



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)

INTERIM REPORT 2011





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## 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 2011 (the “Interim Period”).

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months and six months ended 30 June 2011*

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000
Revenue	2	14,872	9,365	27,759	20,614
Other income	2	662	1,040	1,487	2,054
		15,534	10,405	29,246	22,668
Cost of sales		(9,606)	(6,453)	(18,511)	(14,243)
Employee benefit expenses		(973)	(804)	(1,973)	(1,600)
Depreciation and amortisation		(471)	(452)	(940)	(897)
Operating lease charges		(260)	(286)	(525)	(563)
Exchange differences, net		(293)	(45)	(565)	(31)
Other operating expenses		(934)	(949)	(2,031)	(1,639)
<b>Profit from operating activities</b>		<b>2,997</b>	<b>1,416</b>	<b>4,701</b>	<b>3,695</b>
Finance costs		(516)	(381)	(985)	(727)
Profit before income tax	3	2,481	1,035	3,716	2,968
Income tax expense	4	(795)	(981)	(1,115)	(1,214)
<b>Profit for the period</b>		<b>1,686</b>	<b>54</b>	<b>2,601</b>	<b>1,754</b>



	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000
Other comprehensive income, including reclassification adjustments for the period					
Exchange (loss)/gain on translation of financial statements of foreign operations		(284)	106	(468)	174
<b>Total comprehensive income for the period</b>		<b>1,402</b>	<b>160</b>	<b>2,133</b>	<b>1,928</b>
<b>Profit for the period attributed to:</b>					
Owners of the Company		1,687	56	2,605	1,759
Non-controlling interests		(1)	(2)	(4)	(5)
		<b>1,686</b>	<b>54</b>	<b>2,601</b>	<b>1,754</b>
<b>Total comprehensive income attributed to:</b>					
Owners of the Company		1,407	160	2,146	1,933
Non-controlling interests		(5)	-	(13)	(5)
		<b>1,402</b>	<b>160</b>	<b>2,133</b>	<b>1,928</b>
<b>Earnings per share attributable to the owners of the Company for the period</b>					
Basic (Singapore cent)	5	0.35	0.01	0.55	0.40
Diluted (Singapore cent)		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		(Unaudited) As at 30 June 2011 S\$'000	(Audited) As at 31 December 2010 S\$'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		11,365	10,992
Leasehold lands		788	801
Prepaid rental expenses		6,222	6,300
Non-current receivables	6	3	3
		18,378	18,096
<b>Current assets</b>			
Inventories		5,094	5,297
Trade receivables	7	14,594	15,864
Prepayment, deposits and other current assets	9	46,860	31,633
Due from a director		4	4
Pledged deposits		4,600	3,878
Cash and cash equivalents		1,938	12,915
		73,090	69,591
<b>Current liabilities</b>			
Trade payables	8	1,651	2,327
Accruals and other payables		14,730	11,003
Pension and other employee obligations		20	20
Bills payables		10,499	9,494
Borrowings		10,844	11,139
Due to related companies		50	50
Due to directors		4,199	4,004
Tax payable		2,924	5,040
		44,917	43,077



	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2011	2010
Notes	S\$'000	S\$'000
Net current assets	28,173	26,514
Total assets less current liabilities	46,551	44,610
<b>Non-current liabilities</b>		
Borrowings	1,584	1,767
Deferred tax liabilities	200	209
	1,784	1,976
<b>Net assets</b>	<b>44,767</b>	<b>42,634</b>
<b>EQUITY</b>		
Equity attributable to Company's owners		
Share capital	10,417	10,417
Reserves	34,034	31,888
	44,451	42,305
Non-controlling interests	316	329
<b>Total equity</b>	<b>44,767</b>	<b>42,634</b>

