

Interim Report **2008**

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)



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

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of G.A. Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2008 (the “Interim Period”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2008

| | Notes | (Unaudited) three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|--|-------|--|-----------------|--|-----------------|
| | | 2008 S\$'000 | 2007 S\$'000 | 2008 S\$'000 | 2007 S\$'000 |
| Revenue | 2 | 8,320 | 10,359 | 19,143 | 20,047 |
| Other income | 2 | 521 | 542 | 1,167 | 1,191 |
| | | 8,841 | 10,901 | 20,310 | 21,238 |
| Cost of sales | | (6,411) | (8,485) | (15,317) | (16,130) |
| Employee benefits expenses | | (563) | (537) | (1,128) | (972) |
| Depreciation and amortisation | | (371) | (361) | (726) | (716) |
| Operating lease charges | | (69) | (80) | (154) | (162) |
| Exchange differences, net | | 7 | (109) | 109 | (80) |
| Other operating expenses | | (800) | (901) | (1,422) | (1,422) |
| Profit from operating activities | | 634 | 428 | 1,672 | 1,756 |
| Finance costs | | (575) | (920) | (1,389) | (1,637) |
| Profit/(Loss) before income tax | 3 | 59 | (492) | 283 | 119 |
| Income tax expense | 4 | (111) | (43) | (226) | (73) |
| Profit/(Loss) for the period | | (52) | (535) | 57 | 46 |
| Attributed to: | | | | | |
| Equity holders of the Company | | (51) | (534) | 59 | 48 |
| Minority interests | | (1) | (1) | (2) | (2) |
| Profit/(Loss) for the period | | (52) | (535) | 57 | 46 |
| Earnings per share for profit/(loss) attributable to the equity holders of the Company during the period | | | | | |
| Basic (Singapore cent) | 5 | (0.01) | (0.13) | 0.01 | 0.01 |
| Diluted (Singapore cent) | | N/A | N/A | N/A | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

| | | (Unaudited) As at 30 June 2008 S\$'000 | (Audited) As at 31 Dec 2007 S\$'000 |
|---|-------|---|--|
| | Notes | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 6,031 | 6,183 |
| Leasehold lands | | 858 | 859 |
| Prepaid rental expenses | | 6,830 | 6,758 |
| Non-current receivables | 6 | 3 | 3 |
| | | <u>13,722</u> | <u>13,803</u> |
| Current assets | | | |
| Inventories | | 2,076 | 2,057 |
| Trade receivables | 7 | 7,749 | 9,493 |
| Prepayment, deposits and other current assets | 9 | 46,893 | 50,486 |
| Due from a director | | 10 | 4 |
| Pledged deposits | | 4,882 | 7,103 |
| Cash and cash equivalents | | 2,332 | 2,496 |
| | | <u>63,942</u> | <u>71,639</u> |
| Current liabilities | | | |
| Trade payables | 8 | 959 | 1,116 |
| Accruals and other payables | | 13,385 | 7,608 |
| Pension and other employee obligations | | 14 | 12 |
| Bills payable | | 14,240 | 17,723 |
| Borrowings | | 8,524 | 19,435 |
| Due to related companies | | 412 | 412 |
| Due to directors | | 1,777 | 848 |
| Tax payable | | 5,964 | 6,062 |
| | | <u>45,275</u> | <u>53,216</u> |
| Net current assets | | 18,667 | 18,423 |
| Total assets less current liabilities | | 32,389 | 32,226 |
| Non-current liabilities | | | |
| Borrowings | | 606 | 571 |
| Deferred tax | | 246 | 262 |
| | | <u>852</u> | <u>833</u> |
| NET ASSETS | | 31,537 | 31,393 |
| EQUITY | | | |
| Equity attributable to Company's equity holders | | | |
| Share capital | | 9,040 | 9,040 |
| Reserves | | 22,150 | 22,007 |
| | | <u>31,190</u> | <u>31,047</u> |
| Minority interests | | 347 | 346 |
| Total equity | | 31,537 | 31,393 |

