. The decrease in the total car sales was mainly due to the end of stimulus measures defer customers purchases and as a result of economic downturn from the European market.

Despite there is a drop in the sales of motor vehicles, the total revenue of the Group for year 2011 has increased by 23.3% from HK$244,784,000 to HK$301,830,000. The gross profit margin saw an increase from 25.6% in 2010 to 28.3% in 2011. The increase in servicing of motor vehicles and technical fee income mainly attributed to the overall increase in total revenue.

SALES OF MOTOR VEHICLES

The revenue of this segment represented approximately 25.2% of the total Group revenue of the year. As for comparison to the corresponding period last year, a decrease of approximately 10.4% on the composition of revenue was recorded. This decrease was mainly due to the end of government stimulus measures that defer customers purchases starting in the four quarter of the year, as well as the cool down in the economy due to the downturn from the European market.

SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS

Revenue generated from the servicing of motor vehicles and sales of auto parts for the year 2011 increased by 45.7%. Servicing income increased to approximately HK$189,305,000, contributing 62.7% of the Group's revenue. The increase was due to the continuous increase demand of after-sales support for luxurious vehicles in its 4S car shops, representing sales, spare parts, service and survey/customer feedback.

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 2011 was approximately HK$36,365,000, taking up approximately 12.0% in terms of the Group's total revenue composition, as compared to the 11.3% in 2010. The increase was due to the corresponding increase in car sales of locally assembled BMW sold by Zhong Bao Group during the year.

CAR RENTAL BUSINESS

The car rental business of the Hong Kong and the Kowloon stations of the Hertz division recorded a steady income in 2011. While the standstill of economy in Macau continuous, the operation has not yet commenced as at year end.

FINANCIAL REVIEW

Financial resources and liquidity

As at 31 December 2011, shareholders' fund of the Group amounted to approximately HK$295,586,000 (2010: HK$258,002,000 as restated). Current assets amounted to approximately HK$446,472,000 (2010: HK$420,890,000 as restated). Of which approximately HK$78,806,000 (2010: HK$101,557,000 as restated) were cash and bank deposits. Current liabilities amounted to approximately HK$264,196,000 (2010: HK$260,370,000 as restated) 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 approximately HK$8,392,000 (2010: HK$11,984,000 as restated). The net asset value per share as at 31 December 2011 was HK$0.621 (2010: HK$0.572 as restated).

Management Discussion And Analysis

Capital Structure of the Group

During the year ended 31 December 2011, the Group had no debt securities in issue (2010: Nil).

The Group obtained funding mainly from trade finance. Bank borrowings are denominated in either HKD or SGD or RMB.

Significant Investment

As at 31 December 2011, the Group had no significant investment held (2010: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2011, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2010: Nil).

Employees

As at 31 December 2011, the total number of employee of the Group was approximately 385 (2010: 342). For the year ended 31 December 2011, the staff costs including directors' remuneration of the Group amounted to approximately HK$42,679,000 (2010: HK$30,762,000), around 14.1% of the revenue of the Group and an increase of approximately 38.7% as compared to that of the year ended 31 December 2010. 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 2011, the Group pledged time deposits of approximately HK$23,902,000 (2010: HK$23,451,000 as restated) to several banks for banking facilities for the Group and a related company of North Anhua Group Corporation ("NAGC"). Leasehold lands and buildings of approximately HK$4,767,000 (2010: HK$4,843,000 as restated) and HK$810,000 (2010: HK$836,000 as restated) respectively are pledged to bank to secure banking facilities up to approximately HK$256,672,000 (2010: HK$174,909,000 as restated) granted to Zhong Bao Group at the balance sheet date.

Material Investments or Capital Assets

As at 31 December 2011, the Group had no future plans for material investment. (2010: Nil)

Gearing Ratio

The Group expresses its gearing ratio as a percentage of bills payable, bank borrowings and long-term debts over total equity shareholder's fund. As at 31 December 2011, the Group had a gearing ratio of 0.19 (2010: 0.18).

Foreign Exchange Exposure

During the year ended 31 December 2011, the Group had an exchange gain of approximately HK$500,000 (2010: HK$3,554,000 loss), mainly due to the fluctuation of other currencies against RMB, as well as from the translation of accounts receivables and inter-company balances from Euro and US dollars to Hong Kong dollars and the transactions of imports bill denominated in Euro and US dollars.

Contingent Liabilities

As at 31 December 2011, the Group provided a bank guarantee of approximately HK$21,750,000 (2010: HK$21,824,000 as restated) to a bank in respect of banking facilities to a related company of NAGC. As at 31 December 2011, the Group provided bank guarantee amounted to HK$256,672,000 in respect of banking facilities to Zhong Bao Group (2010: HK$174,909,000 as restated).

Management Discussion And Analysis

BUSINESS PROSPECT

In 2011, China became one of the major and most profitable markets of BMW, after Germany and the US. In particular, China is also the largest market for the BMW's 7-series, the X6 and the 5–Series. By staying at the deluxe automotive sector in mainland China, the Group is continuous to be benefited from the advantage of economy growth in China quickly.

In March 2012, BMW introduced a new four-door version of the 6-Series coupe at the Geneva International Motor Show. Though the financial crisis in Europe hinders the sales of automobiles in Europe and the economy of China shows a cooling down during the Lunar New Year holiday season, BMW expects its sales to rise by at least 10 percent in China in 2012.

The introduction of the distributorship of RUF products in China will enhance our income and business diversification. By taking the synergy effect with the venture with RUF, the Group is able to extend its core income stream to other prestigious brand as well different series of products and services at luxury car lovers are looking for.

FINAL DIVIDEND

In view of the Group's favorable operating results for the year ended 31 December 2011, the Board recommends payment of a final dividend of HK$0.0063 per ordinary share of the Company for the financial year ended 31 December 2011 (2010: Nil), subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company ("Annual General Meeting") to be held on Friday, 11 May 2012 and compliance with the laws of the Cayman Islands and other relevant rules and regulations. The dividend payout ratio for the year under review will be 10.2%.

Directors' Report

The board of directors ("Directors") is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in distribution of motor vehicles and provision of car-related technical services, servicing of motor vehicles, sales of auto parts.

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 revenue, other income and profit before income tax is set out in notes 6, 8 and 9 to the financial statements.

RESULTS, DIVIDENDS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group are set out in the consolidated financial statement on pages 28 to 87 of this report.

The Board recommends the payment of a final dividend of HK$0.0063 per ordinary share of the Company for the financial year ended 31 December 2011 (2010: Nil) to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 5 June 2012, subject to the approval by the Company's shareholders at the Annual General Meeting and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2011.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled to be convened on Friday 11 May 2012. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 9 May 2012 to Friday, 11 May 2012 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 May 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is on Tuesday, 5 June 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 1 June 2012 to Tuesday, 5 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 31 May 2012. The payment of final dividend will be made on or about Monday, 11 June 2012.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company had reserves available for distribution to shareholders amounted to approximately HK$27,553,000. It comprised share premium of approximately HK$29,522,000 less accumulated loss of approximately HK$1,969,000.

Directors' Report

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 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 2011 are set out in note 14 to the financial statements.

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

As at 31 December 2011, 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					Approximate
		Personal	Family	Corporate	Other		percentage of
Name	Capacity	Interest	Interest	Interest	Interests	Total	shareholding
Loh Nee Peng	Interest of a controlled corporation	–	–	100,149,480 (Note 1)	–	100,149,480	21.03%
Loh Boon Cha	Deemed interest	–	54,865,480 (Note 2)	45,284,000 (Note 2)	–	100,149,480	21.03%

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 2011, none of the Directors or their associates, has any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 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 2011, the persons or corporations (other than directors or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh & Loh Construction Group Ltd.	Beneficial owner *(Note 1)*	45,284,000	9.51%
Loh Kim Her	Interest of a controlled corporation *(Note 2)*	53,284,000	11.18%
Fang Zhen Chun	Beneficial owner	90,792,000	19.06%
Chan Hing Ka Anthony	Beneficial owner and Interest of a controlled corporation *(Note 3)*	95,141,925	19.98%

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 95,141,925 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, as well as 376,000 shares held directly by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares by Tycoons Investment International Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 31 December 2011, 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 2011 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. Yin Bin
Mr. Lin Ju Zheng
Miss Song Qi Hong

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. Lee Kwok Yung, Mr. Yin Bin and Miss Song Qi Hong, 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 renewal term of three years, commencing from 1 January 2011 and 4 August 2009 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.

