(Stock Code: 8126)

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)

Annual Report 2008

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 high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk 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 Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 (the "Directors") of G.A. Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 bases and assumptions that are fair and reasonable.

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Corporate Information

DIRECTORS

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

* *Independent non-executive Directors*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE OFFICER

Mr. Loh Nee Peng

AUTHORISED REPRESENTATIVES

Mr. Loh Boon Cha
Mr. Yeung Chak Sang Johnson

QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson

COMPANY SECRETARY

Mr. Yeung Chak Sang Johnson

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

HEAD OFFICE

101 Thomson Road
#15-01 United Square
Singapore 307591

PRINCIPAL PLACE OF BUSINESS

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

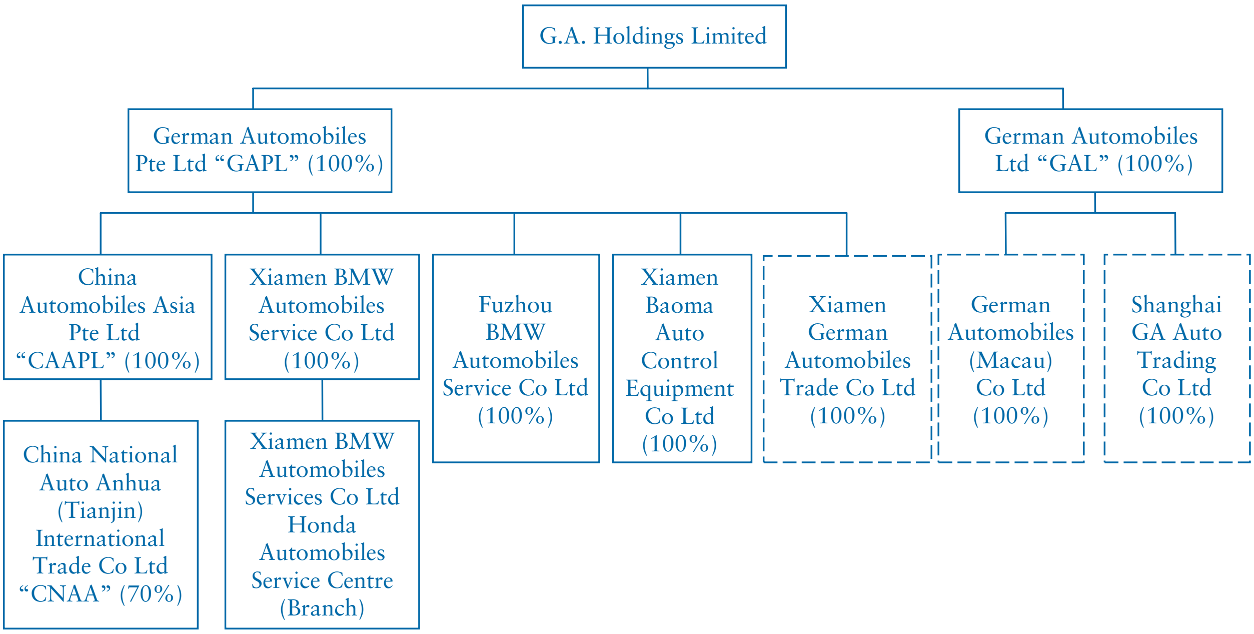
COMPANY WEBSITE

www.ga-holdings.com.hk

STOCK CODE

8126

Group Structure



dormant company

Chairman's Statement

Dear Shareholders,

It is my pleasure to present to the shareholders the annual report of GA Holdings Limited (the "Company") and its subsidiaries (the "Group") the Group for the year ended 31 December 2008.

2008 is a year full of challenge. The downturn of global economy and the financial crisis are deeply affecting every country. Though the global market environment has been tough and the end of the turmoil is still unknown, the Group maintains its market share and strategic position by staying at the deluxe automotive sector in mainland China. Though the Group managed to maintain a steady income and operating cost throughout the first nine months in the year, the overall year end results is, however, affected by the slowdown of the market in the fourth quarter.

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

The servicing and sales of auto parts sector recorded a significant growth of 34.2%. This encouraging performance is resulted from our effort in strengthening the relationship with our long established customers with high quality aftersales services. Besides concentrating in our niche in servicing, the Group also implemented prompt and stringent cost-control measures. The Company has changed its head office and principle place of business to Causeway Bay when previous lease was expired in early April 2008.

During the year, the Group has also achieved its first private placing of shares activity since its initial listing in 2002. On 24 September 2008, subscription of the 33,000,000 subscription shares at the subscription price of HK$0.30 per subscription share has taken place successfully, proving the support of the investors to the Company. The net proceeds amounted to HK$9.65 million and was applied as general working capital of the Group.

The Group is sincerely grateful to all its customers, employees and shareholders for their invaluable support and continued loyalty.

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

Hong Kong, 27 March 2009

Management Discussion and Analysis

BUSINESS REVIEW

During the year, the turnover of the Group experienced the benefit from the bloom of economy due to Beijing Olympic Game 2008 in the first nine months as well as a drastic downturn of global financial crisis in the fourth quarter of 2008.

In previous years, there used to be a traditional trend of increase in order of new cars in the fourth quarter of the year. However, the worldwide financial crisis hindered this behaviour and thus the profit of the year decreased from S$2,596,000 to S$1,420,000.

The gross profit margin suffered a slight decrease from 15.3% in 2007 to 13.7% in 2008. The servicing and sales of auto parts sector recorded a growth of 34.2%. This is resulted from our effort in strengthening the relationship with our long established customers with high quality after sales services. This proved the corporate strategy is staying at luxury car section as correct where the demand of expertise servicing is irreplaceable.

SALES OF MOTOR VEHICLES

During the year, the turnover of this segment took up approximately 52.8% of the total Group turnover of the year. As for comparison to the corresponding period last year, there recorded a decrease of approximately 9.3% on the composition of turnover. The decrease was mainly due to the reduction in sales of motor vehicles during the year.

SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS

Turnover generated from the servicing of motor vehicles and sales of auto parts for the year 2008 increased by 34.2%. Servicing income increased to approximately S$13,880,000, contributing 39.9% of the Group's turnover, representing an increment of 12.3%.

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 2008 was approximately S$2,552,000, taking up approximately 7.3% in terms of the Group's turnover composition, as compared to the 10.2% in 2007. The decrease was due to the corresponding drop in car sales during the year.

CAR RENTAL BUSINESS

The Hong Kong and the Kowloon stations of the Hertz division have been developing their client base in these major financial districts. The growth in car rental was steady in the early quarters of 2008 before the outbreak of the global financial crisis. Due to the standstill of economy in Macau, the operation has not yet commenced as at year end.

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 31 December 2008, shareholders' fund of the Group amounted to approximately S$36,455,000 (2007: S$31,393,000). Current assets amounted to approximately S$64,492,000 (2007: S$71,639,000). Of which approximately S$13,721,000 (2007: S$9,599,000) were cash and bank deposits. Current liabilities amounted to approximately S$42,773,000 (2007: S$53,216,000) mainly represents trade payables, bills payables, bank loans, accruals and other payables and current account with affiliated companies. The Group had non-current liabilities amounted to S$759,000 (2007: S$833,000). The net asset value per share as at 31 December 2008 was S$0.084 (2007: S$0.078).

Capital Structure of the Group

Placing of 33 million new shares

On 4 September 2008, the Company and the six independent subscribers ("Subscribers") entered into the subscription agreements in relation to the subscription of an aggregate of 33,000,000 subscription shares by the Subscribers at the subscription price of HK$0.30 per subscription share.

The subscription shares represent about 8.25% of the issued share capital of the Company before enlarged by the subscription shares and about 7.62% of the Company's issued share capital as enlarged by the subscription shares.

The gross proceeds of the subscription amounted to approximately HK$9.90 million. After deducting relevant expenses, the net proceeds of about HK$250,000 from the subscription, the net proceeds from the subscription amounted to HK$9.65 million. The net proceeds from the subscription was applied as general working capital of the Group and should the Board identified feasible acquisition(s) in the future, the net proceeds may also be used to finance such future acquisition(s).

Completion of the subscription of the 33,000,000 subscription shares took place on 24 September 2008.

During the year ended 31 December 2008, the Group had no debt securities in issue (2007: Nil).

Bank borrowings are denominated in either HKD or SGD.

Significant Investment

As at 31 December 2008, the Group had no significant investment held (2007: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2008, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2007: Nil).

Employees

As at 31 December 2008, the total number of employee of the Group was approximately 150. For the year ended 31 December 2008, the staff costs including directors' remuneration of the Group amounted to approximately S$2,588,000 (2007:2,148,000), around 7.4% of the turnover of the Group and an increase of approximately 20.5% as compared to that of the year ended 31 December 2007. 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.

