



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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

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.

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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 2006 together with the comparative figures for the year ended 31 December 2005, as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2006

	<i>Notes</i>	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
Revenue	4	60,381	158,704
Other income		4,913	2,369
Cost of sales		(51,699)	(141,289)
Employee benefit expenses		(2,284)	(2,148)
Depreciation and amortisation		(1,318)	(1,067)
Operating lease charges		(371)	(308)
Exchange differences, net		1,040	(241)
Impairment of receivables		(1,846)	–
Other operating expenses		(1,379)	(8,182)
Profit from operating activities		7,437	7,838
Finance costs		(3,527)	(2,649)
Profit before income tax		3,910	5,189
Income tax expense	6	(924)	(1,537)
Profit for the year		<u>2,986</u>	<u>3,652</u>
Attributable to:			
Equity holders of the Company		3,032	3,671
Minority interests		(46)	(19)
Profit for the year		<u>2,986</u>	<u>3,652</u>
Earnings per share for profit attributable to the equity holders of the Company during the year	7	Singapore cent	Singapore cent
Basic		<u>0.76</u>	<u>0.92</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

as at 31 December 2006

	<i>Notes</i>	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		6,215	5,594
Leasehold lands		870	647
Prepaid rental expenses		6,911	7,017
Deposit for acquisition of a land use right		–	132
Non-current receivables		97	1,756
		<hr/>	<hr/>
		14,093	15,146
Current assets			
Inventories		3,547	2,477
Trade receivables	8	15,150	24,734
Bills receivables		–	3,842
Prepayments, deposits and other current assets		45,134	32,353
Due from related companies		–	112
Due from a director		4	4
Pledged deposits		4,032	12,602
Cash and bank balances		1,637	12,740
		<hr/>	<hr/>
		69,504	88,864
Current liabilities			
Trade payables	9	4,771	7,188
Accruals and other payables		8,650	6,089
Pension and other employee obligations		16	20
Bills payables		17,517	43,242
Borrowings		10,556	9,627
Due to related companies		422	484
Due to directors		681	489
Tax payable		6,207	5,483
		<hr/>	<hr/>
		48,820	72,622
Net current assets		<hr/> 20,684 <hr/>	<hr/> 16,242 <hr/>
Total assets less current liabilities		34,777	31,388

	<i>Notes</i>	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
Non-current liabilities			
Borrowings		4,390	1,429
Deferred tax		191	210
		<u>4,581</u>	<u>1,639</u>
Net assets		<u>30,196</u>	<u>29,749</u>
EQUITY			
Equity attributable to Company's equity holders			
Share capital		9,040	9,040
Reserves		20,804	20,288
		<u>29,844</u>	<u>29,328</u>
Minority interests		352	421
		<u>30,196</u>	<u>29,749</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

	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		
At 31 December 2004	9,040	4,006	1,689	(1,136)	10,621	24,220	418	24,638
Net gains/(losses) recognised directly in equity								
Translation difference	-	-	-	1,437	-	1,437	22	1,459
Profit for the year	-	-	-	-	3,671	3,671	(19)	3,652
Total recognised income/expenses	-	-	-	1,437	3,671	5,108	3	5,111
At 31 December 2005	9,040	4,006	1,689	301	14,292	29,328	421	29,749
Net gains/(losses) recognised directly in equity								
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

* *These reserves accounts comprise the consolidated reserves of S\$20,804,000 (2005: S\$20,288,000) in the consolidated balance sheet.*

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 of the Stock Exchange of Hong Kong Limited.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on historical cost basis. The significant accounting policies that have been adopted in the preparation of these consolidated financial statements are summarized 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.

The financial statements of the Group 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 of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

3. ADOPTION OF NEW OR REVISED HKFRS

From 1 January 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group’s accounting policies on financial guarantee contracts. Other than this, the adoption of these new and amended HKFRSs did not result in significant changes in the Group’s accounting policies.

3.1 The amendments to HKAS 39 “Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts”

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

- the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group’s revenue recognition policies; and
- the amount of the obligation under the contract, as determined in accordance with HKAS 37 “Provision Contingent Liabilities and Contingent Assets” (“HKAS 37”).

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKAS 37. Provisions for the Group’s liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

The effects of changes in accounting policies arising from the adoption of amended HKAS 39 in respect of financial guarantee contracts are not material to the financial results and position of the Group for the year ended 31 December 2006.

3.2 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. The directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s financial statements.

