

G.A. Holdings Limited (Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong under the trading name of German Automobiles International Limited)

G.A. 控股有限公司



2007 first quarterly report



(Stock Code: 8126)

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

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

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

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

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

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

The board (the “Board”) of directors (the “Directors”) of G.A. Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2007

		(Unaudited)	
		three months ended	
		31 March	
		2007	2006
	<i>Notes</i>	S\$'000	S\$'000
Revenue	2	9,688	23,596
Other income	2	644	641
		10,332	24,237
Cost of sales		(7,645)	(19,482)
Employee benefit expenses		(435)	(590)
Depreciation and amortisation		(355)	(345)
Operating lease charges		(82)	(68)
Exchange differences, net		29	162
Other operating expenses		(521)	(910)
Profit from operating activities		1,323	3,004
Finance costs, net		(712)	(968)
Profit before income tax		611	2,036
Income tax expenses	3	(30)	(368)
Profit for the period		581	1,668
Attributed to:			
Equity holders of the Company		582	1,672
Minority interests		(1)	(4)
Profit for the period		581	1,668
Earnings per share Basic (cents)	4	0.15	0.42

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2006 and 2007

	Issued capital	Share premium	Capital reserve	Translation reserve	Retained profits	Total	Minority interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 January 2006	9,040	4,006	1,689	301	14,292	29,328	421	29,749
Net gains not recognised in income statement								
Translation difference	-	-	-	(1,039)	-	(1,039)	(14)	(1,053)
Profit/(loss) for the period	-	-	-	-	1,672	1,672	(4)	1,668
Total recognized Income/expenses	-	-	-	(1,039)	1,672	633	(18)	615
As at 31 March 2006	<u>9,040</u>	<u>4,006</u>	<u>1,689</u>	<u>(738)</u>	<u>15,964</u>	<u>29,961</u>	<u>403</u>	<u>30,364</u>
As at 1 January 2007	9,040	4,006	1,689	(2,215)	17,324	29,844	352	30,196
Net losses not recognised in income statement								
Translation difference	-	-	-	(33)	-	(33)	1	(32)
Profit/(loss) for the period	-	-	-	-	582	582	(1)	581
Total recognized Income/expenses	-	-	-	(33)	582	549	-	549
As at 31 March 2007	<u>9,040</u>	<u>4,006</u>	<u>1,689</u>	<u>(2,248)</u>	<u>17,906</u>	<u>30,393</u>	<u>352</u>	<u>30,745</u>

Notes:

1. Basis of Preparation

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, and provision of management services in respect of car rental business.

The unaudited condensed consolidated financial results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

The accounting policies adopted for the preparation of these unaudited consolidated results of the Group are consistent with those adopted by the Group in the preparation of annual audited financial statements for the year ended 31 December 2006.

2. Turnover

Turnover recognised by category is as follows:

	(Unaudited)	
	three months ended	
	31 March	
	2007	2006
	S\$'000	S\$'000
Sales of motor vehicles	5,779	19,584
Servicing of motor vehicles and sales of auto parts	3,104	2,849
Technical fee income	805	1,163
	9,688	23,596

Other income

	(Unaudited)	
	three months ended	
	31 March	
	2007	2006
	S\$'000	S\$'000
Rental income	601	565
Other income	43	76
	644	641

3. Income tax expenses

The charge comprises:

	(Unaudited) three months ended 31 March	
	2007 S\$'000	2006 S\$'000
Hong Kong profits tax	23	124
Overseas taxation	7	244
	30	368

Hong Kong profit tax has been provided at the rate of 17.5% on the estimated assessable profit of the Hong Kong subsidiary for the three months ended 31 March 2007 and 2006.

Singapore income tax is calculated based on the estimated assessable profit of Singapore subsidiaries at the rate of 20% for the three months ended 31 March 2007 and 2006.

No PRC enterprise income tax has been provided for the PRC subsidiaries as they incurred losses for taxation purposes during the three months ended 31 March 2007 and 2006.

4. Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2007 was based on the unaudited consolidated profit attributable to shareholders of approximately S\$582,000 (2006: S\$1,672,000) and on the 400,000,000 (2006: 400,000,000) ordinary shares in issue during the period.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 31 March 2007 and 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 31 March 2007, a seasonal decline of sales was recorded. Profit attributable to shareholders recorded a decrease of 65.2%, while gross profit margin for the Group stayed at 21.1%. The Group manages its best endeavor to ensure that our expansion plan are on due pace by shifting our focus on more profitable area. The decrease in turnover was, however, a result of decrease in sales of the car distribution sector when compared to the sudden boom of car sales in the corresponding period last year.