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2010 and 2011

	Equity attributable to owners of the Company						Non- controlling 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
As at 1 January 2010	9,637	5,179	1,689	(2,049)	23,275	37,731	356	38,087
Profit for the period	-	-	-	-	1,759	1,759	(5)	1,754
Other comprehensive income, including reclassification adjustments								
Translation difference	-	-	-	174	-	174	-	174
Total comprehensive income for the period	-	-	-	174	1,759	1,933	(5)	1,928
Proceeds from shares issued	780	974	-	-	-	1,754	-	1,754
Share issue expenses	-	(17)	-	-	-	(17)	-	(17)
Transactions with owners	780	957	-	-	-	1,737	-	1,737
As at 30 June 2010	10,417	6,136	1,689	(1,875)	25,034	41,401	351	41,752
As at 1 January 2011	10,417	6,136	1,689	(2,851)	26,914	42,305	329	42,634
Profit for the period	-	-	-	-	2,605	2,605	(4)	2,601
Other comprehensive income, including reclassification adjustments								
Translation difference	-	-	-	(459)	-	(459)	(9)	(468)
Total comprehensive income for the period	-	-	-	(459)	2,605	2,146	(13)	2,133
As at 30 June 2011	10,417	6,136	1,689	(3,310)	29,519	44,451	316	44,767

\* These reserves accounts comprise the consolidated reserves of S\$34,034,000 (as at 31 December 2010: S\$31,888,000) in the consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	(Unaudited) Six months ended 30 June 2011 S\$'000	(Unaudited) Six months ended 30 June 2010 S\$'000
Net cash used in operating activities	(8,186)	(6,829)
Net cash used in investing activities	(1,032)	(815)
Net cash (used in)/generated from financing activities	(1,250)	3,254
Net decrease in cash and cash equivalents	(10,468)	(4,390)
Translation adjustment	(477)	(119)
Cash and cash equivalents, at beginning of period	12,783	10,060
Cash and cash equivalents, at end of period	1,838	5,551
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,938	5,680
Bank overdrafts	(100)	(129)
	1,838	5,551



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 Listing Rules”) 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 2010.

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 12 August 2011.

## 2. REVENUE

Revenue of the Group is recognised by category as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000
Sales of motor vehicles	3,250	1,879	6,613	5,573
Servicing of motor vehicles and sales of auto parts	9,847	6,709	17,832	13,172
Technical fee income	1,775	777	3,314	1,869
	14,872	9,365	27,759	20,614
<b>Other income</b>				
Rental income-sublease	583	472	1,235	1,050
Interest income on financial assets stated at amortised cost	13	7	22	16
Other income	66	561	230	988
	662	1,040	1,487	2,054



## Segment Information – Group

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

The Group has identified the following reportable segments:

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

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

	(Unaudited)			
	Six months ended 30 Jun 2011			
	Activity 1	Activity 2	Activity 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Revenue</b>				
From external customers	9,927	17,827	–	27,754
From other segments	–	–	263	263
<b>Reportable segment revenue</b>	<b>9,927</b>	<b>17,827</b>	<b>263</b>	<b>28,017</b>
<b>Reportable segment profit</b>	<b>2,144</b>	<b>2,461</b>	<b>265</b>	<b>4,870</b>
Bank interest income	9	13	–	22
Depreciation and amortisation of non-financial assets	(97)	(314)	–	(411)
Gain on disposal of property, plant and equipment	–	–	33	33
<b>Reportable segment assets</b>	<b>32,279</b>	<b>46,393</b>	<b>–</b>	<b>78,672</b>
Addition to non-current segment assets during the period	–	402	–	402
<b>Reportable segment liabilities</b>	<b>17,805</b>	<b>10,890</b>	<b>1,453</b>	<b>30,148</b>

	(Unaudited)			Total
	Six months ended 30 Jun 2010			
	Activity 1	Activity 2	Activity 3	
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<b>Revenue</b>				
From external customers	7,443	13,171	–	20,614
From other segments	–	–	224	224
<b>Reportable segment revenue</b>	7,443	13,171	224	20,838
<b>Reportable segment profit</b>	1,282	2,406	224	3,912
Bank interest income	6	10	–	16
Depreciation and amortisation of non-financial assets	(97)	(300)	–	(397)
Gain on disposal of property, plant and equipment	–	–	159	159
<b>Reportable segment assets</b>	23,593	45,754	–	69,347
Addition to non-current segment assets during the period	–	239	–	239
<b>Reportable segment liabilities</b>	10,474	10,833	1,789	23,096