Amendment to HKAS 1	“Presentation of Financial Statements” – Capital Disclosures ¹
HKFRS 7	“Financial Instruments: Disclosures” ¹
HKFRS 8	“Operating Segments” ²
HK(IFRIC) Interpretation 7	“Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies” ³
HK(IFRIC) Interpretation 8	“Scope of HKFRS 2” ⁴
HK(IFRIC) Interpretation 9	“Reassessment of Embedded Derivatives” ⁵
HK(IFRIC) Interpretation 10	“Interim Financial Reporting and Impairment” ⁶
HK(IFRIC) Interpretation 11	“Group and Treasury Share Transactions” ⁷
HK(IFRIC) Interpretation 12	“Service Concession Arrangements” ⁸

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 March 2006

⁴ Effective for annual periods beginning on or after 1 May 2006

⁵ Effective for annual periods beginning on or after 1 June 2006

⁶ Effective for annual periods beginning on or after 1 November 2006

⁷ Effective for annual periods beginning on or after 1 March 2007

⁸ Effective for annual periods beginning on or after 1 January 2008

4. REVENUE – GROUP

The Group is principally engaged in (i) sales of motor vehicles and provision of car-related technical services, (ii) servicing of motor vehicles and sale of auto parts and (iii) provision of management services in respect of car rental business. Revenue, which is also the Group’s turnover, recognised during the year is as follows:

	2006	2005
	S\$’000	S\$’000
Sales of motor vehicles	46,388	145,353
Servicing of motor vehicles and sales of auto parts	9,450	8,156
Technical fee income	4,543	4,352
Management fee income	–	843
	<hr/> 60,381 <hr/>	<hr/> 158,704 <hr/>

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

Intersegment 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 2006 is as follows:

	Activity 1	Activity 2	Activity 3	Activity 4	Inter-segment elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue						
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>5,560</u>	<u>874</u>	<u>(161)</u>	<u>1,452</u>	<u>–</u>	7,725
Unallocated expenses						(288)
Profit from operating activities						7,437
Finance costs						(3,527)
Profit before income tax						3,910
Income tax expense						(924)
Profit for the year						<u>2,986</u>
Segment assets	31,038	42,066	275	–		73,379
Unallocated assets						10,218
Total assets						<u>83,597</u>
Segment liabilities	22,427	4,307	1,227	–		27,961
Unallocated liabilities						25,440
Total liabilities						<u>53,401</u>
Capital expenditure	8	1,398	–	–		1,406
Unallocated portion						1,289
						2,695
Depreciation	67	331	–	–		398
Unallocated portion						756
						1,154
Annual charges of prepaid operating lease payment	11	–	–	–		11
Amortisation of prepaid rental expenses	153	–	–	–		153
Impairment of receivable	1,066	780	–	–		1,846

Business segment analysis as at and for the year ended 31 December 2005 is as follows:

	Activity 1	Activity 2	Activity 3	Activity 4	Inter-segment elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue						
External sales	149,705	8,156	843	–	–	158,704
Inter-segment sales	490	–	–	5,773	(6,263)	–
	<u>150,195</u>	<u>8,156</u>	<u>843</u>	<u>5,773</u>	<u>(6,263)</u>	<u>158,704</u>
Segment results	<u>3,772</u>	<u>(369)</u>	<u>(100)</u>	<u>5,407</u>	<u>–</u>	8,710
Unallocated expenses						<u>(872)</u>
Profit from operating activities						7,838
Finance costs, net						<u>(2,649)</u>
Profit before income tax expense						5,189
Income tax expense						<u>(1,537)</u>
Profit for the year						<u>3,652</u>
Segment assets	46,267	4,871	1,967	–	–	53,105
Unallocated assets						<u>50,905</u>
Total assets						<u>104,010</u>
Segment liabilities	51,367	1,586	206	–	–	53,159
Unallocated liabilities						<u>21,102</u>
Total liabilities						<u>74,261</u>
Capital expenditure	2	543	1,896	–	–	2,441
Depreciation	85	215	606	–	–	906
Impairment of property plant and equipment	337	1,948	–	–	–	2,285
Annual charges of prepaid operating lease payment	11	–	–	–	–	11
Amortisation of prepaid rental expenses	153	–	–	–	–	153

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:

	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
The PRC	59,371	153,074
Hong Kong	1,010	5,630
	60,381	158,704

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

	Segment assets		Capital expenditure	
	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
The PRC	68,026	54,737	1,398	543
Hong Kong	14,083	37,672	1,289	1,896
Singapore	1,488	11,601	8	2
	83,597	104,010	2,695	2,441