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2007 and 2008

| | Equity attributable to equity holders of the Company | | | | | | | Total |
|---|--|----------------|------------------|----------------------|-------------------|-------------------|------------|---------------|
| | Issued capital | Share premium* | Capital reserve* | Translation reserve* | Retained profits* | Minority Interest | Total | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| As at 1 January 2007 | 9,040 | 4,006 | 1,689 | (2,215) | 17,324 | 29,844 | 352 | 30,196 |
| Net gains/(loss) recognised directly in equity | | | | | | | | |
| Translation difference | - | - | - | 848 | - | 848 | 5 | 853 |
| Profit/(loss) for the period | - | - | - | - | 48 | 48 | (2) | 46 |
| Total recognised income and expenses for the period | - | - | - | 848 | 48 | 896 | 3 | 899 |
| As at 30 June 2007 | <u>9,040</u> | <u>4,006</u> | <u>1,689</u> | <u>(1,367)</u> | <u>17,372</u> | <u>30,740</u> | <u>355</u> | <u>31,095</u> |
| As at 1 January 2008 | 9,040 | 4,006 | 1,689 | (3,612) | 19,924 | 31,047 | 346 | 31,393 |
| Net gains/(loss) recognised directly in equity | | | | | | | | |
| Translation difference | - | - | - | 84 | - | 84 | 3 | 87 |
| Profit/(loss) for the period | - | - | - | - | 59 | 59 | (2) | 57 |
| Total recognised income and expenses for the period | - | - | - | 84 | 59 | 143 | 1 | 144 |
| As at 30 June 2008 | <u>9,040</u> | <u>4,006</u> | <u>1,689</u> | <u>(3,528)</u> | <u>19,983</u> | <u>31,190</u> | <u>347</u> | <u>31,537</u> |

* These reserves accounts comprise the consolidated reserves of S\$22,150,000 (as at 31 December 2007: S\$22,007,000) in the consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

| | (Unaudited) six months ended 30 June 2008 S\$'000 | (Unaudited) six months ended 30 June 2007 S\$'000 |
|--|---|---|
| Net cash generated from operating activities | 8,405 | 1,288 |
| Net cash generated from/(used in) investing activities | 2,116 | (835) |
| Net cash (used in) financing activities | <u>(10,405)</u> | <u>(902)</u> |
| Net increase/(decrease) in cash and cash equivalents | 116 | (449) |
| Translation adjustment | (229) | 764 |
| Cash and cash equivalents, at beginning of period | <u>2,250</u> | <u>1,634</u> |
| Cash and cash equivalents, at end of period | <u><u>2,137</u></u> | <u><u>1,949</u></u> |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 2,332 | 2,154 |
| Bank overdrafts | <u>(195)</u> | <u>(205)</u> |
| | <u><u>2,137</u></u> | <u><u>1,949</u></u> |

Notes:

1. Basis of Preparation

The Company and its subsidiaries (the “Group”) are principally engaged in the sales of motor vehicles and provision of car-related technical services, servicing of motor vehicles and sales of auto parts.

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

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted by the Group in the preparation of annual audited financial statements for the year ended 31 December 2007.

These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company and were approved by the board of directors on 14 August 2008.

2. Revenue

Revenue, which is the Group’s turnover, recognised by category is as follows:

| | (Unaudited) three months ended 30 June | | (Unaudited) six months ended 30 June | |
|--|--|-----------------|--|-----------------|
| | 2008 S\$’000 | 2007 S\$’000 | 2008 S\$’000 | 2007 S\$’000 |
| Revenue – Turnover | | | | |
| Sales of motor vehicles | 3,790 | 6,387 | 10,391 | 12,166 |
| Servicing of motor vehicles and sales of auto parts | 3,966 | 3,539 | 7,706 | 6,643 |
| Technical fee income | 564 | 433 | 1,046 | 1,238 |
| | 8,320 | 10,359 | 19,143 | 20,047 |
| Other income | | | | |
| Rental income – Sublease | 428 | 447 | 942 | 1,048 |
| Interest income | 32 | 5 | 124 | 10 |
| Other income | 61 | 90 | 101 | 133 |
| | 521 | 542 | 1,167 | 1,191 |

Segment Information

Primary reporting format – business segment

The Group is organised with 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; and
- Activity 4: Commission income from sales of cars from German Automobiles Pte Ltd. (“GAPL”) to German Automobiles Limited (“GAL”) (i.e. intra-group)