Management Discussion and Analysis

Charges on Group Assets

As at 31 December 2008, the Group pledged time deposits of approximately S$5,804,000 (2007: S$7,103,000) and charged plant and machinery of approximately S$1,628,000 (2007: S$1,188,000) and motor vehicles of approximately S$37,000 (2007: S$50,000) 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 S$613,000 (2007: S$625,000) and S$144,000 (2007: S$146,000) respectively are pledged to bank to secure banking facilities up to approximately S$1,326,000 (2007: S$1,176,000) granted to Zhong Bao Group at the balance sheet date.

Material Investments or Capital Assets

As at 31 December 2008, the Group had no future plans for material investment.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of bills payable, bank borrowings and long-term debts over total assets. As at 31 December 2008, the Group had a gearing ratio of 0.27 (2007: 0.44).

Foreign Exchange Exposure

During the year ended 31 December 2008, the Group had an exchange gain of approximately S$1,483,000 (2007: S$1,670,000), mainly due to the continuous appreciation of RMB against other currencies, as the Group's main operation was conducted in RMB.

Contingent Liabilities

As at 31 December 2008, the Group provided a bank guarantee of approximately S$4,222,000 (2007: S$4,052,000) to a bank in respect of banking facilities to a related company of NAGC. As at 31 December 2008, the Group provided bank guarantee amounted to S$26,741,000 in respect of banking facilities to Zhong Bao Group (2007: S$24,696,000).

BUSINESS PROSPECT

While the impact of the global financial crisis continues to bombard every country, the China's economic growth will not be optimistic in the coming year. However, the economy growth of China is still expected to be relatively stronger than other countries. To prevent a sudden drop in economy growth, marco-control policy and measures are being implemented in mainland China to stimulus and maintain internal economic activities. However, corporations with unsound financial control and support may not survive from this financial tsunami and will be eliminated ultimately.

Although expenditure in luxury cars may slow down for a while, the demand will not be paralyzed. Luxury car is part of the lifestyle that customers became accustomed in previous better time. We expect the automotive trade as well as the servicing sectors would be benefited by the fiscal policies introduced by the government in the coming quarters. Thus the Group will be benefited from its unmatched customer service and market position.

By staying cautious with the trend of the market and strengthening the internal controls of financial resources, the Group will continue to strive for greater breakthrough in its business so as to enhance its competitiveness, sustainability, as well as its position in the industry and market shares.

Biographical Information of Directors and Senior Management

DIRECTORS

Executive directors

Mr. Loh Boon Cha, *Chairman*

Mr. Loh, aged 67, 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 41, 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 38, 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 53, has been appointed as an independent non-executive director of the Company since June 2002. Mr. Lee is a solicitor admitted to practice law in Hong Kong and a member of the Law Society of Hong Kong. He is currently a partner at Messrs Hau, Lau, Li & Yeung, Solicitors & Notaries in Hong Kong. Mr. Lee has over 15 years of experience in law practicing. He holds a diploma from the College of Radiographers and an honours degree in law from the University of London, and a postgraduate certificate in law from the University of Hong Kong. Mr. Lee is experienced in commercial law, litigation and conveyance.

Mr. Yin Bin

Mr. Yin Bin, aged 37, obtained a master degree in Economics from the Hunan University. Mr. Yin is the general manager of a trading financial service agent in the PRC and has extensive experience in trade and finance. He has been appointed as an independent non-executive director of the Company since July 2004.

Mr. Zhang Lei

Mr. Zhang Lei, aged 38, is a member of the Chinese Institute Certified Public Accountants (CICPA) in the PRC and has more than 10 years of professional experience in the field of finance and accounting. Currently, Mr. Zhang Lei is working as a senior manager in Shenzhen Jun He Certified Public Accountants Co. Ltd. He has been appointed as an independent non-executive director of the Company since July 2004.

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lim Tee Peng, aged 46, 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 42, 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 44, is the qualified accountant and the company secretary of the Group. He joined the Group in 2005 and has more than 15 years of experience in the field of accounting, auditing and financial management. He holds a bachelor degree in business, and a master degree in science from the Chinese University of Hong Kong. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Directors' Report

The Board of Directors is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2008.

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 turnover, other income and profit before income tax is set out in note 5, 7 and 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 27.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2008 (2007: Nil).

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company had reserves available for distribution to shareholders amounted to approximately S$2,071,000. It comprised share premium of approximately S$5,179,000 less accumulated loss of approximately S$3,108,000.

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment of the Group during the year ended 31 December 2008 are set out in note 13 to the financial statements.

Directors' Report

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

As at 31 December 2008, the interests or short positions of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are notified to the Company and the Stock Exchange pursuant to SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

		Number of ordinary shares held					
Name	Capacity	Personal Interest	Family Interest	Corporate Interest	Other Interests	Total	Approximate percentage of shareholding
Loh Nee Peng	Interest of a controlled corporation	–	–	100,149,480 *(Note 1)*	–	100,149,480	23.13%
Loh Boon Cha	Deemed interest	–	54,865,480 *(Note 2)*	45,284,000 *(Note 2)*	–	100,149,480	23.13%

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 2008, 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 2008, the persons or corporations (other than directors or chief executive of the Company) who have interests or short positions in the shares ad underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh & Loh Construction Group Ltd.	Beneficial owner *(Note 1)*	45,284,000	10.46%
Loh Kim Her	Interest of a controlled corporation *(Note 2)*	53,284,000	12.31%
Fang Zhen Chun	Beneficial owner	93,676,000	21.63%
Chan Hing Ka Anthony	Beneficial owner and Interest of a controlled corporation *(Note 3)*	95,141,925	21.97%

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 2008, 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 2008 and up to the date of this report are:

Executive Directors

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

Independent Non-executive Directors

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

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

Apart from Mr. Xu Ming, the two executive directors, Mr. Loh Nee Peng and Mr. Loh Boon Cha have entered into a service contract with the Company for an initial term of three years, commencing from 1 January 2008 and 4 August 2006 respectively, subject to early termination by the Company giving not less than three months notice of termination or payment in lieu. Mr. Xu Ming, has not entered into any service contract with the Company.

Two independent non-executive Directors, Mr. Yin Bin and Mr. Zhang Lei have entered into appointment letters with the Company for a term of five years commencing from 1 July 2006 and 16 July 2006 respectively. Another independent non-executive Directors, Mr. Lee Kwok Yung has entered into appointment letter with the Company for a term of three years commencing from 1 June 2008.

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' Report

DIRECTORS' EMOLUMENTS AND THE HIGHEST PAID EMPLOYEES

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 80 of this annual report. This summary does not form part of the audited financial statements.

PENSION SCHEMES

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

MANAGEMENT OF RISKS

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by 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 states).

As disclosed in note 36 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$"), Europe Dollars ("EUR"), 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 36 to the financial statements.

SEGMENTAL INFORMATION

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors are set out on pages 9 to 10 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 2008, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales

– The largest customer	20.27%
– The total of five largest customers	72.73%

Purchases

– The largest supplier	50.33%
– The total of five largest suppliers	78.01%

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

AUDITORS

The financial statements of the Company for the year ended 31 December 2008 were audited by Grant Thornton, who will retire and a resolution to re-appoint Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson, aged 44, is the qualified accountant and the company secretary of the Group. He joined the Group in 2005 and has more than 15 years of experience in the field of accounting, auditing and financial management. He holds a bachelor degree in business and a master degree in science from the Chinese University of Hong Kong. He is also an associate member of the Hong Kong Society of Accountants and a fellow member of Association of Chartered Certified Accountants.

COMPLIANCE OFFICER

Mr. Loh Nee Peng, aged 41, 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 2008, 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 2008, the Company's total assets were approximately S$79,987,000.