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
Current – Hong Kong		
Charge for the year	225	814
Over-provision in prior years	–	(47)
Current – Overseas		
Charge for the year	718	675
Deferred tax	(19)	95
Total income tax expenses	924	1,537

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

	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
Profit before income tax	<u>3,910</u>	<u>5,189</u>
Tax at applicable rate	875	1,032
Non-deductible expenses	51	439
Tax exempt revenue	(2)	(1)
Recognition of previously unrecognised deferred tax/liabilities	–	112
Over-provision in prior years	–	(47)
Others	–	2
Income tax expense	<u>924</u>	<u>1,537</u>

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

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company for the year of S\$3,032,000 (2005: S\$3,671,000) and on 400,000,000 (2005: 400,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2006 and 2005 was not presented as there was no dilutive potential ordinary share for the year ended 31 December 2006 and 2005.

8. TRADE RECEIVABLES

The majority of the Group's sales are on letter of credit. The remaining amounts are with credit terms of 2 to 5 months. At 31 December 2006, the ageing analysis of trade receivables was as follows:

	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
0 – 90 days	8,936	18,493
91 – 180 days	3,161	4,628
181 – 365 days	2,659	2,112
Over 1 year	<u>976</u>	<u>70</u>
	15,732	25,303
Less: allowance for impairment of receivables	<u>(582)</u>	<u>(569)</u>
	<u>15,150</u>	<u>24,734</u>

9. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2006 <i>S\$'000</i>	2005 <i>S\$'000</i>
0 – 30 days	696	227
31 – 180 days	71	6,163
181 – 365 days	2,215	377
1 to 2 years	1,463	106
Over 2 years	326	315
	<hr/> 4,771 <hr/>	<hr/> 7,188 <hr/>

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 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has implemented a new business strategy in expanding business segments with a higher profit margin during the year 2006. The board of Directors are pleased to announce the consolidated gross profit margin and net profit margin to 14.4%, up 3.4% and 5%, up 2.7% compared to the corresponding period in year 2005 respectively.

For the year ended 31 December 2006, the turnover of the Group decreased by approximately 62% as compared to the year of 2005. The decrease was mainly a transitional consequence of the rapid development of the high profit margin business segment of the Group.

SALES OF MOTOR VEHICLES

During the year, the turnover of this segment took up approximately 76.8% of the total Group turnover of the year. As for comparison to the corresponding period last year, there recorded a decrease of approximately 14.8% on the composition of turnover. The decrease was mainly due to the reduction in sales of higher-priced 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 2006 increased by 15.9% 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 S\$9,450,000, contributing 15.7% of the Group's turnover, representing an increment of 10.6%.

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 2006 was approximately S\$4,543,000, taking up approximately 7.5% in terms of the Group's turnover composition, up 4.5% as compared to the corresponding period in 2005. The increment was resulted as the number of locally assembled cars sold in previous periods increased.

CAR RENTAL BUSINESS

During the year 2006, the Hertz division has been maintaining its stringent cost control policies to enhance a steady yet prosperous growth. The service location in Hong Kong Station commenced its operation in December 2005, and it has expanded its fleet size tremendously over the year. Moreover, our Hertz division has taken a further step to explore the car rental market in Macau. A new subsidiary, German Automobiles (Macau) Limited was set up during the year as the Group succeeded in awarding as Hertz's principal licensee in Macau. The new service point aims at grasping blooming tourists' market share in Macau, as well as long term corporate clients. The operation in Macau has not yet commenced as at year end.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2006, the turnover of the Group amounted to S\$60,381,000, a decrease of approximately 62% as compared with that of the year ended 31 December 2005. This was mainly a transitional consequence as the Group intended to expand the more profitable sector of business.

For the year ended 31 December 2006, turnover generated from the sales of motor vehicles for the year ended 31 December 2006 was approximately S\$46,388,000, representing a decrease of approximately 68.1% as compared to the corresponding period in 2005. The decrease was mainly due to the reduction in sales of higher-priced motor vehicles.

For the year ended 31 December 2006, income generating from servicing of motor vehicles and sales of auto parts was approximately S\$9,450,000, representing an increase of approximately 15.9% as compared with that of the year ended 31 December 2005. 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 increased by approximately 4.4% to approximately S\$4,543,000 for the year ended 31 December 2006 as compared with S\$4,352,000 for the year ended 31 December 2005. This was mainly due to increasing number of cars sold by our business partner, Zhong Bao Group.