Business segment analysis as at and for the six months ended 30 June 2008 is as follows:

| | Activity 1 S\$'000 | Activity 2 S\$'000 | Activity 3 S\$'000 | Activity 4 S\$'000 | Inter- segment elimination S\$'000 | Group S\$'000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|---|------------------|
| Revenue | | | | | | |
| External sales | 11,437 | 7,706 | – | – | – | 19,143 |
| Inter-segment sales | – | – | – | 413 | (413) | – |
| | <u>11,437</u> | <u>7,706</u> | <u>–</u> | <u>413</u> | <u>(413)</u> | <u>19,143</u> |
| Segment results | <u>638</u> | <u>940</u> | <u>(5)</u> | <u>233</u> | <u>–</u> | <u>1,806</u> |
| Unallocated expenses | | | | | | <u>(134)</u> |
| Profit from operating activities | | | | | | <u>1,672</u> |
| Finance costs | | | | | | <u>(1,389)</u> |
| Profit before income tax expenses | | | | | | <u>283</u> |
| Income tax expense | | | | | | <u>(226)</u> |
| Profit for the six months ended 30 June 2008 | | | | | | <u><u>57</u></u> |

Business segment analysis as at and for the six months ended 30 June 2007 is as follows:

| | Activity 1 S\$'000 | Activity 2 S\$'000 | Activity 3 S\$'000 | Activity 4 S\$'000 | Inter- segment elimination S\$'000 | Group S\$'000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|---|------------------|
| Revenue | | | | | | |
| External sales | 13,404 | 6,643 | – | – | – | 20,047 |
| Inter-segment sales | – | – | – | 464 | (464) | – |
| | <u>13,404</u> | <u>6,643</u> | <u>–</u> | <u>464</u> | <u>(464)</u> | <u>20,047</u> |
| Segment results | <u>301</u> | <u>1,236</u> | <u>(7)</u> | <u>329</u> | <u>–</u> | <u>1,859</u> |
| Unallocated expenses | | | | | | <u>(103)</u> |
| Profit from operating activities | | | | | | <u>1,756</u> |
| Finance costs | | | | | | <u>(1,637)</u> |
| Profit before income tax expenses | | | | | | <u>119</u> |
| Income tax expense | | | | | | <u>(73)</u> |
| Profit for the six months ended 30 June 2007 | | | | | | <u><u>46</u></u> |

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:

| | (Unaudited) three months ended 30 June | | (Unaudited) six months ended 30 June | |
|-----|--|-----------------|--|-----------------|
| | 2008 S\$'000 | 2007 S\$'000 | 2008 S\$'000 | 2007 S\$'000 |
| PRC | <u>8,320</u> | <u>10,359</u> | <u>19,143</u> | <u>20,047</u> |

3. Profit before income tax

| | (Unaudited) three months ended 30 June | | (Unaudited) six months ended 30 June | |
|--|--|------------|--|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| (a) Finance costs | | | | |
| Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five years | 557 | 899 | 1,352 | 1,595 |
| Finance charges on finance leases | 18 | 21 | 37 | 42 |
| | <u>575</u> | <u>920</u> | <u>1,389</u> | <u>1,637</u> |
| (b) Employee benefits expenses | | | | |
| Contributions to defined contribution plans | 18 | 20 | 37 | 40 |
| Salaries, wages and other benefits | 545 | 517 | 1,091 | 932 |
| | <u>563</u> | <u>537</u> | <u>1,128</u> | <u>972</u> |
| (c) Other items | | | | |
| Depreciation of leased assets | 185 | 97 | 368 | 400 |
| Other assets | 148 | 202 | 282 | 316 |
| (Gain)/Loss on disposal of fixed assets | 40 | (47) | 83 | 54 |
| Amortisation of prepaid rental expenses | 38 | 38 | 76 | 76 |

4. Income tax expense

The charge comprises:

| | (Unaudited) three months ended 30 June | | (Unaudited) six months ended 30 June | |
|--|--|-----------------|--|-----------------|
| | 2008 S\$'000 | 2007 S\$'000 | 2008 S\$'000 | 2007 S\$'000 |
| Current – Hong Kong | | | | |
| Charge for the period | 53 | 18 | 120 | 41 |
| Current – Overseas | | | | |
| ((over)/under provision in prior period/current period provision) | 58 | 25 | 106 | 32 |
| Total income tax expenses | <u>111</u> | <u>43</u> | <u>226</u> | <u>73</u> |

Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of tax prevailing in the countries in which the Group operates.