	31 December 2008		**Assets Ratio**	31 December 2007		Increment as compared to Assets Ratio
	S$'000	**HK$'000**	**(%)**	S$'000	HK$'000	(%)
NAGC Group:						
Prepaid rental advances	**6,711**	**34,415**	**8.4%**	6,864	36,903	0.4%
Advances to NAGC	**2,055**	**10,538**	**2.6%**	7,563	40,661	N/A
Guarantee to NAGC	**4,222**	**21,651**	**5.3%**	4,052	21,785	0.6%
	12,988	**66,604**	**16.3%**	18,479	99,349	

Directors' Report

	31 December 2008 S$'000	31 December 2008 HK$'000	Assets Ratio (%)	31 December 2007 S$'000	31 December 2007 HK$'000	Increment as compared to Assets Ratio (%)
Zhong Bao Group*:						
Advances to Zhong Bao Group	**14,253**	**73,092**	**17.8%**	37,352	200,817	N/A
Guarantees to Zhong Bao Group	**26,741**	**137,133**	**33.4%**	24,696	132,774	4.5%
	40,994	**210,225**	**51.2%**	62,048	333,591	
	53,982	**276,829**	**67.5%**	80,527	432,940	

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

	(Audited) 31 December 2008 S$'000	(Audited) 31 December 2008 HK$'000	(Unaudited) Previous disclosure 30 September 2008 S$'000	(Unaudited) Previous disclosure 30 September 2008 HK$'000	Increment as compared to Assets Ratio (%)
NAGC Group:					
Prepaid rental advances	**6,711**	**34,415**	6,750	37,293	0.1%
Guarantee to NAGC	**4,222**	**21,651**	3,965	21,906	0.4%
	10,933	**56,066**	10,715	59,199	
Zhong Bao Group*:					
Guarantees to Zhong Bao Group	**26,741**	**137,133**	26,082	144,099	1.5%

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

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

The total advances, guarantees provided to and due from NAGC and its subsidiaries or any of their respective associates (collectively the "NAGC") and Zhong Bao Group are in aggregate of approximately S$53,982,000 (equivalent to approximately HK$276,829,000) as at 31 December 2008 (as at 31 December 2007: S$80,527,000; equivalent to approximately HK$432,940,000), representing 67.5% 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 2008 are announced as follows:*

Car Rental Advances due from NAGC
At 31 December 2008, there is no car rental advance provided to NAGC. (as at 31 December 2007: Nil)

Prepaid Rental Expenses due from NAGC
As at 31 December 2008, prepaid rental expenses amounted to approximately S$6,711,000 (equivalent to approximately HK$34,415,000) (as at 31 December 2007: S$6,864,000; equivalent to approximately HK$36,903,000) 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 expense 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.

Advances to NAGC
Approximately S$2,055,000 (equivalent to approximately HK$10,538,000) (as at 31 December 2007: S$7,563,000; equivalent to approximately HK$40,661,000) were advanced to NAGC Group, representing 2.6% of the Group's Asset's Ratio. The advances were for their purchase of automobiles and related import tax expenses so as to leverage the distribution network of NAGC Group for marketing and promotional purposes. As disclosed under the section headed "Risk Factors" of the Prospectus, the PRC imposes restrictions on the imports of motor vehicles. NAGC Group is one of the eligible entities in the PRC which are allowed to distribute imported automobiles in the PRC. The Directors considered that the Group's reliance on NAGC Group in promoting sales of imported cars in the PRC and the provision of advances to NAGC Group by the Group in this regard are normal commercial practice. The advances were unsecured, interest free and repayable in or before August 2009.

Directors' Report

Guarantees to NAGC

Guarantees in the amount of approximately S$4,222,000 (equivalent to approximately HK$21,651,000) (as at 31 December 2007: S$4,052,000; equivalent to approximately HK$21,785,000) were provided to a bank in respect of banking facilities granted to NAGC Group. The guarantees were for the banking facilities granted for the use in car rental business by the three sub-licensees. The Group is negotiating with the correspondent bank to release the above guarantees. The Group does not have any security or receive any considerations from NAGC Group by giving such guarantee.

2) The details of transactions to Zhong Bao Group which are of trading nature and remain outstanding as at 31 December 2008 are announced as follows:

Advances to Zhong Bao Group

As at 31 December 2008, advances of approximately S$14,253,000 (equivalent to approximately HK$73,092,000) (as at 31 December 2007: S$37,352,000; equivalent to approximately HK$200,817,000) were advanced to Zhong Bao Group, representing 17.8% 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 2008. 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 August 2009.

Guarantees to Zhong Bao Group

Guarantees in the amount of approximately S$26,741,000 (equivalent to approximately HK$137,133,000) (as at 31 December 2007: S$24,696,000; equivalent to approximately HK$132,774,000) 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.

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 2008.

On behalf of the Board
Loh Nee Peng
Managing Director

Hong Kong, 27 March 2009

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. Yin Bin and Mr. Zhang Lei will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

(2) DIRECTORS' SECURITIES TRANSACTIONS

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

(3) BOARD OF DIRECTORS

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

Corporate Governance Report

BOARD COMPOSITION

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

Two independent non-executive Directors, Mr. Yin Bin and Mr. Zhang Lei have entered into appointment letters with the Company for a term of five years commencing from 1 July 2006 and 16 July 2006 respectively. Another independent non-executive Directors, Mr. Lee Kwok Yung has entered into appointment letter with the Company for a term of three years commencing from 1 June 2008.

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

Relationship

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

Board Operation

The Board meets regularly over the Company's affairs and operations. In 2008, the Board held seven meetings. The attendance record of each member of the Board is set out below:

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

Nomination Committee

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

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

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

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

Remuneration of Directors

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

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

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

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

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

The Remuneration Committee met once during the year ended 31 December 2008, 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 2008 as provided by the auditors, Grant Thornton, amounts to HK$450,000 (approximately S$82,000).

Corporate Governance Report

Audit Committee

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

In 2008, the Audit Committee held four meetings. The attendance record of each. Member of the Committee is set out as below:

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

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during 2008.

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 auditors' report

Grant Thornton
均富

Member of Grant Thornton International Ltd

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

We have audited the consolidated financial statements of G.A. Holdings Limited (the "Company") and its subsidiaries (collectively referred as at the "Group") set out on pages 27 to 79, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent auditors' report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

27 March 2009

Consolidated income statement

for the year ended 31 December 2008

	Notes	2008 S$'000	2007 S$'000
Revenue	5	**34,821**	37,416
Other income	7	**5,590**	5,634
Cost of sales	8.1	**(30,064)**	(31,692)
Employee benefit expenses	12	**(2,588)**	(2,148)
Depreciation and amortisation		**(1,519)**	(1,399)
Operating lease charges		**(346)**	(333)
Exchange differences, net		**1,483**	1,670
Other operating expenses		**(2,738)**	(2,553)
Profit from operating activities		**4,639**	6,595
Finance costs	8.2	**(2,676)**	(3,270)
Profit before income tax	8.3	**1,963**	3,325
Income tax expense	9	**(543)**	(729)
Profit for the year		**1,420**	2,596
Attributable to:			
Equity holders of the Company		**1,424**	2,600
Minority interests		**(4)**	(4)
Profit for the year		**1,420**	2,596
Earnings per share for profit attributable to the equity holders of the Company for the year (Singapore cent)	11		
Basic		**0.35**	0.65
Diluted		**N/A**	N/A

Consolidated Balance sheet

as at 31 December 2008

	Notes	2008 S$'000	2007 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	8,003	6,183
Leasehold lands	14	876	859
Prepaid rental expenses	15	6,612	6,758
Non-current receivables	17	4	3
		15,495	13,803
Current assets			
Inventories	18	2,071	2,057
Trade receivables	19	12,576	9,493
Prepayments, deposits and other current assets	20	36,113	50,486
Due from a director	26	11	4
Pledged deposits	21	5,804	7,103
Cash and cash equivalents	21	7,917	2,496
		64,492	71,639
Current liabilities			
Trade payables	22	1,453	1,116
Accruals and other payables	23	11,843	7,608
Pension and other employee obligations	32	27	12
Bills payables	24	11,732	17,723
Borrowings	24	9,232	19,435
Due to related companies	25	50	412
Due to directors	26	2,517	848
Tax payable	28	5,919	6,062
		42,773	53,216
Net current assets		21,719	18,423
Total assets less current liabilities		37,214	32,226
Non-current liabilities			
Borrowings	24	511	571
Deferred tax	27	248	262
		759	833
Net assets		36,455	31,393

Consolidated Balance sheet

as at 31 December 2008

	Notes	2008 S$'000	2007 S$'000
EQUITY			
Equity attributable to Company's equity holders			
Share capital	29	**9,637**	9,040
Reserves	30	**26,432**	22,007
		36,069	31,047
Minority interests		**386**	346
Total equity		**36,455**	31,393

Loh Boon Cha
Director

Loh Nee Peng
Director

Balance sheet

as at 31 December 2008

	Notes	2008 S$'000	2007 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	**13,572**	12,001
Current asset			
Other receivables	20	**1**	12
Current liabilities			
Other payables	23	**379**	397
Due to subsidiaries	16	**749**	675
Due to directors	26	**92**	92
		1,220	1,164
Net current liabilities		**(1,219)**	(1,152)
Net assets		**12,353**	10,849
EQUITY			
Issued capital	29	**9,637**	9,040
Reserves	30	**2,716**	1,809
Total equity		**12,353**	10,849