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

	(Unaudited) Six months ended 30 June 2011 S\$'000	(Unaudited) Six months ended 30 June 2010 S\$'000
Reportable segment revenues	28,017	20,838
Elimination of inter segment revenues	(258)	(224)
<b>Group revenues</b>	<b>27,759</b>	<b>20,614</b>
Reportable segment profit	4,870	3,912
Other income	252	1,004
Rental income	1,235	1,050
Unallocated corporate expenses	(1,398)	(2,047)
Finance costs	(985)	(727)
Elimination of inter segment profits	(258)	(224)
<b>Profit before income tax</b>	<b>3,716</b>	<b>2,968</b>

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

	Revenue from external customers		Non-current assets	
	(Unaudited) Six months ended 30 June 2011 S\$'000	(Unaudited) Six months ended 30 June 2010 S\$'000	(Unaudited) Six months ended 30 June 2011 S\$'000	(Unaudited) Six months ended 30 June 2010 S\$'000
Singapore (domicile)	-	-	191	74
The PRC	27,759	20,614	15,157	14,613
Hong Kong	-	-	3,030	2,668
	<b>27,759</b>	<b>20,614</b>	<b>18,378</b>	<b>17,355</b>

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

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

### 3. PROFIT BEFORE INCOME TAX

	(Unaudited) three months ended 30 June		(Unaudited) six months ended 30 June	
	2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000
(a) Finance costs				
Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five years	491	357	934	680
Interest element of finance lease rental payments	25	24	51	47
	516	381	985	727
(b) Employee benefits expenses (including directors' emoluments)				
Salaries and wages	711	621	1,512	1,275
Other benefits	241	166	412	286
Pension costs – defined contribution plans	21	17	49	39
	973	804	1,973	1,600
(c) Other items				
Depreciation of leased assets	139	247	306	486
Other assets	293	166	557	334
(Gain)/Loss on disposal of fixed assets	(16)	61	(33)	159
Amortisation of prepaid rental expenses	39	39	77	77

#### 4. INCOME TAX EXPENSE

The charge comprises:

	(Unaudited) three months ended 30 June		(Unaudited) six months ended 30 June	
	2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000
Current – Hong Kong				
Charge for the period	530	55	602	168
Over-provision in prior period	(118)	-	(118)	-
Current – Overseas				
Charge for the period	383	926	631	1,046
<b>Total income tax expense</b>	<b>795</b>	<b>981</b>	<b>1,115</b>	<b>1,214</b>

Hong Kong profits 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 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%.

The Group has no material unprovided deferred taxation for the period (2010: Nil)

#### 5. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the unaudited consolidated profit attributable to the owners of the Company for the three months ended 30 June 2011 of approximately S\$1,687,000 (2010:S\$56,000) and on the weighted average number of 476,300,000 (2010: 438,023,757) ordinary shares in issue during the three months ended 30 June 2011.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the three months ended 30 June 2011 and 2010 respectively.

The calculation of basic earnings per share was based on the unaudited consolidated profit attributable to the owners of the Company for the six months ended 30 June 2011 of approximately S\$2,605,000 (2010: S\$1,759,000) and on the weighted average number of 476,300,000 (2010: 438,023,757) ordinary shares in issue during the six months ended 30 June 2011.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2011 and 2010 respectively.

## 6. NON-CURRENT RECEIVABLES

	(Unaudited) As at 30 Jun 2011 S\$'000	(Audited) As at 31 Dec 2010 S\$'000
Advances to NAGC Group*	78	870
Advances to Zhong Bao Group**	20,876	16,559
	20,954	17,429
Portion classified as current asset (note 9)	(20,951)	(17,426)
Non-current portion	3	3

\* 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 2011 S\$'000	(Audited) As at 31 Dec 2010 S\$'000
0 – 90 days	4,770	5,174
91 – 180 days	4,467	3,368
181 – 365 days	4,210	4,455
Over 1 year	1,710	3,449
	15,157	16,446
Less: allowance for impairment of receivables	(563)	(582)
	14,594	15,864