Three independent non-executive directors, Mr. Yin Bin, Mr. Lin Ju Zheng and Miss Song Qi Hong have entered into appointment letters with the Company for a term of five years commencing from 1 July 2011, 1 June 2010 and 1 August 2010 respectively. Another independent non-executive director, Mr. Lee Kwok Yung has entered into appointment letter with the Company for a renewal term of three years commencing from 1 June 2011.

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 note 13 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 88 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 33 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 Directors, and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are management 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 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 extending credit terms to customers and in monitoring its credit risks. 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 34 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 deem 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$"), Hong Kong Dollars ("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 37 to the financial statements.

SEGMENTAL INFORMATION

Details of the segmental information of the Group are set out in note 7 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors are set out on pages 6 to 7 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 2011, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales	
– The largest customer	15.60%
– The total of five largest customers	50.92%
Purchases	
– The largest supplier	37.40%
– The total of five largest suppliers	69.78%

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.

Directors' Report

AUDITOR

The financial statements of the Company for the year ended 31 December 2011 were audited by BDO Limited, who will retire and a resolution to re-appoint BDO Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson, aged 47, is the qualified accountant and the company secretary of the Group. He joined the Group in 2005 and has more than 20 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 44, 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 10 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 2011, 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 advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07(i) of the GEM Listing Rules (the "Assets Ratio"). As at 31 December 2011, the Company's total assets were approximately HK$568,174,000.

	(Audited) 31 December 2011	**Assets Ratio**	**(Audited) 31 December 2010**	**Increment as compared to Assets Ratio**
	HK$'000	*(%)*	*HK$'000*	*(%)*
NAGC Group:				
Prepaid rental advances	37,394	**6.6%**	38,824	N/A
Advances to NAGC	491	**0.1%**	5,273	N/A
Guarantee to NAGC	21,750	**3.8%**	21,824	N/A
	59,635	**10.5%**	65,921	

Directors' Report

	(Audited) 31 December 2011 HK$'000	Assets Ratio (%)	(Audited) 31 December 2010 HK$'000	Increment as compared to Assets Ratio (%)
Zhong Bao Group*:				
Advances to Zhong Bao Group	133,518	**23.5%**	100,358	4.6%
Guarantees to Zhong Bao Group	256,672	**45.2%**	174,909	12.3%
	390,190	68.7%	275,267	
	449,825	**79.2%**	341,188	

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

	(Audited) 31 December 2011 HK$'000	Assets Ratio (%)	(Unaudited) 30 September 2011 HK$'000	Increment as compared to Assets Ratio (%)
NAGC Group:				
Prepaid rental advances	37,394	**6.6%**	36,976	0.4%
Advances to NAGC	491	**0.1%**	488	N/A
Guarantee to NAGC	21,750	**3.8%**	21,880	0.2%
	59,635	**10.5%**	59,344	
Zhong Bao Group *:				
Advances to Zhong Bao Group	133,518	23.5%	161,910	N/A
Guarantees to Zhong Bao Group	256,672	**45.2%**	180,988	15.0%
	390,190	**68.7%**	342,898	
	449,825	79.2%	402,242	

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

Prepaid Rental Expenses, Guarantees, 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 HK$449,825,000 as at 31 December 2011 (as at 31 December 2010: HK$341,188,000), representing 79.2% 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 2011 are announced as follows:

   Prepaid Rental Expenses due from NAGC

   As at 31 December 2011, prepaid rental expenses amounted to approximately HK$37,394,000 (as at 31 December 2010: HK$38,824,000) were made in accordance with the co-operation agreement in March 2000 and entered into between the Group and China National Automatic 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 the Guangdong Province, Xiamen and Beijing. CNA Anhua (Hertz) is not connected with the Company, the Directors, chief executive, substantial shareholder or management shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules). As further disclosed in the circular under the section headed "Update on 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 15 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 entitled the Group to use such facilities for 50 years from the date of completion of the developments. The prepaid rental expenses for the development project in Beijing was completed in December 2001. The development project in Haichang, Xiamen was completed in December 2003. The prepaid rental expenses were unsecured and interest free. The prepaid rental expenses for each of the said development project are amortized on a straight line basis over 50 years from the date of completion.

Directors' Report

Advances to NAGC

Approximately HK$491,000 (as at 31 December 2010: HK$5,273,000) were advanced to NAGC Group, representing 0.1% of the Group's Assets 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 30 June 2012.

Guarantee to NAGC

Guarantee in the amount of approximately HK$21,750,000 (as at 31 December 2010: HK$21,824,000) 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 guarantee. 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 2011 are announced as follows:

Advances to Zhong Bao Group

As at 31 December 2011, advances of approximately HK$133,518,000 (as at 31 December 2010: HK$100,358,000) were advanced to Zhong Bao Group, representing 23.5% of the Group's Assets Ratio.

The advances were made for the marketing activities for 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. There comprised a 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 October 2012.

Guarantees to Zhong Bao Group

Guarantees in the amount of approximately HK$256,672,000 (as at 31 December 2010: HK$174,909,000) were provided to banks in respect of banking facilities granted to Zhong Bao Group. The guarantees 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 2011.

On behalf of the Board
Loh Nee Peng
Managing Director

Hong Kong, 29 March 2012

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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("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. Lee Kwok Yung, Mr. Yin Bin and Miss Song Qi Hong 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 ("Directors") 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.

BOARD COMPOSITION

The Directors comprises a total of seven directors, with three executive directors, namely, Mr. Loh Boon Cha (Chairman), Mr. Loh Nee Peng (Managing Director), Mr. Xu Ming; and four independent non-executive directors, namely, Mr. Lee Kwok Yung, Mr. Yin Bin, Mr. Lin Ju Zheng and Miss Song Qi Hong. 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.

Three independent non-executive directors, Mr. Yin Bin, Mr. Lin Ju Zheng and Miss Song Qi Hong have entered into appointment letters with the Company for a term of five years commencing from 1 July 2011, 1 June 2010 and 1 August 2010 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 2011.

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 Directors meet regularly over the Company's affairs and operations. In 2011, the Board held six meetings. The attendance record of each member of the Directors is set out below:

Executive Directors	**Attendance**
Loh Boon Cha *(Chairman)*	6/6
Loh Nee Peng *(Managing Director)*	6/6
Xu Ming	5/6
Independent Non-Executive Directors	
Lee Kwok Yung	3/6
Yin Bin	4/6
Lin Ju Zheng	4/6
Song Qi Hong	4/6

Nomination Committee

A Nomination Committee was established during the year which comprises one executive director and two independent non-executive directors, namely Mr. Loh Boon Cha (the Chairman of the Committee), Mr. Yin Bin and Mr. Lin Ju Zheng 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 three times 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. The Nomination Committee met twice in the year 2011 for the nomination of independent non-executive directors during the year.

Corporate Governance Report

Remuneration Committee

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 three of the Company's independent non-executive directors, namely, Mr. Lee Kwok Yung (Chairman), Mr. Yin Bin and Mr. Lin Ju Zheng.

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 twice during the year ended 31 December 2011, 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.

Auditor's Remuneration

The remuneration provision in respect of audit services for the year 2011 as provided by the auditors, BDO Limited, amounts to HK$450,000.

Audit Committee

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company's Audit Committee was formed on 5 June 2002 and is currently composed of namely, Mr. Lee Kwok Yung, Mr. Yin Bin, Mr. Lin Ju Zheng and Miss Song Qi Hong. 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 2011, 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
Yin Bin	4/4
Lin Ju Zheng	0/2
Song Qi Hong	2/2

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 2011.

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

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香港干諾道中111號
永安中心25樓

To the shareholders 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 (together the "Group") set out on pages 28 to 87, which comprise the consolidated and Company's statements of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body in accordance with the terms of our engagement, 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 consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor’s 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 2011 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.