Loh Boon Cha
Director

Loh Nee Peng
Director

Consolidated statement of changes in equity

for the year ended 31 December 2008

The Group

	Equity attributable to equity holders of the Company						Minority interests	Total Equity
	Issued capital	Share premium*	Capital reserve*	Translation reserve*	Retained profits*	Total		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	(Note 29)	(Note 30)	(Note 30)	(Note 30)				
At 1 January 2007	9,040	4,006	1,689	(2,215)	17,324	29,844	352	30,196
Translation difference	–	–	–	(1,397)	–	(1,397)	(2)	(1,399)
Net expenses recognised directly in equity	–	–	–	(1,397)	–	(1,397)	(2)	(1,399)
Profit for the year	–	–	–	–	2,600	2,600	(4)	2,596
Total recognised income/ (expenses) for the year	–	–	–	(1,397)	2,600	1,203	(6)	1,197
At 31 December 2007	9,040	4,006	1,689	(3,612)	19,924	31,047	346	31,393
Translation difference	–	–	–	1,828	–	1,828	44	1,872
Net income recognised directly in equity	–	–	–	1,828	–	1,828	44	1,872
Profit for year	–	–	–	–	1,424	1,424	(4)	1,420
Total recognised income for the year	–	–	–	1,828	1,424	3,252	40	3,292
Proceeds from shares issued	597	1,195	–	–	–	1,792	–	1,792
Share issue expenses	–	(22)	–	–	–	(22)	–	(22)
At 31 December 2008	**9,637**	**5,179**	**1,689**	**(1,784)**	**21,348**	**36,069**	**386**	**36,455**

* The reserves accounts comprise the consolidation reserves of S$26,432,000 (2007: S$22,007,000) in the consolidated balance sheet as at 31 December 2008.

Consolidated cash flow statement

for the year ended 31 December 2008

	Notes	2008 S$'000	2007 S$'000
Cash flows from operating activities			
Profit before income tax		**1,963**	3,325
Adjustments for:			
Interest expense	8.2	**2,605**	3,186
Interest element of finance lease rental payments	8.2	**71**	84
Interest income	7	**(241)**	(181)
Gain on disposal of property, plant and equipment	8.3	**(90)**	(88)
Depreciation of property, plant and equipment	8.3	**1,355**	1,235
Annual charges of prepaid operating lease payment	8.3	**11**	11
Amortisation of prepaid rental expenses	8.3	**153**	153
Impairment of inventories		**172**	171
Operating profit before working capital changes		**5,999**	7,896
(Increase)/decrease in inventories		**(186)**	1,319
(Increase)/decrease in trade receivables		**(3,083)**	5,657
Decrease/(increase) in prepayments, deposits and other current assets		**14,373**	(5,352)
Net movement in balances with related companies		**(362)**	(10)
Net movement in balances with directors		**1,662**	167
Increase/(decrease) in trade payables		**337**	(3,655)
Increase/(decrease) in accruals and other payables		**4,235**	(1,042)
Increase/(decrease) in pension and other employee obligations		**15**	(4)
(Decrease)/increase in bills payables		**(5,991)**	206
Cash generated from operations		**16,999**	5,182
Interest received		**241**	181
Interest paid		**(2,605)**	(3,186)
Interest element of finance lease rental payments		**(71)**	(84)
Overseas tax paid		**(602)**	(131)
Hong Kong profit tax paid		**(140)**	(814)
Net cash generated from operating activities		**13,822**	1,148

Consolidated cash flow statement

for the year ended 31 December 2008

	Notes	2008 S$'000	2007 S$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,822)**	(903)
Proceeds from disposal of property, plant and equipment		**229**	224
Decrease/(increase) in pledged deposits		**1,299**	(3,071)
Decrease in non-current receivables		**(1)**	94
Net cash used in investing activities		**(295)**	(3,656)
Cash flows from financing activities			
New bank loans		**5,628**	12,718
Repayment of bank loans		**(15,619)**	(7,339)
Capital element of finance lease rental payments		**(1,023)**	(1,247)
Proceeds from issuance of share capital		**1,792**	–
Share issue expenses		**(22)**	–
Net cash (used in)/generated from financing activities		**(9,244)**	4,132
Net increase in cash and cash equivalents		**4,283**	1,624
Translation adjustment		**1,184**	(1,008)
Cash and cash equivalents at the beginning of the year		**2,250**	1,634
Cash and cash equivalents at the end of the year		**7,717**	2,250
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**7,917**	2,496
Bank overdrafts	24.1	**(200)**	(246)
		7,717	2,250

Notes to the financial statements

for the year ended 31 December 2008

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 2008 were approved for issue by the board of directors on 27 March 2009.

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

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

HKAS 39 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation 11	HKFRS 2 Group and Treasury Share Transactions

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. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible Hedge Items [2]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs [2]
HKAS 1 & HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combination – Comprehensive Revision on Applying the Acquisition Method [2]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Interpretation 9 & HKAS 39 (Amendment)	Reassessment of Embedded Derivatives [6]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [3]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [2]
HK(IFRIC) – Interpretation 18	Transfer of Assets from Customers [5]
Various HKAS	Annual Improvements to HKFRS 2008 [7]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers of assets from customers received on or after 1 July 2009
6 Effective for annual periods ending on or after 30 June 2008
7 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

Notes to the financial statements

for the year ended 31 December 2008

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

In addition, HKFRS 8 *Operating Segments* may result in new or amended disclosures. The directors of the Company are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company are currently assessing the impact of the other new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 27 to 79 have been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

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

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

3.2 Basis of consolidation

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

3.3 Subsidiaries

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

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

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

3.3 Subsidiaries *(Continued)*

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

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

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

3.4 Foreign currency translation

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

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

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

3.5 Revenue recognition

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

Sales of goods are recognised 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 2008

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

3.5 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.

3.6 Property, plant and equipment

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

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

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

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

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

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

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

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

3.7 Impairment of non-financial assets

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

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

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

3.7 Impairment of non-financial assets *(Continued)*

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

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

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

3.8 Leases

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

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

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

Notes to the financial statements

for the year ended 31 December 2008

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

3.8 Leases *(Continued)*

(iii) Operating lease charges as the lessee

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

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

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

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the 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.

3.9 Financial assets

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

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

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

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

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

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

3.9 Financial assets *(Continued)*

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
- 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 carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

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

3.10 Inventories

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

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

Notes to the financial statements

for the year ended 31 December 2008

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

3.11 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 balance sheet 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 the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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 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 balance sheet date.

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

3.12 Cash and cash equivalents

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

3.13 Share capital

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

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

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

3.14 Borrowing costs

All borrowing costs are expensed as incurred.

3.15 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through several defined contribution plans.

Defined contribution plan

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 and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in the People's Republic of China ("PRC") are required to participate in a central pension Scheme operated by the local municipal government. This Subsidiary is required to contribute a curtain percentage of its payroll costs to the central pension scheme. The contribute are changed to income statement as they become payable in accordance with the rules of the central pension scheme.

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 balance sheet date.

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

3.16 Financial liabilities

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

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

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

Notes to the financial statements

for the year ended 31 December 2008

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

3.16 Financial liabilities *(Continued)*

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 the income statement.

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

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

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

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

3.17 Provisions, contingent liabilities and contingent assets

Provisions are recognised when 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 balance sheet 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 events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

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

3.18 Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(vi) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.19 Financial guarantees

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

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

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

Notes to the financial statements

for the year ended 31 December 2008

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

3.20 Segmental reporting

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

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

Capital expenditure comprises additions to property, plant and equipment.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are 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 financial 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 is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor.

Depreciation

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

Income taxes

The Group is subject to income taxes in the PRC and Singapore. Significant judgement is required in determining the provision for income tax. 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.

5. REVENUE – GROUP

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 turnover, recognised during the year is as follows:

	2008 S$'000	2007 S$'000
Sales of motor vehicles	18,389	23,248
Technical fee income	2,552	3,829
Servicing of motor vehicles and sales of auto parts	13,880	10,339
	34,821	37,416

6. SEGMENT INFORMATION – GROUP

Primary reporting format – business segment

The Group is organised into three business segments, namely:

Activity 1: Sales of motor vehicles and provision of car-related technical services;

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

Activity 3: Commission income from sales of cars from German Automobiles Pte Ltd. ("GAPL") to German Automobiles Limited ("GAL") (i.e. intra-Group).