## 8. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	(Unaudited) As at 30 June 2011 S\$'000	(Audited) As at 31 Dec 2010 S\$'000
0 – 30 days	324	677
31 – 180 days	231	289
181 – 365 days	211	257
1 to 2 years	507	123
Over 2 years	378	981
	<b>1,651</b>	<b>2,327</b>

## 9. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	(Unaudited) As at 30 June 2011 S\$'000	(Audited) As at 31 Dec 2010 S\$'000
Current portion of non-current receivables (note 6)	20,951	17,426
Current portion of prepaid rental expenses	153	153
Other prepayments, deposits and other current assets	25,666	13,961
Financial guarantee granted	90	93
	<b>46,860</b>	<b>31,633</b>



## 10. COMMITMENTS

## a. Operating lease commitments

As lessee:

As at 30 June 2011, the Group had total future minimum lease payment under non-cancellable operating leases, which are payable as follows:

	(Unaudited) As at 30 June 2011 S\$'000	(Audited) As at 31 Dec 2010 S\$'000
Within one year	215	209
After one year but within five years	140	163
	355	372

## b. Contingent liabilities

As at 30 June 2011, contingent liabilities of the Group not provided for are analysed as follows:

Notes	(Unaudited) As at 30 June 2011 S\$'000	(Audited) As at 31 Dec 2010 S\$'000
Guarantees for bank loans to NAGC Group: (1)	3,441	3,601
Guarantees for bank loans to Zhong Bao Group: (2)	28,120	33,540
	31,561	37,141

Notes:

- (1) The Group's fixed deposits of approximately S\$1,420,000 (2010:S\$1,483,000) are pledged to secure these banking facilities at the reporting date.
- (2) Leasehold lands and buildings of approximately of S\$788,000 (2010: S\$801,000) and S\$137,000 (2010: S\$138,000) respectively are pledged to bank to secure banking facilities up to approximately S\$28,120,000 (2010: S\$28,860,000) granted to Zhong Bao Group at the reporting date.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2011, an increase of sales was recorded. Revenue of the Group recorded an increase of 34.7%, while gross profit margin for the Group has increased from 30.9% to 33.3%. The increase sales and servicing of motor vehicles mainly attributed to the overall increase in total revenue.

#### 1. *Sales of motor vehicles*

Revenue generated from the sales of motor vehicles for the Interim Period was approximately S\$6,613,000, representing an increase of approximately 18.7% as compared to the corresponding period in 2010. The increase was mainly due to the demand of deluxe import vehicles even the general inflation in China is soaring high. The sales of motor vehicles represent 23.8% of the total revenue.

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

Revenue generated from servicing of motor vehicles and sales of auto parts significant increased by approximately 35.4% to approximately S\$17,832,000 as compared to the corresponding period in 2010. This increase was due to the continuous demand of sales support for luxurious vehicles.

#### 3. *Technical fee income*

Technical fee income was received from Zhong Bao Group for providing management consulting and technical assistance for the locally assembled BMW vehicles. Technical fee income for the six months ended 30 June 2011 was approximately S\$3,314,000, increased by approximately 77.3% compared to the corresponding period in 2010. The tremendous sales in the luxury car market contributed the outstanding recovery in the period.

#### 4. *Car rental business*

The operation of car rental business in Hong Kong for the six months ended 30 June 2011 maintained at approximately S\$1,235,000, representing an increase of 17.6% compared to the corresponding period in 2010.

## Prospects

According to the report of China's vehicle sales made by the industry consultant J.D. Power and associates, sales of luxury vehicles grew 48 percent in China in 2010. This is due to the end of the government policies in subsidizing for cheaper and more fuel-efficient cars. Premium segment has recovered as the customers have preference in deluxe brands. In particular, the new 5-series sedan of BMW has been boosting its sales which attributes to its position as one of the top sellers in China in the same period. Delivery of preordered deluxe cars is expected in the end of this year or early next year.