BDO Limited
Certified Public Accountants

Tsui Ka Che, Norman
Practising Certificate no. P05057

Hong Kong, 29 March 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Revenue	6	**301,830**	244,784
Other income	8	**78,062**	57,342
Changes in inventories	9.1	**(216,262)**	(182,041)
Employee benefit expenses	13	**(42,679)**	(30,762)
Depreciation and amortisation		**(12,789)**	(10,587)
Operating lease charges		**(13,142)**	(7,860)
Exchange differences, net		**500**	(3,554)
Other expenses		**(43,336)**	(26,154)
Profit from operating activities		**52,184**	41,168
Finance costs	9.2	**(11,150)**	(8,878)
Profit before income tax	9.3	**41,034**	32,290
Income tax expense	10	**(11,625)**	(11,066)
Profit for the year		**29,409**	21,224
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		**8,175**	17,081
Other comprehensive income, including reclassification adjustments		**8,175**	17,081
Total comprehensive income for the year		**37,584**	38,305
Profit for the year attributable to:			
Owners of the Company		**29,454**	21,271
Non-controlling interests		**(45)**	(47)
		29,409	21,224
Total comprehensive income attributable to:			
Owners of the Company		**37,538**	38,279
Non-controlling interests		**46**	26
		37,584	38,305
Earnings per share attributable to the owners of the Company for the year (HK$ cents)	12		
Basic		**6.18**	4.72
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

as at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	**80,434**	66,502	53,807
Leasehold lands	15	**4,767**	4,843	4,575
Prepaid rental expenses	16	**36,480**	38,101	35,652
Non-current receivables	18	**21**	20	20
		121,702	109,466	94,054
Current assets				
Inventories	19	**30,647**	32,028	28,079
Trade receivables	20	**93,347**	95,964	77,659
Prepayments, deposits and other current assets	21	**243,646**	191,317	150,422
Due from a director	27	**26**	24	23
Pledged deposits	22	**23,902**	23,451	17,337
Cash and cash equivalents	22	**54,904**	78,106	55,485
		446,472	420,890	329,005
Current liabilities				
Trade payables	23	**15,646**	14,073	10,410
Accruals and other payables	24	**83,365**	66,508	55,668
Pension and other employee obligations	33	**29**	119	155
Bills payables	25	**42,638**	57,487	54,859
Borrowings	25	**72,478**	67,370	29,947
Due to related companies	26	**297**	300	274
Due to directors	27	**34,765**	24,031	17,092
Tax payable	29	**14,978**	30,482	31,676
		264,196	260,370	200,081
Net current assets		**182,276**	160,520	128,924
Total assets less current liabilities		**303,978**	269,986	222,978
Non-current liabilities				
Borrowings	25	**7,120**	10,712	11,656
Deferred tax liabilities	28	**1,272**	1,272	1,272
		8,392	11,984	12,928
Net assets		**295,586**	258,002	210,050

Consolidated Statement of Financial Position

as at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
EQUITY				
Equity attributable to Company's owners				
Share capital	30	**47,630**	47,630	43,300
Reserves	31	**245,921**	208,383	164,787
		293,551	256,013	208,087
Non-controlling interests		**2,035**	1,989	1,963
Total equity		**295,586**	258,002	210,050

Loh Boon Cha
Director

Loh Nee Peng
Director

Statement of Financial Position

as at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	17	**80,939**	81,028	78,302
Current asset				
Other receivables	21	**152**	202	201
Due from a subsidiary	17	**4,539**	5,848	–
		4,691	6,050	201
Current liabilities				
Other payables	24	**1,478**	1,535	924
Due to subsidiaries	17	**5,608**	5,028	4,556
Due to directors	27	**507**	507	507
		7,593	7,070	5,987
Net current liabilities		**(2,902)**	(1,020)	(5,786)
Net assets		**78,037**	80,008	72,516
EQUITY				
Issued capital	30	**47,630**	47,630	43,300
Reserves	31	**30,407**	32,378	29,216
Total equity		**78,037**	80,008	72,516

Loh Boon Cha
Director

Loh Nee Peng
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Equity attributable to owners of the Company								
	Issued capital HK$'000 (Restated) *(Note 30)*	Share premium* HK$'000 (Restated) *(Note 31)*	Capital reserve* HK$'000 (Restated) *(Note 31)*	Translation reserve* HK$'000 (Restated) *(Note 31)*	Retained profits* HK$'000 (Restated)	Proposed final Dividend* HK$'000	Total HK$'000 (Restated)	Non-controlling interests HK$'000 (Restated)	Total Equity HK$'000 (Restated)
At 1 January 2010	43,300	24,205	8,623	3,239	128,720	–	208,087	1,963	210,050
Proceeds from shares issued	4,330	5,413	–	–	–	–	9,743	–	9,743
Share issue expenses	–	(96)	–	–	–	–	(96)	–	(96)
Transactions with owners	4,330	5,317	–	–	–	–	9,647	–	9,647
Profit for the year	–	–	–	–	21,271	–	21,271	(47)	21,224
Other comprehensive income, including reclassification adjustments									
Translation difference	–	–	–	17,008	–	–	17,008	73	17,081
Total comprehensive income for the year	–	–	–	17,008	21,271	–	38,279	26	38,305
At 31 December 2010 and 1 January 2011	47,630	29,522	8,623	20,247	149,991	–	256,013	1,989	258,002
Profit for the year	–	–	–	–	29,454	–	29,454	(45)	29,409
Other comprehensive income, including reclassification adjustments									
Translation difference	–	–	–	8,084	–	–	8,084	91	8,175
2011 proposed final dividend**	–	–	–	–	(3,000)	3,000	–	–	–
Total comprehensive income for the year	–	–	–	8,084	26,454	3,000	37,538	46	37,584
At 31 December 2011	**47,630**	**29,522**	**8,623**	**28,331**	**176,445**	**3,000**	**293,551**	**2,035**	**295,586**

* These reserves accounts comprise the consolidation reserves of HK$245,921,000 (2010: HK$208,383,000 as restated) in the consolidated statement of financial position as at 31 December 2011.

** The proposed final dividend recommended by the directors after the reporting date was HK$0.0063 (2010: Nil) per ordinary share. There is no dividend attributable to the previous financial year approved and paid during the year.

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from operating activities			
Profit before income tax		**41,034**	32,290
Adjustments for:			
Interest expense	9.2	**10,537**	8,318
Interest element of finance lease rental payments	9.2	**613**	560
Interest income	8	**(352)**	(207)
Gain on disposal of property, plant and equipment	9.3	**(892)**	(972)
Depreciation of property, plant and equipment	9.3	**11,743**	9,623
Amortisation of prepaid rental expenses	9.3	**949**	874
Annual charges of prepaid operating lease payments	9.3	**97**	90
Impairment of inventories		**552**	484
Operating profit before working capital changes		**64,281**	51,060
Decrease/(increase) in inventories		**829**	(4,433)
Decrease/(increase) in trade receivables		**2,617**	(18,305)
Increase in prepayments, deposits and other current assets		**(52,329)**	(40,895)
Net movement in balances with directors		**10,732**	6,938
Increase in trade payables		**1,573**	3,663
Increase in accruals and other payables		**16,857**	10,840
Decrease in pension and other employee obligations		**(90)**	(36)
(Decrease)/increase in bills payable		**(14,849)**	2,628
Cash generated from operations		**29,621**	11,460
Interest received		**352**	207
Interest paid		**(10,537)**	(8,318)
Interest element of finance lease rental payments paid		**(613)**	(560)
Overseas tax paid		**(24,257)**	(8,352)
Hong Kong profit tax paid		**(1,960)**	(1,253)
Net cash used in operating activities		**(7,394)**	(6,816)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(10,740)**	(13,468)
Proceeds from disposal of property, plant and equipment		**1,096**	1,404
Increase in pledged deposits		**(451)**	(6,114)
Increase in non-current receivables		**(1)**	–
Net cash used in investing activities		**(10,096)**	(18,178)

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from financing activities			
New bank loans		**57,374**	58,969
Repayment of bank loans		**(63,713)**	(32,181)
Capital element of finance lease rental payments		**(7,492)**	(8,524)
Proceeds from issuance of share capital		**–**	9,743
Share issue expenses		**–**	(96)
Net cash (used in)/generated from financing activities		**(13,831)**	27,911
Net (decrease)/increase in cash and cash equivalents		**(31,321)**	2,917
Translation adjustment		**8,119**	18,906
Cash and cash equivalents at the beginning of the year		**78,106**	55,485
Cash and cash equivalents at the end of the year		**54,904**	77,308
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**54,904**	78,106
Bank overdrafts	25.1	**–**	(798)
		54,904	77,308

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 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, 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.

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 29 March 2012.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

HKAS 24 (Revised)	Related Party Disclosures
Various	Improvements to HKFRSs 2010

Except as explained below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with government entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance, the identification of the related parties and the disclosures of the related party transactions of the Group.