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

Notes to the financial statements

for the year ended 31 December 2008

6. SEGMENT INFORMATION – GROUP *(Continued)*

Primary reporting format – business segment *(Continued)*

Business segment analysis as at and for the year ended 31 December 2008 is as follows:

	Activity 1 S$'000	Activity 2 S$'000	Activity 3 S$'000	Inter-segment elimination S$'000	Group S$'000
Revenue					
External sales	20,941	13,880	–	–	34,821
Inter-segment sales	–	–	737	(737)	–
	20,941	13,880	737	(737)	34,821
Segment results	2,834	1,778	244	–	4,856
Unallocated income					345
Unallocated expenses					(562)
Profit from operating activities					4,639
Finance costs					(2,676)
Profit before income tax					1,963
Income tax expense					(543)
Profit for the year					1,420
Segment assets	23,587	38,974	–	–	62,561
Unallocated assets					17,426
Total assets					79,987
Segment liabilities	13,571	5,113	–	–	18,684
Unallocated liabilities					24,848
Total liabilities					43,532
Capital expenditure	–	1,832	–	–	1,832
Unallocated portion					787
					2,619
Depreciation	29	437	–	–	466
Unallocated portion					889
					1,355
Annual charges of prepaid operating lease payment	11	–	–	–	11
Amortisation of prepaid rental expenses	153	–	–	–	153
Impairment of inventories	172	–	–	–	172

6. SEGMENT INFORMATION – GROUP *(Continued)*

Primary reporting format – business segment *(Continued)*

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

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

Notes to the financial statements

for the year ended 31 December 2008

6. SEGMENT INFORMATION – GROUP *(Continued)*

Secondary reporting format – geographical segment

The Group's operations are located in three main geographical areas, namely the PRC, Hong Kong and Singapore. The Group's revenue from external customers was substantially generated from the PRC.

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

	Segment assets		Capital expenditure	
	2008	2007	**2008**	2007
	S$'000	S$'000	**S$'000**	S$'000
The PRC	**62,427**	71,952	**1,832**	663
Singapore	**134**	156	**–**	–
Unallocated assets	**17,426**	13,334	**787**	925
	79,987	85,442	**2,619**	1,588

7. OTHER INCOME – GROUP

	2008	2007
	S$'000	S$'000
Car rental income – sublease	**1,906**	1,988
Interest income on financial assets stated at amortised cost	**241**	181
Other income	**3,443**	3,465
	5,590	5,634

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8. PROFIT BEFORE INCOME TAX – GROUP

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

	2008 S$'000	2007 S$'000
8.1 Cost of sales		
Cost of inventories sold	**17,442**	21,936
Cost of services rendered (including impairment loss of inventories of S$172,000 (2007: S$171,000)	**12,622**	9,756
	30,064	31,692
8.2 Finance costs on financial liabilities stated at amortised cost		
Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five year	**2,605**	3,186
Interest element of finance lease rental payments	**71**	84
	2,676	3,270
8.3 Other items		
Auditors' remuneration	**81**	87
Depreciation of property, plant and equipment*	**1,355**	1,235
Gain on disposal of property, plant and equipment	**(90)**	(88)
Amortisation of prepaid rental expenses	**153**	153
Annual charges of prepaid operating lease payment	**11**	11

* Amount included depreciation charge of S$825,000 (2007: S$828,000) for the Group's leased assets.

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9. INCOME TAX EXPENSES – GROUP

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

	2008 S$'000	2007 S$'000
Current – Hong Kong		
Charge for the year	225	293
Over-provision in prior years	–	26
Current – Overseas		
Charge for the year	299	339
Under-provision in prior years	33	–
Deferred tax (note 27)	(14)	71
Total income tax expenses	543	729

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

	2008 S$'000	2007 S$'000
Profit before income tax	1,963	3,325
Tax on profits before income tax expenses, calculated at the rates applicable to profits in the tax jurisdiction concerned	404	580
Non-deductible expenses	271	148
Tax exempt revenue	(165)	(25)
Under-provision in prior years	33	26
Income tax expenses	543	729

The Hong Kong Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new rate of 16.5%.

Notes to the financial statements

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

Of the consolidated profit attributable to equity holder of the Company for the year of S$1,424,000 (2007: S$2,600,000), a loss of S$266,000 (2007: S$243,000) has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE – GROUP

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company for the year of approximately S$1,424,000 (2007: S$2,600,000) and on the weighted average number of 408,926,230 (2007: 400,000,000) ordinary shares in issue during the year.

Diluted earning per share for the years ended 31 December 2008 and 2007 was not presented as there was no dilutive potential ordinary share for the year ended 31 December 2008 and 2007.

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

	2008 S$'000	2007 S$'000
Salaries and wages	**2,222**	1,813
Other benefits	**253**	231
Pension costs – defined contribution plans	**113**	104
	2,588	2,148

Notes to the financial statements

for the year ended 31 December 2008

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

12.1 Directors emoluments

12.1.1 Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Bonus	Contribution to defined contribution plan	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
2008					
Executive directors					
Mr. Loh Boon Cha	–	–	–	–	–
Mr. Loh Nee Peng	–	180	–	8	188
Mr. Xu Ming	–	–	–	–	–
Independent non-executive directors					
Mr. Lee Kwok Yung	22	–	–	–	22
Mr. Yin Bin	37	–	–	–	37
Mr. Zhang Lei	37	–	–	–	37
	96	180	–	8	284
2007					
Executive directors					
Mr. Loh Boon Cha	–	–	–	–	–
Mr. Loh Nee Peng	–	180	–	7	187
Mr. Xu Ming	–	–	–	–	–
Independent non-executive directors					
Mr. Lee Kwok Yung	23	–	–	–	23
Mr. Yin Bin	36	–	–	–	36
Mr. Zhang Lei	36	–	–	–	36
	95	180	–	7	282

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.

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

12.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2007: one) director whose emoluments is included in the analysis presented above. The emoluments payable to the remaining four (2007: four) individuals during the year are as follows:

	2008 S$'000	2007 S$'000
Basic salaries, allowances and other benefits in kind	403	381
Contributions to pension schemes	9	10
	412	391

The emoluments fell within the following band:

	Number of individuals	
	2008	2007
Emolument band		
HK$Nil to HK$1,000,000 (S$Nil to S$221,000)	4	4

12.3 Key management personnel compensation

	2008 S$'000	2007 S$'000
Short term employee benefits	543	561
Post-employment benefits	17	17
	560	578

Notes to the financial statements

for the year ended 31 December 2008

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Building	Leasehold improvement	Plant and machinery	Motor vehicles	Furniture and equipment	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2007							
Cost	553	1,906	4,428	5,006	1,366	–	13,259
Accumulated depreciation and impairment	(404)	(246)	(3,444)	(2,142)	(808)	–	(7,044)
Net carrying amount	149	1,660	984	2,864	558	–	6,215
Year ended 31 December 2007							
Opening net carrying amount	149	1,660	984	2,864	558	–	6,215
Exchange differences	–	(9)	(61)	(174)	(5)	–	(249)
Additions	–	71	389	879	135	114	1,588
Disposals	–	–	–	(136)	–	–	(136)
Depreciation	(3)	(102)	(124)	(884)	(122)	–	(1,235)
Closing net carrying amount	146	1,620	1,188	2,549	566	114	6,183
At 31 December 2007							
Cost	553	1,960	4,460	5,218	1,490	114	13,795
Accumulated depreciation and impairment	(407)	(340)	(3,272)	(2,669)	(924)	–	(7,612)
Net carrying amount	146	1,620	1,188	2,549	566	114	6,183
Year ended 31 December 2008							
Opening net carrying amount	146	1,620	1,188	2,549	566	114	6,183
Exchange differences	–	214	176	109	80	116	695
Additions	–	253	456	743	17	1,150	2,619
Disposals	–	–	–	(139)	–	–	(139)
Depreciation	(2)	(147)	(192)	(882)	(132)	–	(1,355)
Closing net carrying amount	**144**	**1,940**	**1,628**	**2,380**	**531**	**1,380**	**8,003**
At 31 December 2008							
Cost	**553**	**2,411**	**2,808**	**5,166**	**1,585**	**1,380**	**13,903**
Accumulated depreciation and impairment	**(409)**	**(471)**	**(1,180)**	**(2,786)**	**(1,054)**	**–**	**(5,900)**
Net carrying amount	**144**	**1,940**	**1,628**	**2,380**	**531**	**1,380**	**8,003**

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

The net carrying amount of the motor vehicles of the Group includes an amount of approximately S$2,303,000 (2007: S$2,427,000) in respect of assets held under finance leases.

13. PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

Certain plant and machinery with an aggregate carrying amount of approximately S$1,628,000 (2007: S$1,188,000) and motor vehicles of approximately S$37,000 (2007: S$50,000) are pledged to the banks for facilities granted to the Group as disclosed in note 24.2 to the financial statements.

14. LEASEHOLD LANDS – GROUP

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

	2008 S$'000	2007 S$'000
Outside Hong Kong, held on Lease of over 50 years	876	859

	2008 S$'000	2007 S$'000
Opening net carrying amount at 1 January	859	870
Annual charges	(11)	(11)
Exchange difference	28	–
Closing net carrying amount at 31 December	876	859

Leasehold land with carrying amount of approximately S$613,000 (2007: S$625,000) is pledged to secure the banking facilities of Zhong Bao Group as disclosed in note 33 in the financial statements.