The Group has no material unprovided deferred taxation for the period (2007: Nil)

5. Earnings per share

The calculation of basic earnings per share was based on the unaudited consolidated loss attributable to equity holders of the Company for the three months ended 30 June 2008 of approximately S\$51,000 (2007:S\$534,000) and on 400,000,000 (2007: 400,000,000) ordinary shares in issue during the three months ended 30 June 2008.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 30 June 2008 and 2007 respectively.

The calculation of basic earnings per share was based on the unaudited consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2008 of approximately S\$59,000 (2007: S\$48,000) and on 400,000,000 (2007: 400,000,000) ordinary shares in issue during the six months ended 30 June 2008.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2008 and 2007 respectively.

6. Non-current receivables

| | (Unaudited) As at 30 Jun 2008 S\$'000 | (Audited) As at 31 Dec 2007 S\$'000 |
|--|---|---|
| Advances to NAGC Group * | 8,170 | 7,563 |
| Advances to Zhong Bao Group ** | <u>20,409</u> | <u>37,352</u> |
| | 28,579 | 44,915 |
| Portion classified as current asset (note 9) | <u>(28,576)</u> | <u>(44,912)</u> |
| Non-current portion | <u><u>3</u></u> | <u><u>3</u></u> |

* North Anhua Group Corporation ("NAGC") and certain of its subsidiaries and related companies ("NAGC Group")

** Xiamen Zhong Bao Automobiles Co., Limited ("Xiamen Zhong Bao") and certain of its subsidiaries and related companies ("Zhong Bao Group")

7. Trade receivables

The credit periods of the Group usually range from 3 to 9 months. The aging analysis of trade receivables is as follows:

| | (Unaudited) As at 30 June 2008 S\$'000 | (Audited) As at 31 Dec 2007 S\$'000 |
|---|---|--|
| 0 – 90 days | 2,073 | 4,852 |
| 91 – 180 days | 2,405 | 2,079 |
| 181 – 365 days | 855 | 1,509 |
| Over 1 year | <u>2,981</u> | <u>1,635</u> |
| | 8,314 | 10,075 |
| Less: allowance for impairment of receivables | <u>(565)</u> | <u>(582)</u> |
| | <u><u>7,749</u></u> | <u><u>9,493</u></u> |

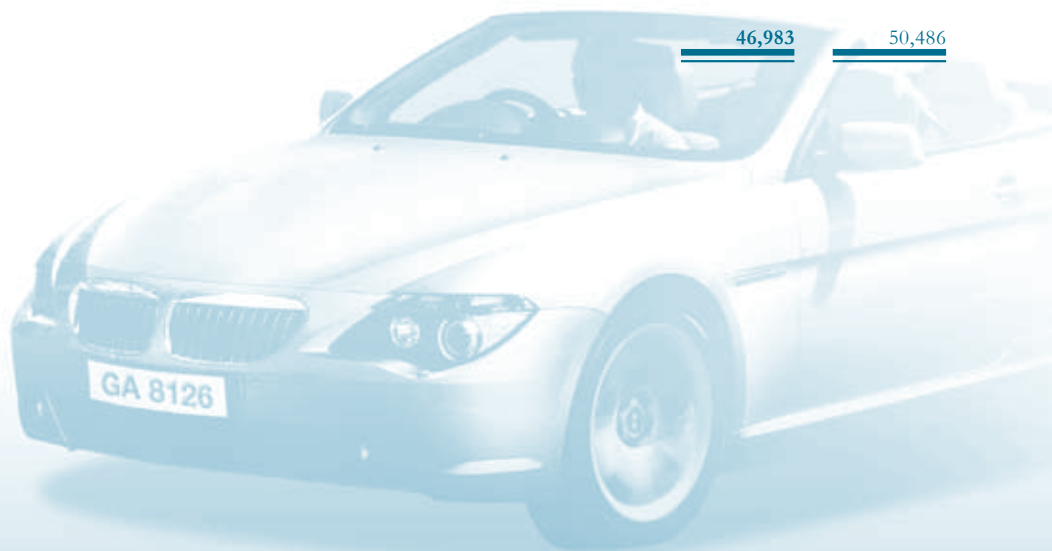
8. Trade payables

The aging analysis of trade payables is as follows:

| | (Unaudited) As at 30 June 2008 S\$'000 | (Audited) As at 31 Dec 2007 S\$'000 |
|----------------|---|--|
| 0 – 30 days | 336 | 703 |
| 31 – 180 days | 201 | 30 |
| 181 – 365 days | 81 | – |
| 1 to 2 years | 196 | 217 |
| Over 2 years | 145 | 166 |
| | <u>959</u> | <u>1,116</u> |

9. Prepayments, deposits and other current assets

| | (Unaudited) As at 30 June 2008 S\$'000 | (Audited) As at 31 Dec 2007 S\$'000 |
|--|--|---|
| Current portion of non-current receivables (note 6) | 28,576 | 44,912 |
| Current portion of prepaid rental expenses | 76 | 153 |
| Other prepayments, deposits and other current assets | 18,331 | 5,421 |
| | <u>46,983</u> | <u>50,486</u> |



10. Commitments

a. Operating lease commitments

As lessee:

As at 30 June 2008, the Group had total future minimum lease payment under non-cancellable operating leases, which are payable as follows:

| | (Unaudited) As at 30 June 2008 S\$'000 | (Audited) As at 31 Dec 2007 S\$'000 |
|---------------------------------|---|--|
| Within 1 year | 318 | 276 |
| After 1 year but within 5 years | <u>202</u> | <u>195</u> |
| | <u><u>520</u></u> | <u><u>471</u></u> |

b. Contingent liabilities

As at 30 June 2008, contingent liabilities of the Group not provided for are analysed as follows:

| | (Unaudited) As at 30 June 2008 S\$'000 | (Audited) As at 31 Dec 2007 S\$'000 |
|--|---|--|
| (a) Guarantees provided to Banks in respect of banking facilities granted to the following parties to the extent of: | | |
| (i) NAGC Group (1) | 3,825 | 4,052 |
| (ii) Zhong Bao Group (2) | <u>24,822</u> | <u>24,696</u> |
| | <u><u>28,647</u></u> | <u><u>28,748</u></u> |

Notes:

(1) In addition, the Group's fixed deposits of approximately S\$1,530,000 (2007: S\$1,595,000) are pledged to secure these banking facilities at the balance sheet date.

(2) Leasehold lands and buildings of approximately of S\$619,000 (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\$1,182,000 (2007: S\$1,176,000) granted to Zhong Bao Group at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Interim Period, car sales was hindered by the high inflation rate in China. Stringent macro-control measures were taken to slow economic growth and ease inflation. The slow down of economy resulted in the drop in luxury goods market and caused the overall revenue of the Group to decrease. However, we do believe such effect will be eliminated in the long run when the macro-control policy is released and the productivity is optimized by the end of the year.

1. *Sales of motor vehicles*

Turnover generated from the sales of motor vehicles for the Interim Period was approximately S\$10,391,000, representing a decrease of approximately 14.6% as compared to the corresponding period in 2007. The decrease was mainly due to the reduction in sales of motor vehicles owing to the slow down of economy and high inflation in China. The sales of motor vehicles comprise 54.3% of the total turnover. As for comparison to the corresponding period last year, there recorded a decrease of approximately 6.4% on the composition of turnover in year 2007.

2. *Servicing of motor vehicles and sales of auto parts*

For the six months ended 30 June 2008, the turnover generated from servicing of motor vehicles and sales of auto parts increased by approximately 16.0% to approximately S\$7,706,000 as compared to the corresponding period in 2007. The increase of revenue echoes with the services on our car sales previously as auto parts and servicing are essential complements to the hiking demand of luxurious vehicles.

3. *Technical fee income*

Technical fee income for the six months ended 30 June 2008 was approximately S\$1,046,000 decreased by approximately 15.5% compared to the corresponding period in 2007 as a result of the decline in car sales at beginning of year when the market is expecting a more vigorous market control policy will be taken out in China.