Notes to the Financial Statements

for the year ended 31 December 2011

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

At the date of authorisation, the following new/revised HKFRSs, potentially relevant to the Group's financial statements have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[1]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Liabilities[4]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 27 (2011)	Separate Financial Statements[3]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee.

Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interest in Other Entities

HKFRS 12 integrates and make consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's financial statements.

Notes to the Financial Statements

for the year ended 31 December 2011

3. BASIC OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

(c) Functional and presentation currency

Change of presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). In previous years, the consolidated financial statement were presented in Singapore dollars ("S$"). From 2011 onwards, the directors decided to present the consolidated financial statements in HK$ with a view to provide more relevant information about the performance of the Group.

The comparative figures have been restated to conform with the revised presentation.

3. BASIC OF PREPARATION *(Continued)*

(d) Changes of presentation of expense items

For the current year, the directors decided to present the expenses recognised in profit or loss using a classification based on the nature of the expense items with a view to provide more relevant information about the performance of the Group. Accordingly, the relevant comparative figures have been restated as follows:

	2010 HK$'000 (Restated)
Cost of sales original stated	196,876
Amount reclassified to employee benefit expenses	(10,719)
Amount reclassified to other expenses	(4,116)
Changes in inventories	**182,041**
Employee benefit expenses original stated	(20,043)
Amount reclassified from cost of sales	(10,719)
Employee benefit expenses restated	**(30,762)**
Other expenses original stated	(22,038)
Amount reclassified from cost of sales	(4,116)
Other expenses restated	**(26,154)**

Notes to the Financial Statements

for the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the consolidated financial statements, if any, are disclosed in note 2.

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 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 5.

4.1 Basis of consolidation

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

Subsidiaries are 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. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The results of subsidiaries disposed of during the year are included in the consolidated statement of comprehensive income up to the effective date of disposal, as appropriate.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4.2 Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its 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.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment losses unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Subsidiaries *(Continued)*

Non-controlling interests

Non-controlling 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.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the non-controlling interests is presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.3 Foreign currency translation

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services, net of rebates and discounts and after eliminating sales within the Group. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Services fee are recognised when the relevant services are rendered.

Notes to the Financial Statements

for the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Revenue recognition *(Continued)*

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.

4.5 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 retirement of disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 profit or loss during the financial period in which they are incurred.

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 are 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' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4.6 Leasehold land

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 4.8. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 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, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). 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 as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. 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 favourable change in the estimates used to determine the asset'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.

4.8 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.

Notes to the Financial Statements

for the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Leases *(Continued)*

(ii) Assets acquired under finance leases (Continued)

Finance charges implicit in the lease payments are charged to profit or loss 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 profit or loss 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 statement of comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss 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 time 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.

4.9 Financial assets

The Group's/Company's financial assets include trade and other receivables, amounts due from a director and a subsidiary, pledged deposits and cash and bank balances.

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 losses.

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 from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Financial assets *(Continued)*

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised. The amount of impairment loss is measured as the difference between the asset's 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 profit or loss 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 profit or loss in the period in which the reversal occurs.

4.10 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.

Notes to the Financial Statements

for the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal 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 profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is 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 reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Accounting for income taxes *(Continued)*

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, 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. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.13 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.

4.14 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.15 Retirement benefit costs and short term employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees and those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

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for the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Retirement benefit costs and short term employee benefits *(Continued)*

Retirement benefits (Continued)

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.16 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 provisions of the instrument. All interest related charges are recognised with the Group's accounting policy for borrowing costs (see note 4.14).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

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

Trade payables

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

Borrowings

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 profit or loss 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 reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provision are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.18 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Notes to the Financial Statements

for the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.19 Financial guarantees issued

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 profit or loss 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.

4.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Motor vehicles – Sales of motor vehicles and provision of car-related technical services ("Activity 1")
- Servicing – Servicing of motor vehicles and sales of auto parts ("Activity 2")
- Commission income from sales of cars from German Automobiles Pte Ltd. ("GAPL") to German Automobiles Limited ("GAL") (i.e. intra-group) ("Activity 3")

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Segment reporting *(Continued)*

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- rental income
- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets exclude corporate assets which are not directly attributable to business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocation have been applied to reportable segments.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

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 and estimates are required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor. If the financial condition of the debtors was to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Notes to the Financial Statements

for the year ended 31 December 2011

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

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.

Income taxes

The Group is subject to income taxes in Hong Kong, the PRC and Singapore. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

6. REVENUE

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

	2011 **HK$'000**	2010 HK$'000 (Restated)
Sales of motor vehicles	**76,160**	87,149
Technical fee income	**36,365**	27,698
Servicing of motor vehicles and sales of auto parts	**189,305**	129,937
	301,830	244,784

7. SEGMENT INFORMATION

The executive directors have identified the Group's 3 product and service lines as operating segments as further described in note 4.20.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	2011			
	Activity 1	**Activity 2**	**Activity 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Revenue				
From external customers	112,525	189,305	–	301,830
From other segments	–	–	3,047	3,047
Reportable segment revenue	112,525	189,305	3,047	304,877
Reportable segment profit	27,316	20,414	3,047	50,777
Bank interest income	106	246	–	352
Depreciation and amortisation of non-financial assets	(1,204)	(4,776)	–	(5,980)
Write down of inventories to net realisable value	(552)	–	–	(552)
Gain on disposal of property, plant and equipment	–	–	892	892
Reportable segment assets	152,720	293,045	–	445,765
Addition to non-current segment assets during the year	–	9,535	–	9,535
Reportable segment liabilities	49,976	99,272	9,535	158,783

Notes to the Financial Statements

for the year ended 31 December 2011

7. SEGMENT INFORMATION *(Continued)*

	2010			
	Activity 1 HK$'000 (Restated)	Activity 2 HK$'000 (Restated)	Activity 3 HK$'000 (Restated)	Total HK$'000 (Restated)
Revenue				
From external customers	114,847	129,937	–	244,784
From other segments	–	–	2,727	2,727
Reportable segment revenue	114,847	129,937	2,727	247,511
Reportable segment profit	16,242	25,251	2,727	44,220
Bank interest income	96	111	–	207
Depreciation and amortisation of non-financial assets	(1,104)	(3,710)	–	(4,814)
Write down of inventories to net realisable value	(458)	–	–	(458)
Gain on disposal of property, plant and equipment	–	–	972	972
Reportable segment assets	160,854	230,273	–	391,127
Addition to non-current segment assets during the year	–	11,419	–	11,419
Reportable segment liabilities	70,545	81,140	10,940	162,625

7. SEGMENT INFORMATION *(Continued)*

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
Reportable segment revenues	304,877	247,511
Elimination of inter segment revenues	(3,047)	(2,727)
Group revenues	301,830	244,784
Reportable segment profit	50,777	44,220
Other income	78,062	57,342
Unallocated corporate expenses	(73,608)	(57,667)
Finance costs	(11,150)	(8,878)
Elimination of inter segment profits	(3,047)	(2,727)
Profit before income tax	41,034	32,290
Reportable segment assets	445,765	391,127
Non-current corporate assets	23,812	17,251
Current corporate assets	98,597	121,978
Group assets	568,174	530,356
Reportable segment liabilities	158,783	162,625
Non-current corporate liabilities	7,040	4,869
Current corporate liabilities	106,765	104,860
Group liabilities	272,588	272,354

Notes to the Financial Statements

for the year ended 31 December 2011

7. SEGMENT INFORMATION *(Continued)*

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customer		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Singapore (domicile)	**–**	–	**1,056**	1,243
The PRC	**301,830**	244,784	**96,856**	90,993
Hong Kong	**–**	–	**23,790**	17,230
	301,830	244,784	**121,702**	109,466

The place of domicile is determined based on the location of central management.

The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

During 2011, HK$47,087,000 or 16% of the Group's revenue depended on a single customer in sales of motor vehicles and provision of car-related technical service segment (2010: HK$24,131,000 or 10% as restated).

As at 31 December 2011, 24% of the Group's trade receivables were due from this customer (2010: 18%).

8. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
		(Restated)
Rental income – sublease	**15,478**	12,452
Interest income on financial assets stated at amortised cost	**352**	207
Financial guarantee income	**3,506**	–
Warranty claims	**36,911**	32,085
Other income	**21,815**	12,598
	78,062	57,342

9. PROFIT BEFORE INCOME TAX

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

	2011 HK$'000	2010 HK$'000 (Restated)
9.1 Changes in inventories		
Motor vehicles (including impairment loss of inventories of HK$552,000 (2010: HK$458,000 as restated)	**73,436**	83,161
Auto parts and accessories	**142,826**	98,880
	216,262	182,041
9.2 Finance costs on financial liabilities stated at amortised cost		
Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five year	**10,537**	8,318
Interest element of finance lease rental payments	**613**	560
	11,150	8,878
9.3 Other items		
Auditor's remuneration	**398**	393
Depreciation of property, plant and equipment*	**11,743**	9,623
Gain on disposal of property, plant and equipment	**(892)**	(972)
Amortisation of prepaid rental expenses	**949**	874
Annual charges of prepaid operating land lease payments	**97**	90

* Amount included depreciation charge of HK$3,864,000 (2010: HK$3,226,000 as restated) for the Group's assets held under finance leases.

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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 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 2011

10. INCOME TAX EXPENSE *(Continued)*

	2011 HK$'000	2010 HK$'000 (Restated)
Current – Hong Kong		
Charge for the year	**2,617**	2,325
Under-provision in prior years	**1,589**	–
Current – Overseas		
Charge for the year	**5,377**	8,741
Under-provision in prior years	**2,042**	–
Total income tax expense	**11,625**	11,066

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

	2011 HK$'000	2010 HK$'000 (Restated)
Profit before income tax	**41,034**	32,290
Tax on profits before income tax expenses, calculated at the rates applicable to profits in the tax jurisdictions concerned	**8,301**	7,232
Non-deductible expenses	**5,852**	5,426
Non-taxable revenue	**(6,159)**	(1,589)
Others	**–**	(3)
Under-provision in prior years	**3,631**	–
Income tax expenses	**11,625**	11,066

11. PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY FOR THE YEAR

Of the consolidated profit attributable to the owners of the Company for the year of HK$29,454,000 (2010: HK$21,271,000 as restated), a loss of HK$1,971,000 (2010: a loss of HK$2,155,000 as restated) has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the owners of the Company for the year of approximately HK$29,454,000 (2010: HK$21,271,000 as restated) and on the weighted average number of 476,300,000 (2010: 451,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2011 and 2010 was not presented as there was no dilutive potential ordinary share for the year ended 31 December 2011 and 2010.

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 HK$'000	2010 HK$'000 (Restated)
Salaries and wages	**34,658**	26,702
Other benefits	**7,376**	3,612
Pension costs – defined contribution plans	**645**	448
	42,679	30,762

13.1 Directors emoluments

Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
2011					
Executive directors					
Mr. Loh Boon Cha	–	–	–	–	–
Mr. Loh Nee Peng	–	**1,118**	–	**54**	**1,172**
Mr. Xu Ming	–	–	–	–	–
Independent non-executive directors					
Mr. Lee Kwok Yung	**120**	–	–	–	**120**
Mr. Yin Bin	**218**	–	–	–	**218**
Mr. Lin JuZhang	**218**	–	–	–	**218**
Ms. Song Qi Hong	**145**	–	–	–	**145**
	701	**1,118**	–	**54**	**1,873**
2010 (as restated)					
Executive directors					
Mr. Loh Boon Cha	–	–	–	–	–
Mr. Loh Nee Peng	–	1,030	–	45	1,075
Mr. Xu Ming	–	–	–	–	–
Independent non-executive directors					
Mr. Lee Kwok Yung	121	–	–	–	121
Mr. Yin Bin	208	–	–	–	208
Mr. Zhang Lei	102	–	–	–	102
Mr. Lin JuZhang	102	–	–	–	102
Ms. Song Qi Hong	56	–	–	–	56
	589	1,030	–	45	1,664

Notes to the Financial Statements

for the year ended 31 December 2011

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

13.1 Directors emoluments *(Continued)*

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.

13.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2010: one) director whose emoluments is included in the analysis presented above. The emoluments payable to the remaining four (2010: four) individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
Salaries, allowances and benefits in kind	2,055	1,931
Contributions to defined contribution plan	54	48
	2,109	1,979

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
HK$ Nil to HK$1,000,000	4	4

13.3 Key management personnel compensation

	2011 HK$'000	2010 HK$'000 (Restated)
Short term employee benefits	3,874	3,550
Post-employment benefits	108	93
	3,982	3,643

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2010 (as restated)							
Cost	2,970	12,586	19,276	30,915	8,702	17,028	91,477
Accumulated depreciation and impairment	(2,191)	(3,188)	(9,112)	(16,719)	(6,460)	–	(37,670)
Net carrying amount	779	9,398	10,164	14,196	2,242	17,028	53,807
Year ended 31 December 2010 (as restated)							
Opening net carrying amount	779	9,398	10,164	14,196	2,242	17,028	53,807
Exchange differences	73	333	330	11	81	645	1,473
Additions	–	–	1,489	9,428	2,078	8,282	21,277
Disposals	–	–	–	(432)	–	–	(432)
Depreciation	(16)	(825)	(2,080)	(5,799)	(903)	–	(9,623)
Closing net carrying amount	836	8,906	9,903	17,404	3,498	25,955	66,502
At 31 December 2010 (as restated)							
Cost	2,970	12,586	20,765	36,281	10,732	25,955	109,289
Accumulated depreciation and impairment	(2,134)	(3,680)	(10,862)	(18,877)	(7,234)	–	(42,787)
Net carrying amount	836	8,906	9,903	17,404	3,498	25,955	66,502
Year ended 31 December 2011							
Opening net carrying amount (as restated)	836	8,906	9,903	17,404	3,498	25,955	66,502
Exchange differences	(9)	387	409	8	121	1,211	2,127
Additions	–	3,281	577	13,944	909	4,745	23,456
Transfer from construction in progress	–	31,911	–	–	–	(31,911)	–
Transfer from prepaid rental	–	296	–	–	–	–	296
Disposals	–	–	–	(203)	(1)	–	(204)
Depreciation	(17)	(1,274)	(2,350)	(6,953)	(1,149)	–	(11,743)
Closing net carrying amount	810	43,507	8,539	24,200	3,378	–	80,434
At 31 December 2011							
Cost	2,970	48,074	21,342	47,436	11,613	–	131,435
Accumulated depreciation and impairment	(2,160)	(4,567)	(12,803)	(23,236)	(8,235)	–	(51,001)
Net carrying amount	810	43,507	8,539	24,200	3,378	–	80,434

Notes to the Financial Statements

for the year ended 31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 34 to the financial statements.

The net carrying amount of the plant and machinery and motor vehicles of the Group includes an amount of approximately HK$19,641,000 (2010: HK$13,612,000 as restated) in respect of assets held under finance leases.

Certain plant and machinery with an aggregate carrying amount of approximately HK$8,539,000 (2010: HK$9,903,000 as restated) and motor vehicles Nil (2010: HK$236,000 as restated) are pledged to secure the banking facilities granted to the Group as disclosed in note 25.2 to the financial statements.

15. LEASEHOLD LANDS – GROUP

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

	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Outside Hong Kong, held on			
Lease of over 50 years	**4,767**	4,843	4,575
Opening net carrying amount at 1 January	**4,843**	4,575	4,650
Annual charges	**(97)**	(90)	(158)
Exchange differences	**21**	358	83
Closing net carrying amount at 31 December	**4,767**	4,843	4,575

Leasehold land with carrying amount of approximately HK$4,767,000 (2010: HK$4,843,000 as restated) are pledged to secure the banking facilities of Zhong Bao Group as disclosed in note 34 in the financial statements.

16. PREPAID RENTAL EXPENSES – GROUP

	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Opening net carrying amount at 1 January	**39,025**	36,496	36,413
Transfer to property, plant and equipment	**(296)**	–	–
Amortisation for the year	**(949)**	(874)	(817)
Exchange differences	**(386)**	3,403	900
Closing net carrying amount at 31 December	**37,394**	39,025	36,496
Less: Current portion of prepaid rental expenses (note 21)	**(914)**	(924)	(844)
Non-current portion	**36,480**	38,101	35,652

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.

Accordingly, the advances made in respect of the Agreement have been classified as prepaid rental expenses and have been charged to profit or loss 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 HK$22,716,000 (2010: HK$22,716,000 as restated) was completed in 2001 and its charge for the year amounting to HK$509,000 (2010: HK$469,000 as restated). 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 HK$19,480,000 (2010: HK19,480,000 as restated) was completed in December 2003 and its charge for the year amounting to HK$440,000 (2010: HK$405,000 as restated).