Though the China market is strong, the economy of the United States and European countries are still full of worry. The Group is cautiously optimistic about the continuous growth of our market this year under such volatile market conditions.

Besides devoting our effort in the sales of automobiles in China, the Group will also explore further the car rental business with its customers so as to enhance the profitability and cash flow of the local business operations.

## FINANCIAL REVIEW

### Revenue

Revenue for the Interim Period ended 30 June 2011 increased by approximately 34.7% from S\$20,614,000 in the corresponding period in 2010 to S\$27,759,000. Income of servicing of motor vehicles attributed to more than half of the total revenue. While the sales of motor vehicles and the technical fee income also played a major role and recorded an increase of 35.4% and 77.3% respectively. Income generated from the car rental sector also recorded satisfactory increases.

### Gross Profit

The gross profit for the Interim Period was approximately S\$9,248,000, an increase of approximately 45.2% as compared to the corresponding period in 2010. The increase in gross profit was due to increased revenue received from the servicing sector. The gross profit margin for the Interim Period was approximately 33.3%, increased by 2.4% from the corresponding period in 2010. The increase in gross profit margin resulted from increase in contribution from the servicing income and technical income on the total Group revenue.



## **Exchange Loss**

For the Interim Period, the exchange loss of the Group amounted to approximately S\$565,000, whereas exchange loss amounted to approximately S\$31,000 was recorded for the corresponding period in 2010. The exchange loss was mainly resulted from the translation of accounts receivables, accounts payables and inter-company balances from Renminbi 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 has increased to approximately S\$2,031,000 (2010: S\$1,639,000), in line with the operating growth in the current period.

## **Profit Attributable To Owners of the Company**

The profit attributed to owners of the Company for the Interim Period amounted to approximately S\$2,605,000 representing an increase of approximately 48.1% compared to the corresponding period in 2010.

## **Financial Resources and Liquidity**

As at 30 June 2011, shareholders' fund of the Group amounted to approximately S\$44,767,000 (31 December 2010: S\$42,634,000). Current assets amounted to approximately S\$73,090,000 (31 December 2010: S\$69,591,000). Of which, approximately S\$6,538,000 (31 December 2010: S\$16,793,000) were cash and bank deposits. Current liabilities, amounted to approximately S\$44,917,000 (31 December 2010: S\$43,077,000), 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\$1,784,000 (31 December 2010: S\$1,976,000). The net asset value per share as at 30 June 2011 was maintained at approximately S\$0.094 (31 December 2010: S\$0.095).

## Gearing Ratio

The Group expresses its gearing ratio as net debt divided by total capital. Net debt is calculated as total borrowings (including bills payable, short-term borrowings and long-term borrowings) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position, plus net debt. As at 30 June 2011, the gearing ratio of the Group was 0.32. (31 December 2010: 0.18)

## Contingent Liabilities

In addition to the guarantees for bank loans to NAGC Group and Zhong Bao Group disclosed above, the Group has executed guarantees amounting to approximately S\$31,561,000 (31 December 2010: S\$37,141,000) with respect to banking facilities made available to the subsidiaries.

## Charges on Group Assets

As at 30 June 2011, the Group pledged time deposits of approximately S\$1,420,000 (31 December 2010: S\$1,483,000) 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\$788,000 (31 December 2010: S\$801,000) and S\$137,000 (31 December 2010: S\$138,000) respectively are pledged to bank to secure banking facilities up to approximately S\$28,120,000 (31 December 2010: S\$28,860,000) granted to Zhong Bao Group at the period end date.

## Employee Information

As at 30 June 2011, the total number of employee of the Group was approximately 200. For the Interim Period, the staff costs including directors’ remuneration of the Group amounted to approximately 7.1% of the revenue of the Group and was approximately S\$1,973,000, increased by 23.3% as compared to the corresponding period in 2010. 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\$49,000 (2010: S\$39,000) in aggregate.



## **Capital Structure of the Group In Debt Securities**

During the Interim Period and the corresponding period in 2010, 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 2010, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

## **Material Investments or Capital Assets**

As at 30 June 2011, the Group had no future plans for material investment and purchase of capital assets.