1. Sales of motor vehicles

For the three months ended 31 March 2007, the turnover generated from sales of motor vehicles was approximately S\$5,779,000, representing a decrease of approximately 70.5% as compared to the corresponding period in 2006. The decrease was mainly due to the change of business strategy of the Group. The sales of motor vehicles comprise 59.7% of the total turnover.

2. Servicing of motor vehicles and sales of auto parts

For the three months ended 31 March 2007, the turnover generated from servicing of motor vehicles and sales of auto parts increased by approximately 9% to approximately S\$3,104,000 as compared to the corresponding period in 2006. The increase of revenue echoes with the increment of previous car sales as auto parts and servicing are essential complements to the hiking demand of luxurious vehicles.

3. Technical fee income

Technical fee income for the three months ended 31 March 2007 was approximately S\$805,000, decreased by approximately 30.8% compared to the corresponding period in 2006 as a result of the decrease in sales of locally assembled car.

4. Car rental business

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

FINANCIAL REVIEW

Turnover

The unaudited consolidated turnover for the three months ended 31 March 2007 decreased to approximately S\$9,688,000 from approximately S\$23,596,000 for the corresponding period in 2006. This represented a decrease of approximately 58.9%. The decrease was mainly due to the decrease in sales of motor vehicles. The sales of motor vehicles represented approximately 59.7% of the Group's turnover.

Gross profit

The gross profit for the three months ended 31 March 2007 was approximately S\$2,043,000, a decrease of approximately 50.3% as compared to the corresponding period in 2006. The decrease in gross profit was due to decreased sales for motor vehicles. The gross profit margin was approximately 21.1% for the three months ended 31 March 2007, up 3.7% of the corresponding period in 2006. The increase in gross profit margin resulted from increase in servicing capacity and economies of scale.

Exchange gain

For the three months ended 31 March 2007, the exchange gain was approximately S\$29,000, a decrease of approximately 82.1% as compared to the corresponding period in 2006. The exchange gain was mainly realized gain resulted from the translation of accounts receivables, accounts payables and inter-company balances from Euro and US dollars to Singapore dollars and the transactions of imports and exports bill denominated in Euro and US dollars.

Other operating expenses

For the three months ended 31 March 2007, other operating expenses were approximately S\$521,000 representing a decrease of approximately 42.7% as compared to the corresponding period in 2006, being in proportion to the decrease in car sales activity.

Profit attributable to shareholders

The profit attributable to shareholders for the three months ended 31 March 2007 was approximately S\$582,000, representing a decrease of approximately 65.2% as compared to the corresponding period in 2006.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007 (three months ended 31 March 2006: Nil).

PROSPECT

As discussed in the Annual Report of the Company for the year ended 31 December 2006, China will remain the largest emerging automotive market in years ahead. Though overcapacity problem is confronted, it is believed that the government's plan to smooth the problem will only cause minimal effect to the industry.

The Group is confident in its expansion policy of business segments with higher profit margin. With exclusivity and prestigious service that we offer in our BMW 4S Service Centre, the Group's servicing sector will surely benefit from the surging demand of BMW vehicles in the PRC as a complement.

Our Hertz division in Macau is at its infant stage, still, the Group will continuously utilize its greatest endeavor to achieve a steady long term growth. The group will focus on marketing long-term corporate clients for our Macau car rental business. Such cautious approach in gathering clients before putting the business to go into operation serves as a strategy to minimize risk exposure.

The Directors will from time to time review the business and the market environment to sketch out the expansion plan for the Group, by strengthening the relationship with our business partners and valuable customers and grasping the best opportunities for expansions. As for internal controls, the Group will amend and optimize the appraisal system and reward measures to further raise the enthusiasm of employees. Our company has been gaining ground in its attempt to be the best in the industry with high profit margin reward.