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17. INTERESTS IN SUBSIDIARIES

	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
Unlisted shares, at cost	**48,651**	48,651	48,651
Due from a subsidiary	**30,966**	30,966	28,258
Financial guarantee issued	**1,322**	1,411	1,393
	80,939	81,028	78,302

The amount due from a subsidiary is unsecured, interest-free and is not repayable within one year. In the opinion of directors, the settlement of this amount due from the subsidiary is neither planned nor likely to occur in the foreseeable future and in substance, this amount is extension of the Group's investments in this subsidiary.

The other amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

Details of the subsidiaries at the reporting 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
German Automobiles Pte Limited ("GAPL")###	Singapore	7,876,996 shares of S$1 each	100%	–	Distribution of motor vehicles and provision of technical services
German Automobiles Limited ("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
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

17. INTERESTS IN SUBSIDIARIES *(Continued)*

\# 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.

18. NON-CURRENT RECEIVABLES – GROUP

		31 December		1 January
		2011	2010	2010
	Notes	**HK$'000**	HK$'000	HK$'000
			(Restated)	(Restated)
Advances to NAGC Group	(a)	**491**	5,273	2,486
Advances to Zhong Bao Group	(b)	**133,518**	100,358	107,006
		134,009	105,631	109,492
Portion classified as current assets (note 21)	(c)	**(133,988)**	(105,611)	(109,472)
Non-current portion		**21**	20	20

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 HK$5,273,000 (2010: HK$5,273,000 as restated).

On 19 March 2012, 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 2011. Pursuant to the NAGC Payment Agreement, NAGC agreed to settle the outstanding balance amounted to HK$491,000 as at 31 December 2012 by monthly instalments by 30 June 2012.

(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.

Notes to the Financial Statements

for the year ended 31 December 2011

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

notes: *(Continued)*

(b) 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 actual sales quantity of specified car model of 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 HK$203,900,000 (2010: HK$142,074,000 as restated).

On 19 March 2012, 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 2011 (the "ZB Advance"). Pursuant to the ZB Payment Agreements, Xiamen Zhong Bao agreed to settle the outstanding balance amounted to HK$133,518,000 as at 31 December 2011 to the Group by monthly instalments by 31 October 2012. 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 of 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.

(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.

19. INVENTORIES – GROUP

	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Motor vehicles	**4,819**	10,155	12,912
Auto parts and accessories	**25,828**	21,873	15,167
	30,647	32,028	28,079

20. TRADE RECEIVABLES – GROUP

At 31 December 2011, the ageing analysis of trade receivables, based on invoice date, was as follows:

	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
0 – 90 days	**39,044**	31,293	23,458
91 – 180 days	**30,143**	20,385	23,242
181 – 365 days	**8,738**	26,945	19,303
Over 1 year	**18,816**	20,859	14,892
	96,741	99,482	80,895
Less: allowance for impairment of receivables	**(3,394)**	(3,518)	(3,236)
	93,347	95,964	77,659

In addition to the advances to NAGC Group and Zhong Bao Group as disclosed in note 18, the Group's trade receivables included trade debts of HK$76,023,000 (2010: HK$32,030,000 as restated) due from Zhong Bao Group as at 31 December 2011.

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:

	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
At 1 January	**3,518**	3,236	3,264
Exchanges differences	**(124)**	282	(28)
At 31 December	**3,394**	3,518	3,236

At each reporting 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.

Except for the collateral as stated in note 18(b), none of the Group's financial assets are secured by collateral or other credit enhancements.

Notes to the Financial Statements

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20. TRADE RECEIVABLES – GROUP *(Continued)*

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:

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
Neither past due nor impaired	(a)	**72,193**	78,678	57,291
1 – 90 days past due	(a)	**16,398**	4,795	11,144
91 – 180 days past due	(a)	**2,794**	2,473	930
Over 180 days past due	(b)	**1,962**	10,018	8,294
		21,154	17,286	20,368
		93,347	95,964	77,659

(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 almost full settlement after the reporting date.

As at 31 December 2011, trade receivables of HK$72,193,000 (2010: HK$78,678,000 as restated) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a certain number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

The directors of the Group consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

21. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS – GROUP AND COMPANY

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2011	2010	2010	**2011**	2010	2010
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
		(Restated)	(Restated)		(Restated)	(Restated)
Current portion of non-current receivables (note 18)	**133,988**	105,611	109,472	**–**	–	–
Current portion of prepaid rental expenses (note 16)	**914**	924	844	**–**	–	–
Other prepayments and current assets	**57,069**	25,414	14,567	**152**	202	201
Deposit paid	**51,675**	59,368	25,539	**–**	–	–
	243,646	191,317	150,422	**152**	202	201

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP

		31 December		1 January
		2011	2010	2010
	Notes	**HK$'000**	HK$'000	HK$'000
			(Restated)	(Restated)
Cash and bank balances		**54,904**	78,106	55,485
Pledged deposits:				
For banking facilities granted to the Group (note 25)		**6,158**	6,108	6,045
Guarantee money in respect of security of suppliers	(a)	**8,761**	8,371	2,386
For banking facilities granted to NAGC Group	(b)	**8,983**	8,972	8,906
		23,902	23,451	17,337
		78,806	101,557	72,822

Notes:

(a) Some bank deposits of the Group were pledged in respect of providing security to suppliers.

(b) The banking facilities were granted up to approximately HK$21,750,000 (2010: HK$21,824,000 as restated) which were fully utilised as at 31 December 2011.

Notes to the Financial Statements

for the year ended 31 December 2011

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP *(Continued)*

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 0.19% to 1.05% (2010: 0.7% to 1%) per annum.

At the reporting date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$56,297,000 (2010: HK$79,115,000 as restated). 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.

23. TRADE PAYABLES – GROUP

The ageing analysis of trade payables is as follows:

	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
0 – 30 days	**6,001**	4,098	5,116
31 – 180 days	**3,171**	1,746	1,615
181 – 365 days	**230**	1,555	135
1 – 2 years	**2,664**	744	1,413
Over 2 years	**3,580**	5,930	2,131
	15,646	14,073	10,410

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

24. ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2011	2010	2010	**2011**	2010	2010
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
		(Restated)	(Restated)		(Restated)	(Restated)
Accruals	**37,873**	38,775	28,618	**182**	301	204
Deposit received	**21,082**	15,086	11,741	**–**	–	–
Other payables	**18,443**	11,413	14,051	**–**	–	–
Financial guarantee issued	**5,967**	1,234	1,258	**1,296**	1,234	720
	83,365	66,508	55,668	**1,478**	1,535	924

25. BILLS PAYABLES AND BORROWINGS – GROUP

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
Borrowings				
Non-current				
Secured bank loans	25.2	**80**	5,843	7,630
Finance lease liabilities	25.4	**7,040**	4,869	4,026
		7,120	10,712	11,656
Current				
Bank overdrafts	25.1	**–**	798	–
Secured bank loans	25.2	**29,901**	28,465	5,674
Unsecured bank loans		**34,429**	33,012	20,448
Finance lease liabilities	25.4	**8,148**	5,095	3,825
		72,478	67,370	29,947

25.1 Bank overdrafts and bills payables to banks

At the reporting date, the Group's bills payables are secured by the Group's fixed deposits amounting to approximately HK$6,158,000 (2010: HK$6,108,000 as restated), which are part of the fixed deposits of HK$23,902,000 (2010: HK$23,451,000 as restated) and corporate guarantees from the Company (note 36). 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.

25.2 Secured bank loans

Secured bank loans comprise:

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
Term loans		**29,981**	34,308	13,304
Less: current portion	(i)	**(29,901)**	(28,465)	(5,674)
Non-current portion		**80**	5,843	7,630

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

25.2 Secured bank loans *(Continued)*

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

- Pledge of bank deposits of approximately HK$6,158,000 (2010: HK$6,108,000 as restated), which are part of the fixed deposits of HK$23,902,000 (2010: HK$23,451,000 as restated) mentioned in note 22 above;
- Legal charge over the plant and machinery and motor vehicles with net carrying amount of HK$8,539,000 (2010: HK$9,903,000 as restated) and Nil (2010: HK$236,000 as restated) (note 14) respectively;
- Corporate guarantees provided by the Company (note 36); and
- Corporate guarantees provided by Zhong Bao Group.