4. *Car rental business*

The operation of car rental business in Hong Kong expands continuously. Contribution from the new service location at the Kowloon Station has been encouraging. The Group acquired more cars and employed more staff to provide professional car rental services. The Group will expand its base of operations by exploring new business activities in Macau.

PROSPECTS

The market anticipation for China's economic growth is not optimistic for the second half of 2008. Continuous inflation rate has not been slowed down and staying high in the first and second quarters in the year. The forecasts for China's economic growth in the third quarter of this year is not expecting to drop to 9.8%. The high soaring price in petroleum and regulated supply of gas to the consumers results in further slowdown of car selling activities in the second quarter. The slowdown of inflation rate is not so satisfactory and both the policy maker and economists are becoming keen on the trend of stringent macro-control policy and measures.

We expect the automotive trade sector would be continuously affected by the long awaiting fiscal policies introduced by the government in the three quarter of the year.

By staying cautious with the trend of the market and the macro economy in China, the group will continue to strive for greater breakthrough in diversification of business, so as to enhance the Group's competitiveness, strengthen its position in the industry and enlarge its market share.

FINANCIAL REVIEW

Turnover

Turnover for the Interim Period dropped slightly by approximately 4.5% to approximately S\$19,143,000 as compared to the corresponding period in 2007. The decrease was mainly attributed by the decrease of sales of higher-priced motor vehicles under the effect of the increment of high consumption tax policy of big emission vehicles in the PRC. For the Interim Period, the sales of motor vehicles decreased as a result of the change of business strategy, while the turnover generated from servicing of motor vehicles and sales of auto parts recorded increases. Income generated from the car rental sector as well recorded satisfactory increases.

Gross Profit

The gross profit for the Interim Period was approximately S\$3,826,000, slightly down 2.3% as compared to the corresponding period in 2007. The decrease in gross profit was due to decreased revenue received from the automotive trading sector.

Exchange Loss

For the Interim Period, the exchange gain of the Group amounted to approximately S\$109,000, whereas exchange loss amounted to approximately S\$80,000 was recorded for the corresponding period in 2007. The exchange gain was mainly resulted from the translation of accounts receivables, accounts payables and inter-company balances from Reminbi, Euro and US dollars to Singapore dollars and the transactions of imports and exports bill denominated in Euro and US dollars.

Other Operating Expenses

For the Interim Period, other operating expenses were maintained at approximately S\$1,422,000.

Profit Attributable to Equity Holders of the Company

The profit attributed to equity holders of the Company for the Interim Period amounted to approximately S\$59,000 representing an increase of approximately 22.9% compared to the corresponding period in 2007.

Financial Resources and Liquidity

As at 30 June 2008, shareholders' fund of the Group amounted to approximately S\$31,190,000 (31 December 2007: S\$31,047,000). Current assets amounted to approximately S\$63,942,000 (31 December 2007: S\$71,639,000). Of which, approximately S\$7,214,000 (31 December 2007: S\$9,599,000) were cash and bank deposits. Current liabilities, amounted to approximately S\$45,275,000 (31 December 2007: S\$53,216,000), were mainly the trade payables, bills payables, bank loans, accruals and other payables, bank overdrafts and obligations under finance leases. The Group had non-current liabilities amounted to approximately S\$852,000 (31 December 2007: S\$833,000). The net asset value per share as at 30 June 2008 was approximately S\$0.079 (31 December 2007: S\$0.078).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30 June 2008, the gearing ratio of the Group was 0.29 (31 December 2007: 0.44).

Contingent Liabilities

In addition to notes 10b as disclosed above, the Group has executed guarantees amounting to approximately S\$47,838,000 (2007: S\$51,218,000) with respect to banking facilities made available to subsidiaries.

Charges on Group Assets

As at 30 June 2008, the Group pledged time deposits of approximately S\$3,353,000 (31 December 2007: S\$5,096,000) and charged plant and machinery of approximately S\$1,246,000 (31 December 2007: S\$1,188,000) to several banks for banking facilities for the Group.

Employee Information

As at 30 June 2008, the total number of employee of the Group was about 150. For the Interim Period, the staff costs including directors' remuneration of the Group amounted to approximately 5.9% of the turnover of the Group and increased to approximately S\$1,128,000, up 16.0% as compared to the corresponding period in 2007. It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Retirement Benefits

During the Interim Period, the aggregate amount of the employer's contribution of the Group under Central Provident Fund in Singapore and Mandatory Provident Fund in Hong Kong amounted to approximately S\$38,000 (2007: S\$39,000) in aggregate.