DIRECTOR'S INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, the interests or short position of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are notified to the Company and the Stock Exchange pursuant to 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 the required standard of dealings by directors as referred to in 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

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

Notes:

- 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.
- 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 March 2007, 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 5.47 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITION OF SHAREHOLDERS

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

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh & Loh Construction Group Ltd.	Beneficial owner (Note 1)	45,284,000	11.32%
Loh Kim Her	Interest of a controlled corporation (Note 2)	53,284,000	13.32%
Comfort DelGro Corporation Limited	Interest of a controlled corporation (Note 3)	61,667,570	15.42%
Chan Hing Ka Anthony	Interest of a controlled corporation (Note 4)	94,765,925	23.69%

Notes:

1. Loh & Loh Construction Group Ltd. is held as to 49% by Mr. Chan Hing Ka Anthony, as to 15% by Mr. Loh Kim Her, as to 15% by Mr. Loh Nee Peng and as to 21% by Mr. Loh Boon Cha. Mr. Chan Hing Ka Anthony, Mr. Loh Kim Her and Mr. Loh Nee Peng are directors and Mr. Loh Boon Cha is the brother of Mr. Loh Kim Her and the father of Mr. Loh Nee Peng.
2. The 53,284,000 shares held as to 8,000,000 shares by Affluence Investment International Limited, and as to 45,284,000 shares by Loh & Loh construction Group Ltd., which are interested as to 100% and 15% respectively by Mr. Loh Kim Her. By virtue of the SFO, Mr. Loh Kim Her is deemed to be interested in the shares held by Affluence Investment Limited, and Loh & Loh Construction Group Ltd.
3. The 61,667,570 shares are held by Comfort DelGro (China) Pte Ltd., the wholly owned subsidiary of Comfort DelGro Corporation Limited. By virtue of the SFO, Comfort DelGro Corporation Limited is deemed to be interested in the shares held by Comfort DelGro (China) Pte Ltd.
4. The 94,765,925 shares held as to 49,481,925 shares by Tycoons Investment International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 49% respectively by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited and Loh & Loh Construction Group Ltd.

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

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors or chief executives or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate.

COMPETING INTERESTS

During the three months ended 31 March 2007, none of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

During the three months ended 31 March 2007, the Company did not adopt any share option schemes, nor did it have any options or securities in issue which are convertible or exchangeable into shares of the Company.

ADVANCES TO ENTITIES

Pursuant to the Rules 17.15 and 17.17, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% under the assets ratio as defined under Rule 19.07(i) of the GEM Listing Rules (the "Assets Ratio"). As at 31 March 2007, the Company's total assets were approximately S\$101,683,000.

	(Unaudited)		% of	(Audited)	
	As at		Assets	As at	
	31 March 2007		Ratio	31 December 2006	
	S\$'000	HK\$'000		S\$'000	HK\$'000

Zhong Bao Group*:

Advances to

Zhong Bao Group	18,712	95,469	18.4%	33,404	167,859
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Guarantees to

Zhong Bao Group	23,760	121,224	23.4%	23,640	118,794
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* Being Xiamen Zhong Bao and certain of its subsidiaries and related companies (the "Zhong Bao Group")

ADVANCES TO ZHONG BAO GROUP

As at 31 March 2007, advances of approximately S\$18,712,000 (equivalent to approximately HK\$95,469,000) (as at 31 December 2006: S\$33,404,000; equivalent to approximately HK\$167,859,000) were advanced to Zhong Bao Group, representing 18.4% of the Group's Assets Ratio. The advances were made for the marketing activities 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 September 2007.

GUARANTEES TO ZHONG BAO GROUP

Guarantees in the amount of approximately S\$23,760,000 (equivalent to approximately HK\$121,224,000) (as at 31 December 2006: S\$23,640,000; equivalent to approximately HK\$118,794,000) were provided to a bank in respect of banking facilities granted to Zhong Bao Group. The guarantees were for the bank facilities granted for the use in car trade business of Zhong Bao Group. The amount of guarantees to Zhong Bao Group represents 23.4% of the unaudited total assets of the Group as at 31 March 2007.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2007, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

CORPORATE GOVERNANCE

The Company has complied with the standards and requirements concerning board practices and procedures of the Board as set out in Rules 5.34 of the GEM Listing Rules. The Board also considers that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.30 of the GEM Listing Rules on 5 June 2002. The audit committee comprises three independent non-executive Directors, namely Mr. Yin Bin, Mr. Zhang Lei and Mr. Lee Kwok Yung. The duties of the audit committee includes reviewing the Company's annual reports and accounts, half-year reports and quarterly reports and providing advices and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

These unaudited condensed consolidated financial results have been reviewed by the audit committee of the Company and were approved by the board of directors on 15 May 2007.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2007.

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date hereof are Mr. Loh Boon Cha, Mr. Loh Nee Peng and Mr. Xu Ming. Independent non-executive directors of the Company as at the date hereof are Mr. Yin Bin, Mr. Lee Kwok Yung and Mr. Zhang Lei.

By Order of the Board
G.A. Holdings Limited
Loh Nee Peng
Managing Director

Hong Kong, 15 May 2007