15. PREPAID RENTAL EXPENSES – GROUP

	2008 S$'000	2007 S$'000
Opening net carrying amount at 1 January	6,911	7,064
Amortisation for the year	(153)	(153)
Exchange differences	7	–
Closing net carrying amount at 31 December	6,765	6,911
Less: Current portion of prepaid rental expenses (note 20)	(153)	(153)
Non-current portion	6,612	6,758

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

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 the consolidated income statement over 50 years, commencing from the date of completion of the respective development projects.

The development in the Beijing Project in respect of prepaid rental expense of approximately S$4,113,000 (2007: S$4,113,000) was completed in 2001 and its charge for the year amounting to S$82,000 (2007: S$82,000). In October 2002, the Group decided to abandon the Guangdong Project. The sum prepaid was transferred for the construction of the enlarged Fujian Project. The Fujian Project in respect of prepaid rental expense of approximately S$3,527,000 (2007: S$3,527,000) was completed in December 2003 and its charge for the year amounting to S$71,000 (2007: S$71,000).

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2008 **S$'000**	2007 S$'000
Unlisted shares, at cost	**7,882**	7,882
Due from a subsidiary	**5,353**	3,782
Financial guarantee issued	**337**	337
	13,572	12,001

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 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.

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

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

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

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

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

incorporated as a limited liability company under local jurisdiction

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

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17. NON-CURRENT RECEIVABLES – GROUP

	Notes	2008 S$'000	2007 S$'000
Advances to NAGC Group	(a)	**2,055**	7,563
Advances to Zhong Bao Group	(b)	**14,253**	37,352
		16,308	44,915
Portion classified as current assets (note 20)	(c)	**(16,304)**	(44,912)
Non-current portion		**4**	3

Notes:

(a) The advances made to North Anhua Group Corporation ("NAGC") and certain of its subsidiaries and related companies ("NAGC Group") were principally for the operations of the distribution of motor vehicles business in the PRC. The amounts due from NAGC Group are unsecured and interest-free. During the year, the maximum outstanding balance due from NAGC Group was S$7,563,000.

On 24 March 2009, 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 2008. Pursuant to the NAGC Payment Agreement, NAGC agreed to settle the outstanding balance amounted to S$2,055,000 as at 31 December 2008 by monthly installments by 31 July 2009.

Following the signing of the NAGC Payment Agreement, NAGC Group has made repayment of approximately S$1.6 million to the Group.

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

Pursuant to a technical and management service agreement (the "Technical Agreement") entered into between the Group and Xiamen Zhong Bao on 7 October 2003, the Group would provide technical expertise and financial assistance to Zhong Bao Group. Advances were made by the Group for the operations of the distribution of locally manufactured BMW motor vehicles in the PRC by Zhong Bao Group. On 28 September 2004, the Group entered into a supplementary agreement to the Technical Agreement with Xiamen Zhong Bao which set out the basis for the amount of technical fee charged by the Group to Xiamen Zhong Bao. The charge is based on agreed terms with reference to the monthly closing balance of the current accounts between the Group and Zhong Bao Group. Such agreements have been renewed on 7 October 2008 for another 5 years. On 7 March 2007, the Group entered into agreements with Quanzhou Fubao Automobiles Co., Ltd and Tianjin Tianbao Automobiles Co., Ltd (entities within the Zhong Bao Group) and the terms of these agreements were similar to those agreed with Xiamen Zhongbao. During the year, the maximum outstanding balance due from Zhong Bao Group was S$79,818,000.

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

Notes: *(Continued)*

(b) *(Continued)*

On 24 March 2009, 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 2008 (the "ZB Advance"). Pursuant to the ZB Payment Agreements, Xiamen Zhong Bao agreed to settle the outstanding balance amounted to S$22,328,000 (consisting of advances S$14,253,000 and trade balance of S$8,075,000 (note 19)) as at 31 December 2008 to the Group by monthly installments by 31 December 2009. All of the existing motor vehicles purchased by Xiamen Zhong Bao have been pledged to the Group. The Group has taken physical possession of the motor vehicles purchased by Xiamen Zhong Bao as well as the related title documents of these motor vehicles. Prior to the full settlement of the ZB Advance by Xiamen Zhong Bao, all of the motor vehicles to be purchased by Xiamen Zhong Bao will also be pledged to the Group. The Group will take physical possession of the motor vehicles to be purchased by Xiamen Zhong Bao as well as the related title documents of these motor vehicles. The Group will release the motor vehicles and the related title documents to Xiamen Zhong Bao upon receiving 80% of the sales proceeds of the respective motor vehicles.

Following the signing of the ZB Payment Agreements in March 2008, Xiamen Zhong Bao has made aggregate repayments of approximately S$11.1 million to the Group.

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

18. INVENTORIES – GROUP

	2008 **S$'000**	2007 S$'000
Motor vehicles	**395**	567
Auto parts and accessories	**1,676**	1,490
	2,071	2,057

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19. TRADE RECEIVABLES – GROUP

At 31 December 2008, the ageing analysis of trade receivables was as follows:

	2008 S$'000	2007 S$'000
0 – 90 days	4,585	4,852
91 – 180 days	4,152	2,079
181 – 365 days	1,217	1,509
Over 1 year	3,213	1,635
	13,167	10,075
Less: allowance for impairment of receivables	(591)	(582)
	12,576	9,493

In addition to the advances to NAGC Group and Zhong Bao Group as disclosed in note 17, the Group's trade receivables included trade debts of S$8,075,000 (2007: S$5,835,000) due from Zhong Bao Group as at 31 December 2008.

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:

	2008 S$'000	2007 S$'000
At 1 January	582	582
Exchanges differences	9	–
At 31 December	591	582

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

Except for the collateral as stated in note 17(b), none of the Group's financial assets are secured by collateral or other credit enhancements.

19. 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	**2008 S$'000**	2007 S$'000
Neither past due nor impaired	(a)	**9,137**	8,328
1 – 90 days past due	(a)	**917**	196
91 – 180 days past due	(a)	**574**	158
Over 180 days past due	(b)	**1,948**	811
		3,439	1,165
		12,576	9,493

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2008 S$'000	2007 S$'000	**2008 S$'000**	2007 S$'000
Current portion of non-current receivables (note 17)	**16,304**	44,912	**–**	–
Current portion of prepaid rental expenses (note 15)	**153**	153	**–**	–
Other prepayments, deposits and current assets	**19,656**	5,421	**1**	12
	36,113	50,486	**1**	12

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21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP

	Notes	2008 S$'000	2007 S$'000
Cash and bank balances		**7,917**	2,496
Pledged deposits:			
For banking facilities granted to the Group (note 24)		**3,925**	5,096
Guarantee money in respect of security of suppliers	(a)	**247**	412
For banking facilities granted to NAGC Group	(b)	**1,632**	1,595
		5,804	7,103
		13,721	9,599

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 S$4,222,000 (2007: S$4,052,000) which were fully utilised as at 31 December 2008.

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 1% to 4.5% (2007: 2.5% to 4.5%) per annum.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately S$10,139,000 (2007: S$3,374,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. TRADE PAYABLES – GROUP

The ageing analysis of trade payables is as follows:

	2008 S$'000	2007 S$'000
0 – 30 days	**842**	703
31 – 180 days	**117**	30
181 – 365 days	**119**	–
1 – 2 years	**2**	217
Over 2 years	**373**	166
	1,453	1,116

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

23. ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

	The Group		The Company	
	2008	2007	**2008**	2007
	S$'000	S$'000	**S$'000**	S$'000
Accruals	**5,604**	3,593	**54**	60
Deposit received	**1,721**	1,229	**–**	–
Other payables	**4,366**	2,786	**–**	–
Financial guarantee issued	**152**	–	**325**	337
	11,843	7,608	**379**	397

24. BILLS PAYABLES AND BORROWINGS – GROUP

	Notes	**2008** S$'000	2007 S$'000
Borrowings			
Non-current			
Secured bank loans	24.2	**–**	35
Finance lease liabilities	24.4	**511**	536
		511	571
Current			
Bank overdrafts	24.1	**200**	246
Secured bank loans	24.2	**2,063**	14,803
Unsecured bank loans		**6,312**	3,528
Finance lease liabilities	24.4	**657**	858
		9,232	19,435

24.1 Bank overdrafts and bills payables to banks

At the balance sheet date, the Group's bank overdrafts and bills payables are secured by the Group's fixed deposits amounting to approximately S$2,990,000 (2007: S$3,136,000), which are part of the fixed deposits S$3,925,000 (2007: S$5,096,000) and corporate guarantees from the Company (note 35). In addition, the Group charged and assigned its interests and rights in certain proceeds under trade and bills receivables and certain inventories in favour of a bank in respect of these bank overdrafts and bills payables.