25.3 Other information about the borrowings

	Original currency	Effective interest rate (%) per annum			
		2011		2010	
		Fixed	**Floating**	Fixed	Floating
Bank loans	S$	**–**	**–**	–	8.25%-8.3%
Bank loans	HK$	**–**	**4.25%-6.25%**	–	4%
Bank loans	RMB	**6.56%-7.26%**	**5.84%-8.54%**	5.84%	–
Finance lease liabilities	HK$	**3.59%-4.91%**	**–**	0.45%-3.33%	–

25.4 Finance lease liabilities

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

	Group		
	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Due within one year	**8,638**	5,494	4,235
Due in the second to fifth years	**7,263**	5,044	4,279
	15,901	10,538	8,514
Future finance charges on finance leases	**(713)**	(574)	(663)
Present value of finance lease liabilities	**15,188**	9,964	7,851

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

25.4 Finance lease liabilities *(Continued)*

The present value of finance lease liabilities is as follows:

	Group		
	31 December		1 January
	2011 HK$'000	2010 HK$'000 (Restated)	2010 HK$'000 (Restated)
Due within one year	8,148	5,095	3,825
Due in the second to fifth years	7,040	4,869	4,026
	15,188	9,964	7,851
Less: Portion due within one year included under current liabilities	(8,148)	(5,095)	(3,825)
Non-current portion included under non-current liabilities	7,040	4,869	4,026

26. DUE TO RELATED COMPANIES

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

27. 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	31 December 2011 HK$'000	Maximum amount outstanding during the year HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
Loh Nee Peng	26	26	24	23

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

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28. DEFERRED TAX LIABILITIES – GROUP

The movement on the deferred tax liabilities is as follows:

	Accelerated tax depreciation HK$'000 (Restated)
Deferred tax liabilities at 1 January 2010, 31 December 2010 and 2011	1,272

At the reporting date, the Group has not recognised deferred liabilities in respect of temporary differences associated with undistributed earnings of the PRC subsidiaries. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

Deferred tax liabilities of HK$1,319,000 (2010: HK$900,167 as restated) have not been established for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary difference will reverse in the foreseeable future. Such unremitted earnings for investments in subsidiaries totalled HK$26,374,000 (2010: HK$18,003,000 as restated).

29. TAX PAYABLE – GROUP

Included in tax payable of the Group was an amount of approximately HK$3,376,000 (2010: 19,511,000 as restated) 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, total payment of HK$17,904,000 was made during 2011. 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 stated.

30. SHARE CAPITAL

	31 December				1 January	
	2011		2010		2010	
	Number of shares '000	HK$'000	Number of shares '000	HK$'000 (Restated)	Number of shares '000	HK$'000 (Restated)
Authorised:						
Ordinary shares of HK$0.1 each	**2,000,000**	**2,000,000**	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:						
Ordinary shares of HK$0.1 each at beginning of year	**476,300**	**47,630**	433,000	43,300	433,000	43,300
Issue of ordinary shares	**–**	**–**	43,300	4,330	–	–
Ordinary shares of HK$0.1 each at end of year	**476,300**	**47,630**	476,300	47,630	433,000	43,300

On 24 May 2010, the Company entered into a subscription agreements with certain independent third parties in relation to the subscription of an aggregate of 43,300,000 ordinary shares at the price of HK$0.225 each. The issued share capital of the Company was thus increased from HK$43,300,000 (as restated) to HK$47,630,000 (as restated) as enlarged by the allotment and issue of the ordinary shares with effect from 10 June 2010. The Company intended to apply the proceeds raised as general working capital for the Group.

31. 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 HK$'000 (Restated)	Capital reserve HK$'000 (Restated)	Accumulated losses HK$'000 (Restated)	Total HK$'000 (Restated)
At 1 January 2010	24,205	2,854	2,157	29,216
Proceeds from shares issued	5,413	–	–	5,413
Share issue expenses	(96)	–	–	(96)
Loss for the year	–	–	(2,155)	(2,155)
At 31 December 2010	29,522	2,854	2	32,378
Loss for the year	–	–	(1,971)	(1,971)
At 31 December 2011	**29,522**	**2,854**	**(1,969)**	**30,407**

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31. RESERVES *(Continued)*

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.

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 4.3 to the financial statements.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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 HK$12,716,000 (2010: HK$7,952,000 as restated).

33. PENSION AND OTHER EMPLOYEE OBLIGATIONS – GROUP

	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Current obligations on:			
– pensions – defined contributions plans	**29**	119	155

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.

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

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 employers in Singapore made monthly contributions of 20% (2010: 20%) and 16% (2010: 14.5%) 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.

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

During the year, contributions totalling HK$559,000 (2010: HK$448,000 as restated) were paid to the schemes.

34. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP

As stated in note 18 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 reporting date, the Group had the following exposures to NAGC Group:

(i) Prepaid rental expenses made as disclosed in note 16 to the financial statements.

(ii) Advances made as disclosed in note 18 to the financial statements.

(iii) Certain fixed deposits of the Group of approximately HK$8,983,000 (2010: HK$8,972,000 as restated) pledged to a bank to secure banking facilities up to approximately HK$21,750,000 (2010: HK$21,824,000 as restated) granted to NAGC Group as disclosed in note 22 to the financial statements.

(iv) Contingent liabilities arising from the transactions as disclosed in note 36 to the financial statements.

II. Zhong Bao Group

During the year, the Group sold motor vehicles and sales of autoparts of HK$29,452,000 (2010: HK$35,636,000 as restated) and earned technical fee income of HK$36,366,000 (2010: HK$27,713,000 as restated) from Zhong Bao Group, the details of which have been disclosed in note 18 to the financial statements.

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

(a) Advances made as disclosed in note 18 to the financial statements.

(b) Trade balances of HK$76,023,000 (2010: HK$32,030,000 as restated) receivables from Zhong Bao Group as included in "Trade receivables".

Notes to the Financial Statements

for the year ended 31 December 2011

34. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP *(Continued)*

II. Zhong Bao Group *(Continued)*

(c) Leasehold lands and buildings of approximately HK$4,767,000 (2010: HK$4,843,000 as restated) (note 15) and HK$810,000 (2010: HK$836,000 as restated) (note 14) respectively are pledged to bank to secure banking facilities up to approximately HK$256,672,000 (2010: HK$174,909,000 as restated) granted to Zhong Bao Group at the reporting date.

(d) Contingent liabilities arising from transactions as disclosed in note 36 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.

35. COMMITMENTS

35.1 As lessor

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group		
	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Within one year	**9,838**	5,186	5,243
After one year but within five years	**7,591**	3,846	3,846
	17,429	9,032	9,089

The Group leases its motor vehicles under operating leases arrangements. The terms of the leases are mutually agreed between the Group and the respective tenants.

35.2 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.

35. COMMITMENTS *(Continued)*

35.2 As lessee *(Continued)*

At 31 December 2011, total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	Group		
	31 December		1 January
	2011	2010	2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Within one year	**1,084**	1,267	1,195
After one year but within five years	**617**	989	430
	1,701	2,256	1,625

The Company does not have any significant operating lease commitments.

35.3 Capital commitment

As at 31 December 2011, there is no outstanding construction fee for construction in progress (2010: Nil).

36. CONTINGENT LIABILITIES

Group

At 31 December 2011, the Group had given guarantees in the ordinary course of business as follows:

		31 December		1 January
		2011	2010	2010
	Notes	**HK$'000**	HK$'000	HK$'000
			(Restated)	(Restated)
Guarantees for bank loans to NAGC Group:	(1)	**21,750**	21,824	21,718
Guarantees for bank loans to Zhong Bao Group:	(2)	**256,672**	174,909	132,022
		278,422	196,733	153,740

Notes:

(1) The Group's fixed deposits of approximately HK$8,983,000 (2010: HK$8,972,000 as restated) are pledged to secure these banking facilities at the reporting date (note 22(b)).

(2) Leasehold lands and buildings of approximately HK$4,767,000 (2010: HK$4,843,000 as restated) (note 15) and HK$810,000 (2010: HK$836,000 as restated) (note 14) respectively are pledged to bank to secure banking facilities up to approximately HK$256,672,000 (2010: HK$174,909,000 as restated) granted to Zhong Bao Group at the reporting date.

Notes to the Financial Statements

for the year ended 31 December 2011

36. CONTINGENT LIABILITIES *(Continued)*

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 HK$192,803,000 (2010: HK$196,614,000 as restated) with respect to banking facilities made available to the subsidiaries.

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.