The Group does not receive any management fee income from the Three Sub-licensees during the year 2006, (2005: S\$843,000) due to the expiration of the 5-year term sub-licensees car rental agreement with NAGC.

Gross Profit

For the year ended 31 December 2006, the gross profit of the Group was approximately S\$8,682,000, representing a decrease of approximately 50.1% over that of the year ended 31 December 2005.

The increase in gross profit margin is resulted from the Group's policy in expansion of higher profit margin business.

Profit from operating activities attributable to equity holders

Profit from ordinary activities attributable to shareholders for the year ended 31 December 2006 was S\$3,032,000 as compared with S\$3,671,000 for the year ended 31 December 2005. The profits for 2006 decreased by approximately 17% as compared with that of 2005.

Financial resources and liquidity

As at 31 December 2006, shareholders' fund of the Group amounted to approximately S\$29,844,000 (2005: S\$29,328,000). Current assets amounted to approximately S\$69,504,000 (2005: S\$88,864,000). Of which approximately S\$5,669,000 (2005: S\$25,342,000) were cash and bank deposits. Current liabilities amounted to approximately S\$48,820,000 (2005: S\$72,622,000) 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\$4,581,000 (2005: S\$1,639,000). The net asset value per share as at 31 December 2006 was S\$0.075 (2005: S\$0.074).

Capital Structure of the Group

During the year ended 31 December 2006, the Group had no debt securities in issue (2005: 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 2006, the Group had no significant investment held (2005: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2006, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2005:Nil).

Employees

As at 31 December 2006, the total number of employee of the Group was approximately 150. For the year ended 31 December 2006, the staff costs including directors' remuneration of the Group amounted to approximately S\$2,284,000 (2005:2,148,000), around 3.8% of the turnover of the Group and an increase of approximately S\$136,000 or approximately 6.3% as compared to that of the year ended 31 December 2005. 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 2006, the Group pledged time deposits of approximately S\$4,032,000 (2005: S\$12,602,000) and charged plant and machinery of approximately S\$984,000 (2005: S\$151,000) to several banks for banking facilities for the Group and a related company of NAGC.

Material Investments or Capital Assets

As at 31 December 2006, 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 2006, the Group had a gearing ratio of 0.39 (2005: 0.52).

Foreign Exchange Exposure

During the year ended 31 December 2006, the Group had an exchange gain of approximately S\$1,153,000 (2005: Loss S\$241,000), 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 2006, the Group provided a bank guarantee of approximately S\$4,304,000 (2005: S\$4,738,000) to a bank in respect of banking facilities to a related company of NAGC. As at 31 December 2006, the Group provided bank guarantee amounted to S\$23,640,000 in respect of banking facilities to Zhong Bao Group (2005: S\$24,035,000).

BUSINESS PROSPECT

Under PRC's membership in the WTO, China will remain the largest emerging automotive market in years ahead. Though overcapacity problem is confronted, it is believed that the government's plan to smooth the problem will only cause minimal effect to the industry.

The attempt by the PRC government to ease the overcapacity problem finally came to a new announcement on policy, requiring sales to equal 80% of automaker's capacity if they are to build a new production line. Such adjustment announced is believed to be a measure to rein in some inefficient automakers, protecting market entry. Indeed, overcapacity problems exist within industries of indigenous brands, and that the abovementioned adjustment addresses right to the problem. Luxurious vehicles are still on a soaring demand, and the Group foresees a prosperous future of our car trading business. We look forward to seeing a mature and truly internationalized market in the very near future.

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

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

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

CORPORATE GOVERNANCE REPORT

Pursuant to rule 18.44 (2) and Appendix 16 of the GEM Listing Rules, the Company wish to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 15 of the GEM Listing Rules (the “Code”) during the year.

(1) Corporate Governance Practices

The Group is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group. The Group has applied in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) with these objectives in mind.

During the year, the board adopted new measures to fix the deviation from the code provision A.4.1. Under the code provision A.4.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The board has approved the segregation of duties as the role of Chairman is now taken up by Mr. Loh Boon Cha, and the role of Managing Director is taken up by Mr. Loh Nee Peng.

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. Zhang Lei and Mr. Yin Bin 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 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 2006.

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 SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2006.

On behalf of the Board
G.A. Holdings Limited
Loh Nee Peng
Managing Director

Hong Kong, 28 March 2007

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.