



# **G.A. HOLDINGS LIMITED**

## **G.A. 控 股 有 限 公 司**

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

**Stock Code: 8126**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007**

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

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

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

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

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

*This announcement, for which the directors of G.A. Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.*

## FINANCIAL RESULTS

The Board of Directors (the “Board”) of the Company is pleased to announce the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007 together with the comparative figures for the year ended 31 December 2006, as follows:

### CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	<i>Notes</i>	<b>2007</b> <i>S\$'000</i>	2006 <i>S\$'000</i>
<b>Revenue</b>	4	<b>37,416</b>	60,381
Other income		<b>5,634</b>	4,913
Cost of sales		<b>(31,692)</b>	(51,699)
Employee benefit expenses		<b>(2,148)</b>	(2,284)
Depreciation and amortisation		<b>(1,399)</b>	(1,318)
Operating lease charges		<b>(333)</b>	(371)
Exchange differences, net		<b>1,670</b>	1,040
Impairment of receivables		–	(1,846)
Other operating expenses		<b>(2,553)</b>	(1,379)
<b>Profit from operating activities</b>		<b>6,595</b>	7,437
Finance costs		<b>(3,270)</b>	(3,527)
<b>Profit before income tax</b>		<b>3,325</b>	3,910
Income tax expense	7	<b>(729)</b>	(924)
<b>Profit for the year</b>		<b><u>2,596</u></b>	<b><u>2,986</u></b>
Attributable to :			
Equity holders of the Company		<b>2,600</b>	3,032
Minority interests		<b>(4)</b>	(46)
<b>Profit for the year</b>		<b><u>2,596</u></b>	<b><u>2,986</u></b>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>	8	<b>Singapore cent</b>	Singapore cent
Basic		<b><u>0.65</u></b>	<b><u>0.76</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

**CONSOLIDATED BALANCE SHEET***as at 31 December 2007*

	<i>Notes</i>	<b>2007</b> <i>S\$'000</i>	2006 <i>S\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>6,183</b>	6,215
Leasehold lands		<b>859</b>	870
Prepaid rental expenses		<b>6,758</b>	6,911
Non-current receivables		<b>3</b>	97
		<hr/> <b>13,803</b>	<hr/> 14,093
<b>Current assets</b>			
Inventories		<b>2,057</b>	3,547
Trade receivables	9	<b>9,493</b>	15,150
Prepayments, deposits and other current assets		<b>50,486</b>	45,134
Due from a director		<b>4</b>	4
Pledged deposits		<b>7,103</b>	4,032
Cash and bank balances		<b>2,496</b>	1,637
		<hr/> <b>71,639</b>	<hr/> 69,504
<b>Current liabilities</b>			
Trade payables	10	<b>1,116</b>	4,771
Accruals and other payables		<b>7,608</b>	8,650
Pension and other employee obligations		<b>12</b>	16
Bills payables		<b>17,723</b>	17,517
Borrowings		<b>19,435</b>	10,556
Due to related companies		<b>412</b>	422
Due to directors		<b>848</b>	681
Tax payable		<b>6,062</b>	6,207
		<hr/> <b>53,216</b>	<hr/> 48,820
<b>Net current assets</b>		<hr/> <b>18,423</b>	<hr/> 20,684
<b>Total assets less current liabilities</b>		<hr/> <b>32,226</b>	<hr/> 34,777
<b>Non-current liabilities</b>			
Borrowings		<b>571</b>	4,390
Deferred tax		<b>262</b>	191
		<hr/> <b>833</b>	<hr/> 4,581
<b>Net assets</b>		<hr/> <b>31,393</b>	<hr/> 30,196
<b>EQUITY</b>			
Equity attributable to Company's equity holders			
Share capital		<b>9,040</b>	9,040
Reserves		<b>22,007</b>	20,804
		<hr/> <b>31,047</b>	<hr/> 29,844
<b>Minority interests</b>		<hr/> <b>346</b>	<hr/> 352
<b>Total equity</b>		<hr/> <b>31,393</b>	<hr/> 30,196

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

	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
At 31 December 2005	9,040	4,006	1,689	301	14,292	29,328	421	29,749
<b>Net gains/(losses) recognised directly in equity</b>								
Translation difference	-	-	-	(2,516)	-	(2,516)	(23)	(2,539)
Profit for the year	-	-	-	-	3,032	3,032	(46)	2,986
Total recognised income / expenses	-	-	-	(2,516)	3,032	516	(69)	447
At 31 December 2006	9,040	4,006	1,689	(2,215)	17,324	29,844	352	30,196
<b>Net gains/(losses) recognised directly in equity</b>								
Translation difference	-	-	-	(1,397)	-	(1,397)	(2)	(1,399)
Profit for the year	-	-	-	-	2,600	2,600	(4)	2,596
Total recognised income / expenses	-	-	-	(1,397)	2,600	1,203	(6)	1,197
At 31 December 2007	<u>9,040</u>	<u>4,006</u>	<u>1,689</u>	<u>(3,612)</u>	<u>19,924</u>	<u>31,047</u>	<u>346</u>	<u>31,393</u>

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

Notes:

## 1. GENERAL INFORMATION

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

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

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

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

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

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

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

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

### 2.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report.

## 2.2 HKFRS 7 – Financial Instruments : Disclosures

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

- a sensitivity analysis that explains the Group’s market risk exposure in regard to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities, as at the balance sheet date.