## **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

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

As at 30 June 2011, 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

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	21.03%
Loh Boon Cha	Deemed interest	-	54,865,480 (Note 2)	45,284,000 (Note 2)	-	100,149,480	21.03%

## Notes:

1. The 100,149,480 shares are held as to 54,865,480 shares by Big Reap International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held 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 2011, none of the Directors or their associates, has any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITION OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the persons or corporations (other than directors or chief executive of the Company) who have interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

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

### Notes:

1. Loh & Loh Construction Group Ltd. is held as to 49% by Mr. Chan Hing Ka Anthony, as to 15% by Mr. Loh 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.
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 International 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 as beneficial owner. 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 2011, 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 2011, 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 17.16 and 17.17, a disclosure obligation arises where the increment of the 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 30 June 2011, the Company's total assets were approximately S\$91,500,000.

	(Unaudited) As at 30 June 2011		Assets Ratio (%)	(Unaudited) As at 31 March 2011		Increment as compared to Assets Ratio (%)
	US\$'000	HK\$'000		US\$'000	HK\$'000	

NAGC Group:

Prepaid rental advances	6,330	40,063	6.9%	6,368	39,309	N/A
Advances to NAGC	78	494	0.1%	78	481	N/A
Guarantee to NAGC	3,441	21,778	3.8%	3,528	21,778	N/A
	9,849	62,335	10.8%	9,974	61,568	

Zhong Bao Group\*:

Advances to Zhong Bao Group	20,876	132,127	22.8%	15,578	96,160	4.6%
Guarantees to Zhong Bao Group	28,120	177,975	30.7%	28,416	175,407	N/A
	48,996	310,102	53.5%	43,994	271,567	
	58,845	372,437	64.3%	53,968	333,135	

\* 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 2011 are announced as follows:

### **Prepaid Rental Advances due from NAGC**

As at 30 June 2011, prepaid rental expenses amounted to approximately S\$6,330,000 (equivalent to approximately HK\$40,063,000) (as at 31 March 2011: S\$6,368,000; equivalent to approximately HK\$39,309,000) 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\$78,000 (equivalent to approximately HK\$494,000) (as at 31 March 2011: S\$78,000; equivalent to approximately HK\$481,000) were advanced to NAGC Group, representing 0.1% 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 2011.

### **Guarantee to NAGC**

Guarantee in the amount of approximately S\$3,441,000 (equivalent to approximately HK\$21,778,000) (as at 31 March 2011: S\$3,528,000; equivalent to approximately HK\$21,778,000) 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 2011 are announced as follows:

### **Advances to Zhong Bao Group**

As at 30 June 2011, advances of approximately S\$20,876,000 (equivalent to approximately HK\$132,127,000) (as at 31 March 2011: S\$15,578,000; equivalent to approximately HK\$96,160,000) were advanced to Zhong Bao Group, representing 22.8% 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 2003. There comprised a portion were the technical fee income derived from the provision of management consulting and technical assistance to Zhong Bao Group in relation to their sales of the PRC manufactured BMW motor vehicles. The amounts due from Xiamen Zhong Bao were unsecured, interest free and repayable in cash by the end of October 2011.

### **Guarantees to Zhong Bao Group**

Guarantees in the amount of approximately S\$28,120,000 (equivalent to approximately HK\$177,975,000) (as at 31 March 2011: S\$28,416,000; equivalent to approximately HK\$175,407,000) 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 30.7% of Group's Asset's Ratio.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2011, 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 2010.

## **AUDIT COMMITTEE**

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company's Audit Committee was formed on 5 June 2002 and is currently composed of namely, Mr. Lee Kwok Yung, Mr. Yin Bin, Mr. Lin Ju Zheng and Miss Song Qi Hong. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and the internal control procedures of the Group. The audit committee has received the interim results and provided comments.

These unaudited condensed consolidated financial results have been reviewed by the audit committee of the Company and were approved by the board of directors on 12 August 2011.

## **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, Mr. Lin Ju Zheng and Miss Song Qi Hong.

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

Hong Kong, 12 August 2011