24.2 Secured bank loans

Secured bank loans comprise:

	Notes	**2008** S$'000	2007 S$'000
Term loans		**2,063**	14,838
Less: current portion	(i)	**(2,063)**	(14,803)
Non-current portion		**–**	35

Notes to the financial statements

for the year ended 31 December 2008

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

24.2 Secured bank loans *(Continued)*

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

- Pledge of bank deposits of approximately S$3,310,000 (2007: S$4,236,000), which are part of the fixed deposits of S$3,925,000 (2007: S$5,096,000) mentioned in note 21 above;
- Legal charge over the plant and machinery and motor vehicles with net carrying amount of S$1,628,000 (2007: S$1,188,000) and S$37,000 (2007:50,000) (note 13) respectively;
- Corporate guarantees provided by the Company (note 35); and
- Corporate guarantees provided by Zhong Bao Group.

24.3 Other information about the borrowings

	Original currency	Effective interest rate (%) per annual 2008 Fixed	2008 Floating	2007 Fixed	2007 Floating
Bank loans	S$	–	9.1%-10.5%	–	4.0%-5.4%
Bank loans	HK$	–	10.0%-12.3%	–	7.8%-9.3%
Bank loans	RMB	6.8%-8.2%	–	6.4%	–
Finance lease liabilities	HK$	3.3%-3.6%	–	3.1%-3.4%	–

24.4 Finance lease liabilities

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

	Group 2008 S$'000	Group 2007 S$'000
Due within one year	718	921
Due in the second to fifth years	561	594
	1,279	1,515
Future finance charges on finance leases	(111)	(121)
Present value of finance lease liabilities	1,168	1,394

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

24.4 Finance lease liabilities *(Continued)*

The present value of finance lease liabilities is as follows:

	Group	
	2008	2007
	S$'000	S$'000
Due within one year	**657**	858
Due in the second to fifth years	**511**	536
	1,168	1,394
Less: Portion due within one year included under current liabilities	**(657)**	(858)
Non-current portion included under non-current liabilities	**511**	536

25. DUE TO RELATED COMPANIES

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

26. BALANCES WITH DIRECTORS – GROUP

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

Name	2008	**Maximum amount outstanding during the year**	2007
	S$'000	**S$'000**	S$'000
Loh Nee Peng	11	**11**	4

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

Notes to the financial statements

for the year ended 31 December 2008

27. DEFERRED TAX – GROUP

The movement on the deferred tax liabilities is as follows:

	Accelerated tax depreciation S$'000
At 1 January 2007	191
Deferred tax credited to the income statement during the year (note 9)	71
Deferred tax liabilities at 31 December 2007 and 1 January 2008	262
Deferred tax charged to the income statement during the year (note 9)	(14)
Deferred tax liabilities at 31 December 2008	248

As the balance sheet date, the Group has not recognised deferred tax liabilities in respect of temporary differences associated with undistributed earnings of 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.

28. TAX PAYABLE – GROUP

Included in tax payable of the Group was an amount of approximately S$3,440,000 (2007: S$3,731,000) being tax and penalty payable by a subsidiary of the Company incorporated in Singapore to the Inland Revenue Authority of Singapore ("IRAS") for prior years of assessments. Under the Singapore Income Tax Act ("ISTA"), IRAS may take actions to recover the outstanding tax payable including penalties and interest. As stipulated under the ISTA, these include the power to freeze the bank accounts of the subsidiary operated in Singapore. According to the management of the subsidiary, the subsidiary has negotiated with the IRAS for a repayment schedule in order to manage the cash flows of the subsidiary. Under the schedule, monthly payment of S$30,000, would be made since November 2007. In view of the recent development of negotiation with the IRAS and the legal and tax advices, the directors of the Company are of the opinion that the Group's tax provision is fairly presented.

29. SHARE CAPITAL

	2008		2007	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:		**S$'000**		**S$'000**
Ordinary shares of HK$0.1 each at beginning of year	**400,000**	**9,040**	400,000	9,040
Issue of ordinary shares	**33,000**	**597**	–	–
Ordinary shares of HK$0.1 each at end of year	**433,000**	**9,637**	400,000	9,040

29. SHARE CAPITAL *(Continued)*

On 4 September 2008, the Company entered into a subscription agreement with certain independent third parties in relation to the subscription of an aggregate of 33,000,000 ordinary shares at the price of HK$0.3 per each. The issued share capital of the Company was thus increased from S$9,040,000 to S$9,637,000 as enlarged by the allotment and issue of the ordinary shares with effect from 24 September 2008. The Company intended to apply the proceeds raised as general working capital for the Group.

30. RESERVES

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

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

The Company

	Share premium S$'000	Capital reserve S$'000	Accumulated losses S$'000	Total S$'000
At 1 January 2007	4,006	645	(2,599)	2,052
Loss for the year	–	–	(243)	(243)
At 31 December 2007	4,006	645	(2,842)	1,809
Proceeds from share issued	1,219	–	–	1,219
Shares issue expenses	(46)	–	–	(46)
Loss for the year	–	–	(266)	(266)
At 31 December 2008	5,179	645	(3,108)	2,716

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.

Notes to the financial statements

for the year ended 31 December 2008

30. RESERVES *(Continued)*

(b) *(Continued)*

Capital reserve *(Continued)*

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

Translation reserve

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

31. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of S$797,000 (2007: S$685,000).

32. PENSION AND OTHER EMPLOYEE OBLIGATIONS – GROUP

	2008 S$'000	2007 S$'000
Current obligations on:		
– pensions – defined contributions plans	27	12

Pensions – defined contribution plans

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

Employees of the Company's subsidiaries incorporated in Singapore participate in The Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. During the year, the employees and the subsidiaries in Singapore made monthly contributions of 20% (2007: 20%) and 14.5% (2007: 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 balance sheet date, there was no forfeited contribution available to reduce the Group's employer contribution payable in future periods.

During the year, contributions totalling S$113,000 (2007: S$104,000) were paid to the schemes.

33. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP

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

I. NAGC Group

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

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

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

(iii) Certain fixed deposits of the Group of approximately S$1,632,000 (2007: S$1,595,000) pledged to a bank to secure banking facilities up to approximately S$4,222,000 (2007: S$4,052,000) granted to NAGC Group as disclosed in note 21 to the financial statements.

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

II. Zhong Bao Group

During the year, the Group sold motor vehicles and sales of autoparts of S$2,996,000 (2007: S$8,389,000) and earned technical fee income of S$2,552,000 (2007: S$3,829,000) from Zhong Bao Group, the details of which have been disclosed in note 17 to the financial statements.

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

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

(b) Trade balances of S$8,075,000 (2007: S$5,835,000) receivables from Zhong Bao Group as included in "Trade receivables".

(c) Leasehold lands and buildings of approximately S$613,000 (2007: S$625,000) (note 14) and S$144,000 (2007: S$146,000) (note 13) respectively are pledged to bank to secure banking facilities up to approximately S$1,326,000 (2007: S$1,176,000) granted to Zhong Bao Group at the balance sheet date.

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

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

Notes to the financial statements

for the year ended 31 December 2008

34. COMMITMENTS

34.1 As lessor

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	S$'000	S$'000
Within one year	**974**	759
After one year but within five years	**526**	515
	1,500	1,274

34.2 As lessee

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

At 31 December 2008, total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	Group	
	2008	2007
	S$'000	S$'000
Within one year	**529**	276
After one year but within five years	**455**	195
	984	471

The Company does not have any significant operating lease commitments.

34.3 Capital commitment

As at 31 December 2008, the outstanding construction fee for construction in progress is RMB10,850,000 (equivalent to S$2,398,000).

35. CONTINGENT LIABILITIES

Group

At 31 December 2008, the Group had given guarantees in the ordinary course of business as follows:

	Notes	2008 S$'000	2007 S$'000
Guarantees for bank loans to NAGC Group:	(1)	**4,222**	4,052
Guarantees for bank loans to Zhong Bao Group:	(2)	**26,741**	24,696
		30,963	28,748

Notes:

(1) The Group's fixed deposits of approximately S$1,632,000 (2007: S$1,595,000) are pledged to secure these banking facilities at the balance sheet date (note 21(b)).

(2) Leasehold lands and buildings of approximately S$613,000 (2007: S$625,000) (note 14) and S$144,000 (2007: S$146,000) (note 13) respectively are pledged to bank to secure banking facilities up to approximately S$1,326,000 (2007: S$1,176,000) granted to Zhong Bao Group at the balance sheet date.

Company

In addition to the guarantees for bank loans to NAGC Group and Zhong Bao Group disclosed above, the Company has executed guarantees amounting to approximately S$54,723,000 (2007: S$51,218,000) with respect to banking facilities made available to the subsidiaries.