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2011 and 2010 may be categorised as follows. See notes 4.9 and 4.16 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Financial assets				
Pledged deposits	**23,902**	23,451	**–**	–
Cash and bank deposits	**54,904**	78,106	**–**	–
	78,806	101,557	**–**	–
Loans and receivables:				
Non-current receivables	**21**	20	**–**	–
Trade receivables	**93,347**	95,964	**–**	–
Other current assets	**243,646**	191,317	**152**	202
Due from a subsidiary	**–**	–	**4,539**	5,848
Due from a director	**26**	24	**–**	–
	337,040	287,325	**4,691**	6,050
	415,846	388,882	**4,691**	6,050

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

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Financial liabilities				
Financial liabilities at amortised cost:				
Current liabilities				
Trade payables	**15,646**	14,073	**–**	–
Other payables	**83,365**	66,508	**1,478**	1,535
Bills payables	**42,638**	57,487	**–**	–
Borrowings	**72,478**	67,370	**–**	–
Due to related companies	**297**	300	**–**	–
Due to subsidiaries	**–**	–	**5,608**	5,028
Due to directors	**34,765**	24,031	**507**	507
	249,189	229,769	**7,593**	7,070
Non-current liabilities				
Non-current portion of long-term borrowings	**7,120**	10,712	**–**	–
	256,309	240,481	**7,593**	7,070

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. The Group's credit risk exposures also extend to financial guarantees provided to NAGC Group and Zhong Bao Group as disclosed in note 36 to the financial statements.

As disclosed in note 18, 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.

Notes to the Financial Statements

for the year ended 31 December 2011

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

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, and maintaining adequate reserves and banking 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.

As at 31 December 2011 and 31 December 2010, the Group's and Company's financial liabilities have contractual maturities which are summarised below:

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
At 31 December 2011				
Trade payables	**15,646**	**15,646**	**15,646**	**–**
Other payables	**83,365**	**83,365**	**83,365**	**–**
Bills payables	**42,638**	**42,638**	**42,638**	**–**
Short-term borrowings	**72,478**	**73,326**	**73,326**	**–**
Due to related companies	**297**	**297**	**297**	**–**
Due to directors	**34,765**	**34,765**	**34,765**	**–**
Long-term borrowings	**7,120**	**7,545**	**–**	**7,545**
Total	**256,309**	**257,582**	**250,037**	**7,545**
Financial guaranteed issued:				
Maximum amount guaranteed (note 36)	5,967	**278,422**	**278,422**	**–**
At 31 December 2010 (as restated)				
Trade payables	14,073	14,073	14,073	–
Other payables	66,508	66,508	66,508	–
Bills payables	57,487	57,487	57,487	–
Short-term borrowings	67,370	70,612	70,612	–
Due to related companies	300	300	300	–
Due to directors	24,031	24,031	24,031	–
Long-term borrowings	10,712	11,355	–	11,355
Total	240,481	244,366	233,011	11,355
Financial guaranteed issued:				
Maximum amount guaranteed (note 36)	1,234	196,733	196,733	–

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

Liquidity risk *(Continued)*

Company

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
At 31 December 2011				
Other payables	**1,478**	**1,478**	**1,478**	**–**
Due to subsidiaries	**5,608**	**5,608**	**5,608**	**–**
Due to directors	**507**	**507**	**507**	**–**
Total	**7,593**	**7,593**	**7,593**	**–**
Financial guaranteed issued:				
Maximum amount guaranteed (note 36)	**1,296**	**192,803**	**192,803**	**–**
At 31 December 2010 (as restated)				
Other payables	1,535	1,535	1,535	–
Due to subsidiaries	5,028	5,028	5,028	–
Due to directors	507	507	507	–
Total	7,070	7,070	7,070	–
Financial guaranteed issued:				
Maximum amount guaranteed (note 36)	1,234	196,614	196,614	–

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Singapore dollars ("S$"), United States dollars ("US$"), Euro ("EUR") and RMB. Foreign exchange risk arises from commercial transactions and recognized assets and liabilities. As HK$ is pegged to USD, the foreign exchange exposure of USD is considered minimal. 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 HK$, as has occurred in 2010 and 2011, 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.

Notes to the Financial Statements

for the year ended 31 December 2011

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

Foreign exchange risk *(Continued)*

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 reporting 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 reporting 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 2011 and 2010 are as follows:

	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2011		
Monetary assets		
Trade and other receivables	28,326	31,769
Pledged deposits	–	–
Cash and cash equivalents	43	–
	28,369	31,769
Monetary liabilities		
Trade and other payables	–	(32,664)
Bills payables	(6,403)	–
Borrowings	–	–
	(6,403)	(32,664)
Net monetary assets/(liabilities)	21,966	(895)
Foreign currency strengthen/(weaken) by:	5%/(5%)	1%/(1%)
Increase/(decrease) in profit after tax and retained earnings	1,098/(1,098)	(9)/9

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

Foreign exchange risk *(Continued)*

	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2010 (as restated)		
Monetary assets		
Trade and other receivables	–	77,085
Pledged deposits	2	–
Cash and cash equivalents	–	–
	2	77,085
Monetary liabilities		
Trade and other payables	(585)	(6)
Bills payables	(9,092)	–
Borrowings	–	–
	(9,677)	(6)
Net monetary assets/(liabilities)	(9,675)	77,079
Foreign currency strengthen/(weaken) by:	5%/(5%)	1%/(1%)
Increase/(decrease) in profit after tax and retained earnings	(484)/484	771/(771)

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 0.23% per annum. 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 25 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 2011, at rates ranging from the prime rate minus 1% to the prime rate plus 1% per annum (2010: prime rate minus 0.5% to the prime rate plus 2% per annum).

If interest rates had been 100 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 2011 would decrease/increase by HKD204,000 (2010: decrease/increase by HKD235,000 as restated). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Notes to the Financial Statements

for the year ended 31 December 2011

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

Interest rate risk *(Continued)*

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

	2011 Effect on profit after tax and retained earnings HK$'000	2010 Effect on profit after tax and retained earnings HK$'000
USD	(152)/152	(225)/225
EUR	(48)/48	(64)/64
RMB	415/(415)	591/(591)
HKD	(10)/10	(32)/32
SGD	(1)/1	(35)/35

Fair values

The directors consider that the fair values of each class of the financial assets and financial liabilities below approximate to their carry amounts.

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 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

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 statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position, plus net debt.

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES *(Continued)*

During the year, the Group's gearing ratio was maintained within the range of 15% to 30%. The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011	2010
	HK$'000	HK$'000
		(Restated)
Total borrowings	**122,236**	135,569
Less: Cash and cash equivalents	**(54,904)**	(78,106)
Net debt	**67,332**	57,463
Total equity	**295,586**	258,002
Total capital	**362,918**	315,465
Gearing ratio	**19%**	18%

Financial summary

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**301,830**	244,784	195,995	191,850	193,807
Other income	**78,062**	57,342	50,762	30,799	29,183
Changes in inventories	**(216,262)**	(182,041)	(152,716)	(156,127)	(156,526)
Employee benefits expenses	**(42,679)**	(30,762)	(25,048)	(21,760)	(17,202)
Depreciation and amortisation	**(12,789)**	(10,587)	(9,195)	(8,369)	(7,247)
Operating lease charges	**(13,142)**	(7,860)	(6,435)	(1,906)	(1,725)
Exchange differences, net	**500**	(3,554)	(5,323)	8,171	8,650
Other expenses	**(43,336)**	(26,154)	(23,148)	(17,098)	(14,780)
Profit from operating activities	**52,184**	41,168	24,892	25,560	34,160
Finance costs, net	**(11,150)**	(8,878)	(9,134)	(14,744)	(16,938)
Profit before income tax	**41,034**	32,290	15,758	10,816	17,222
Income tax expense	**(11,625)**	(11,066)	(5,527)	(2,992)	(3,776)
Profit for the year	**29,409**	21,224	10,231	7,824	13,446
Dividends	**–**	–	–	–	–
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share for profit attributable to the owners of the Company for the year	**6.18**	4.72	2.36	1.91	3.36

ASSETS AND LIABILITIES

	31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**568,174**	530,356	423,059	429,818	461,027
Total liabilities	**(272,588)**	(272,354)	(213,009)	(233,924)	(291,638)
	295,586	258,002	210,050	195,894	169,389
Non-controlling interests	**(2,035)**	(1,989)	(1,963)	(2,074)	(1,867)
Equity attributable to Company's owners	**293,551**	256,013	208,087	193,820	167,522