CAPITAL STRUCTURE OF THE GROUP IN DEBT SECURITIES

During the Interim Period and the corresponding period in 2007, the Group has no debt securities in issue.

MATERIALS ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Interim Period and the corresponding period in 2007, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2008, the Group had no future plans for material investment and purchase of capital assets.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

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

As at 30 June 2008, the interests or short position of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are notified to the Company and the Stock Exchange pursuant to 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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

Number of shares held

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

Notes:

1. The 100,149,480 shares are held as to 54,865,480 shares by Big Reap International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held 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 30 June 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 5.47 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.



INTERESTS AND SHORT POSITION OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the persons or corporations (other than directors or chief executive of the Company) who have interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

| Name | Capacity | Number of shares held | Approximate percentage of shareholding |
|-----------------------------------|--|-----------------------|--|
| Loh & Loh Construction Group Ltd. | Beneficial owner (<i>Note 1</i>) | 45,284,000 | 11.32% |
| Loh Kim Her | Interest of a controlled corporation (<i>Note 2</i>) | 53,284,000 | 13.32% |
| Fang Zhun Chun | Beneficial owner | 62,160,000 | 15.54% |
| Chan Hing Ka Anthony | Interest of a controlled corporation (<i>Note 3</i>) | 94,765,925 | 23.69% |

Notes:

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

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

Save as disclosed above, as at 30 June 2008, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

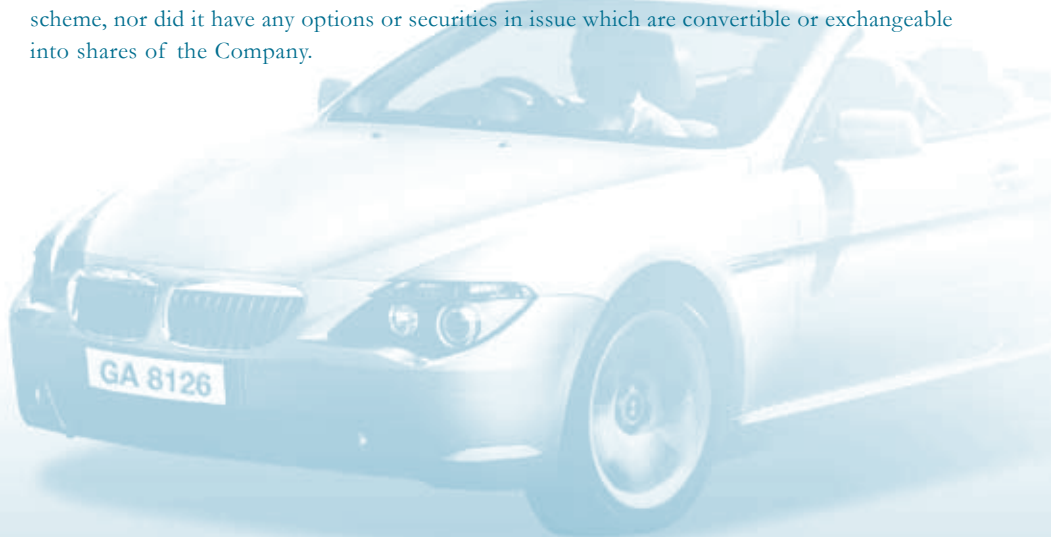
None of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

During the six months ended 30 June 2008, the Company did not adopt any share option scheme, nor did it have any options or securities in issue which are convertible or exchangeable into shares of the Company.