36. 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.

Notes to the financial statements

for the year ended 31 December 2008

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

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2008 and 2007 may be categorised as follows. See notes 3.9 and 3.16 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2008	2007	**2008**	2007
	S$'000	S$'000	**S$'000**	S$'000
Financial assets				
Pledged deposits	**5,804**	7,103	**–**	–
Cash and bank deposits	**7,917**	2,496	**–**	–
	13,721	9,599	**–**	–
Loans and receivables:				
Non-current receivables	**4**	3	**–**	–
Trade receivables	**12,576**	9,493	**–**	–
Other current assets	**35,960**	50,333	**1**	12
Due from a director	**11**	4	**–**	–
	48,551	59,833	**1**	12
	62,272	69,432	**1**	12
Financial liabilities				
Financial liabilities at amortised cost:				
Current liabilities				
Trade payables	**1,453**	1,116	**–**	–
Other payables	**10,122**	6,379	**379**	397
Bills payables	**11,732**	17,723	**–**	–
Borrowings	**9,232**	19,435	**–**	–
Due to related companies	**50**	412	**–**	–
Due to subsidiaries	**–**	–	**749**	675
Due to directors	**2,517**	848	**92**	92
	35,106	45,913	**1,220**	1,164
Non-current liabilities				
Non-current portion of long-term borrowings	**511**	571	**–**	–
	35,617	46,484	**1,220**	1,164

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

Credit risk

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

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

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

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

Liquidity risk

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

Notes to the financial statements

for the year ended 31 December 2008

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

Liquidity risk *(Continued)*

As at 31 December 2008 and 31 December 2007, the Group's financial liabilities have contractual maturities which are summarised below:

	Carrying amount S$'000	Total contractual undiscounted cash flow S$'000	Within one year or on demand S$'000	More than one year but less than two years S$'000
At 31 December 2008				
Trade payables	**1,453**	**1,453**	**1,453**	**–**
Other payables	**10,122**	**10,122**	**10,122**	**–**
Bills payables	**11,732**	**11,732**	**11,732**	**–**
Short-term borrowings	**9,232**	**9,711**	**9,711**	**–**
Due to related companies	**50**	**50**	**50**	**–**
Due to directors	**2,517**	**2,517**	**2,517**	**–**
Long-term borrowings	**511**	**563**	**–**	**563**
Total	**35,617**	**36,148**	**35,585**	**563**
At 31 December 2007				
Trade payables	1,116	1,116	1,116	–
Other payables	6,379	6,379	6,379	–
Bills payables	17,723	17,723	17,723	–
Short-term borrowings	19,435	20,309	20,309	–
Due to related companies	412	412	412	–
Due to directors	848	848	848	–
Long-term borrowings	571	629	–	629
Total	46,484	47,416	46,787	629

Foreign exchange risk

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

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

Foreign exchange risk *(Continued)*

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 US$ strengthens in value against the S$, as has occurred in 2007 and 2008, the Group's operating margins are negatively impacted unless recovered from our customers in the form of price increases. The Group currently does not have a foreign currency hedging policy.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2008 and 2007 are as follows:

	Denominated in USD S$'000	Denominated in EUR S$'000	Denominated in RMB S$'000	Denominated in HK S$'000
2008				
Monetary assets				
Trade and other receivables	–	–	13,511	–
Pledged deposits	2,733	–	–	–
Cash and cash equivalents	9	–	–	1
	2,742	–	13,511	1
Monetary liabilities				
Trade and other payables	(762)	(115)	(5,335)	(5,027)
Bills payables	(9,608)	(1,732)	–	(392)
Borrowings	(719)	–	(3,978)	(2,200)
Long-term borrowings	–	–	–	(511)
	(11,089)	(1,847)	(9,313)	(8,130)
Net monetary assets/(liabilities)	(8,347)	(1,847)	41,198	(8,129)
Foreign currency strengthen/(weaken) by:	6%/(6%)	5%/(5%)	1%/(1%)	6%/(6%)
Increase/(decrease) in profit after tax and retained earnings	(501)/501	(92)/92	41/(41)	(488)/488

Notes to the financial statements

for the year ended 31 December 2008

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

Foreign exchange risk *(Continued)*

	Denominated in USD S$'000	Denominated in EUR S$'000	Denominated in RMB S$'000	Denominated in HK S$'000
2007				
Monetary assets				
Trade and other receivables	–	–	14,625	–
Pledged deposits	2,668	–	288	–
Cash and cash equivalents	1,403	1	–	1
	4,071	1	14,913	1
Monetary liabilities				
Trade and other payables	(610)	(79)	(2,571)	(3,894)
Bills payables	(4,919)	(1,770)	–	(3,442)
Borrowings	(719)	–	(11,368)	(3,108)
Long-term borrowings	–	–	–	(571)
	(6,248)	(1,849)	(13,939)	(11,015)
Net monetary assets/(liabilities)	(2,177)	(1,848)	974	(11,014)
Foreign currency strengthen/(weaken) by:	6%/(6%)	5%/(5%)	1%/(1%)	6%/(6%)
Increase/(decrease) in profit after tax and retained earnings	(130)/130	(92)/92	10/(10)	(661)/661

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 2.8% 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 24 to the financial statements.

The Group's interest rate risk which affects its income and operating cash flows mainly arises from bank borrowings at 31 December 2008, at rates ranging from the prime rate minus 0.5% to the prime rate plus 2% per annum (2007: prime rate minus 0.5% to the prime rate plus 2% per annum).

If interest rates had been 75 basis point higher/lower and all other variables were held constant, the Group's profit after tax and retained earnings for the year ended 31 December 2008 would decrease/increase by SGD2,000 (2007: decrease/increase by SGD83,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

36. 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 balance sheet date and the reasonable possible changes in the interest rates in the next 12 months, the assumption that other variables are held constant.

	2008 Effect on profit after tax and retained earnings S$'000	2007 Effect on profit after tax and retained earnings S$'000
USD	**(57)/57**	(12)/12
EUR	**(13)/13**	(13)/13
RMB	**76/(76)**	27/(27)
HKD	**(8)/8**	(29)/29
SGD	**–**	(56)/56

37. 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 balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2007 and 2008 were as follows:

	2008 S$'000	2007 S$'000
Total borrowings	**21,475**	37,729
Less: Cash and cash equivalents	**(7,917)**	(2,496)
Net debt	**13,558**	35,233
Total equity	**36,455**	31,393
Total capital	**50,013**	66,626
Gearing ratio	**27%**	53%

Financial summary

RESULTS

	Year ended 31 December				
				(Restated)	
	2008	2007	2006	2005	2004
	S$'000	S$'000	S$'000	S$'000	S$'000
Turnover	**34,821**	37,416	60,381	158,704	100,246
Other revenue and gains	**5,590**	5,634	4,913	2,369	1,283
Cost of sales	**(30,064)**	(31,692)	(51,699)	(141,289)	(88,745)
Employee benefits expenses	**(2,588)**	(2,148)	(2,284)	(2,148)	(1,880)
Depreciation and amortisation	**(1,519)**	(1,399)	(1,318)	(1,067)	(1,123)
Operating lease charges	**(346)**	(333)	(371)	(308)	(269)
Exchange differences, net	**1,483**	1,670	1,040	(241)	(807)
Allowance for doubtful receivables	**–**	–	(780)	–	–
Other operating expenses	**(2,738)**	(2,553)	(2,445)	(8,182)	(4,595)
Profit from operating activities	**4,639**	6,595	7,437	7,838	4,110
Finance costs	**(2,676)**	(3,270)	(3,527)	(2,649)	(1,493)
Profit before income tax	**1,963**	3,325	3,910	5,189	2,617
Tax	**(543)**	(729)	(924)	(1,537)	(896)
Profit for the year	**1,420**	2,596	2,986	3,652	1,721
Attributable to:					
Equity holders of the Company	**1,424**	2,600	3,032	3,671	1,741
Minority interest	**(4)**	(4)	(46)	(19)	(20)
Profit for the year	**1,420**	2,596	2,986	3,652	1,721
Dividends	**–**	–	–	–	–
Basic earnings per share attributable to equity holders of the Company (Singapore cent)	**0.35**	0.65	0.76	0.92	0.44

ASSETS AND LIABILITIES

	31 December				
	2008	2007	2006	2005	2004
	S$'000	S$'000	S$'000	S$'000	S$'000
Total assets	**79,987**	85,442	83,597	104,010	74,598
Total liabilities	**(43,532)**	(54,049)	(53,401)	(74,261)	(49,960)
	36,455	31,393	30,196	29,749	24,638
Minority interests	**(386)**	(346)	(352)	(421)	(418)
Equity attributable to equity holders of the Company	**36,069**	31,047	29,844	29,328	24,220