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2009

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

### *Amendment to HKAS 1 Presentation of Financial statements*

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

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

### 3. BASIS OF PREPARATION

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

### 4. REVENUE – GROUP

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

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

### 5. SEGMENT INFORMATION – GROUP

#### Primary reporting format – business segment

The Group is organised into four business segments, namely:

Activity 1	:	Sales of motor vehicles and provision of car-related technical services;
Activity 2	:	Servicing of motor vehicles and sales of auto parts;
Activity 3	:	Provision of management services in respect of car rental business (the related business has ceased during the year); and
Activity 4	:	Commission income from sales of cars from German Automobiles Pte Ltd. (“GAPL”) to German Automobiles Limited (“GAL”) (i.e. intra-Group)

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.

## Primarily reporting format – business segment

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

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



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

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

## Secondary reporting format – geographical segment

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

	2007 <i>S\$'000</i>	2006 <i>S\$'000</i>
The PRC	37,416	59,371
Hong Kong	—	1,010
	<u>37,416</u>	<u>60,381</u>

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

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

## 6. OTHER INCOME – GROUP

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

## 7. INCOME TAX EXPENSES – GROUP

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

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

	2007 <i>S\$'000</i>	2006 <i>S\$'000</i>
Current – Hong Kong		
Charge for the year	293	225
Under-provision in prior years	26	–
Current – Overseas		
Charge for the year	339	718
Deferred taxation	71	(19)
	<u>729</u>	<u>924</u>
Total income tax expenses	<u>729</u>	<u>924</u>

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

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

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

## 8. EARNINGS PER SHARE – GROUP

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

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

## 9. TRADE RECEIVABLES – GROUP

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

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

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

	2007 <i>S\$'000</i>	2006 <i>S\$'000</i>
At 1 January	582	569
Impairment loss and allowance charged	<u>-</u>	<u>13</u>
At 31 December	<u><b>582</b></u>	<u><b>582</b></u>

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

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

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

(a) The Directors 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 balance sheet date.

#### **10. TRADE PAYABLES – GROUP**

The ageing analysis of trade payables is as follows:

		<b>2007</b>	2006
		<i>S\$'000</i>	<i>S\$'000</i>
0-30 days		<b>703</b>	696
31-180 days		<b>30</b>	71
181-365 days		–	2,215
1 to 2 years		<b>217</b>	1,463
Over 2 years		<b>166</b>	326
		<u><b>1,116</b></u>	<u>4,771</u>

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

## **DIVIDEND**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

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

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

### **SALES OF MOTOR VEHICLES**

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

### **SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS**

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

## **TECHNICAL FEE INCOME**

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

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

## **CAR RENTAL BUSINESS**

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

## **FINANCIAL REVIEW**

### **Turnover**

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

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

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

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

### **Gross Profit**

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

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

### **Profit from operating activities attributable to equity holders**

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

### **Financial resources and liquidity**

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

### **Capital Structure of the Group**

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

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

### **Significant Investment**

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

### **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

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



## **Employees**

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

## **Charges on Group Assets**

As at 31 December 2007, the Group pledged time deposits of approximately S\$7,103,000 (2006: S\$4,032,000) and charged plant and machinery of approximately S\$1,188,000 (2006: S\$984,000) and motor vehicles of approximately S\$50,000 (2006: Nil) to several banks for banking facilities for the Group and a related company of North Anhua Group Corporation ("NAGC").

## **Material Investments or Capital Assets**

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

## **Gearing Ratio**

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

## **Foreign Exchange Exposure**

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

## **Contingent Liabilities**

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

## **BUSINESS PROSPECT**

Looking up to year 2008, the Group foresees the upward trend for imported automobiles to be hindered by sky-rocket commodity prices and inflationary pressure. Costs of automobiles are expected to surge, especially with the new Corporate Income Tax Regime (the "CIT Regime") implemented from 1 January 2008 onwards. Within the automotive industry, competition is intense. Whilst inflation hits consumers

pockets, automobile prices are unlikely to rise, due to the extremely price-sensitive nature of consumers. This will eventually rip out the profit margin of automobiles seller. According to the China Association of Automobiles Manufacturing, the average price of a sedan in China fell by 8.5% in year 2007, and further price slash is expected in 2008, as companies jockey to raise their profiles ahead of the Olympic Games in Beijing this summer.

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

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

## **CORPORATE GOVERNANCE**

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. Xu Ming and Mr. Lee Kwok Yung will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

## **(2) Directors' Securities Transactions**

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

## **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 "Audit Committee"). 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.

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

## **DIRECTORS OF THE COMPANY**

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

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

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

On behalf of the Board  
**Loh Nee Peng**  
*Managing Director*

Hong Kong, 28 March 2008

*This announcement will remain on the "Latest Company Announcements" page on the GEM website at [www.hkgem.com](http://www.hkgem.com), the HKEx website at [www.hkexnews.hk](http://www.hkexnews.hk) and the company's website at [www.ga-holdings.com](http://www.ga-holdings.com) for at least 7 days from the date of its posting.*