ADVANCES TO ENTITIES

Pursuant to the Rules 17.15 and 17.17, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% under the assets ratio as defined under Rule 19.07(i) of the GEM Listing Rules (the "Assets Ratio"). As at 30 June 2008, the Company's total assets were approximately S\$77,664,000.

| | (Unaudited) As at 30 June 2008 | | % of Assets Ratio | (Unaudited) As at 31 March 2008 | | Increment as compared to Assets Ratio |
|--------------------------|--------------------------------------|----------------|-------------------------|---------------------------------------|----------------|---|
| | S\$'000 | HK\$'000 | | S\$'000 | HK\$'000 | |
| NAGC Group: | | | | | | |
| Prepaid rental advances | 6,864 | 39,224 | 8.8% | 6,864 | 38,133 | N/A |
| Advances to NAGC | 8,170 | 46,685 | 10.5% | 6,278 | 34,878 | 2.3% |
| Guarantee to NAGC | 3,825 | 21,856 | 4.9% | 3,194 | 21,744 | N/A |
| | <u>18,859</u> | <u>107,765</u> | <u>24.2%</u> | <u>16,336</u> | <u>94,755</u> | |
| Zhong Bao Group*: | | | | | | |
| Advances to | | | | | | |
| Zhong Bao Group | 20,409 | 116,621 | 26.3% | 23,383 | 129,905 | N/A |
| Guarantees to | | | | | | |
| Zhong Bao Group | 24,822 | 141,840 | 32.0% | 23,940 | 133,000 | 0.8% |
| | <u>45,231</u> | <u>258,461</u> | <u>58.3%</u> | <u>47,323</u> | <u>262,905</u> | |
| | <u>64,090</u> | <u>366,226</u> | <u>82.5%</u> | <u>63,659</u> | <u>357,660</u> | |

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

- 1) The details of transactions to NAGC which are of trading nature and remain outstanding as at 30 June 2008 are announced as follows:

Prepaid Rental Advances Due From NAGC

As at 30 June 2008, prepaid rental expenses amounted to approximately S\$6,864,000 (equivalent to approximately HK\$39,224,000) (as at 31 March 2008: S\$6,864,000; equivalent to approximately HK\$38,133,000) 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\$8,170,000 (equivalent to approximately HK\$46,685,000) (as at 31 March 2008: S\$6,278,000; equivalent to approximately HK\$34,878,000) were advanced to NAGC Group, representing 10.5% 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 December 2008.

Guarantee to NAGC

Guarantee in the amount of approximately S\$3,825,000 (equivalent to approximately HK\$21,856,000) (as at 31 March 2008: S\$3,914,000; equivalent to approximately HK\$21,744,000) 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 30 June 2008 are announced as follows:

Advances To Zhong Bao Group

As at 30 June 2008, advances of approximately S\$20,409,000 (equivalent to approximately HK\$116,621,000) (as at 31 March 2008: S\$23,383,000; equivalent to approximately HK\$129,905,000) were advanced to Zhong Bao Group, representing 26.3% of the Group's Assets Ratio. The advances were made for the marketing activities the PRC manufactured BMW motor vehicles in accordance with a co-operation agreement entered between Xiamen Zhong Bao and the Group on 7 October 2003. There comprised a portion were the technical fee income derived from the provision of management consulting and technical assistance to Zhong Bao Group in relation to their sales of the PRC manufactured BMW motor vehicles. The amounts due from Xiamen Zhong Bao were unsecured, interest free and repayable in cash by the end of December 2008.

Guarantees To Zhong Bao Group

Guarantees in the amount of approximately S\$24,822,000 (equivalent to approximately HK\$141,840,000) (as at 31 March 2008: S\$23,940,000; equivalent to approximately HK\$133,000,000) were provided to a bank in respect of banking facilities granted to Zhong Bao Group. The guarantees were for the bank facilities granted for the use in car trade business of Zhong Bao Group. The amount of guarantees to Zhong Bao Group represents 32.0% of the unaudited total assets of the Group as at 30 June 2008.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2008, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

CORPORATE GOVERNANCE

The Company has complied with the standards and requirements concerning board practices and procedures of the Board as set out in Rules 5.34 of the GEM Listing Rules. The Board also considers that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. Application of corporate governance policies are consistent with those adopted by the Group in the preparation of the annual report for the year ended 31 December 2007.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules on 5 June 2002. The audit committee comprises three independent non-executive Directors, namely Mr. Yin Bin, Mr. Zhang Lei and Mr. Lee Kwok Yung. The duties of the audit committee include reviewing the Company's annual reports and accounts, half-year reports and quarterly reports and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee has received the interim results and provided comments.

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 Interim Period.

DIRECTORS OF THE COMPANY

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

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

Hong Kong, 14 August 2008

