



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 2020**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (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 (the “GEM Listing Rules”) 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, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	2,264,306	2,235,333
Other income	6	45,323	44,232
		2,309,629	2,279,565
Changes in inventories	8.1	(51,413)	1,327
Auto parts and accessories, and motor vehicles purchased	8.1	(1,907,182)	(1,903,094)
Employee benefit expenses		(105,709)	(130,666)
Depreciation and amortisation		(59,625)	(61,891)
Lease charges		(4,795)	(6,792)
Exchange differences, net		896	(1,262)
ECL allowance on trade and other receivables	8.3	(8,367)	(3,300)
Other expenses	7	(59,373)	(79,345)
Profit from operations		114,061	94,542
Finance costs	8.2	(34,508)	(37,045)
Profit before income tax	8	79,553	57,497
Income tax expense	9	(26,742)	(30,618)
Profit for the year		52,811	26,879
Other comprehensive income/(expense)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)		2,502	–
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) on translation of financial statements of foreign operations		48,078	(7,885)
Other comprehensive income/(expenses) for the year, including reclassification adjustments and net of tax		50,580	(7,885)
Total comprehensive income for the year		103,391	18,994
Profit for the year attributable to:			
Owners of the Company		52,811	26,879
Total comprehensive income for the year attributable to:			
Owners of the Company		103,391	18,994
		HK cents	HK cents
Earnings per share			
Basic and diluted	10	11.09	5.64

Consolidated Statement of Financial Position

as at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		211,941	209,924
Intangible asset		14,256	15,624
Prepaid expenses		13,041	12,853
Right-of-use assets		241,815	248,941
Goodwill		6,705	6,298
Financial asset at fair value through other comprehensive income		11,056	8,035
		<u>498,814</u>	<u>501,675</u>
Current assets			
Inventories		145,802	197,215
Trade receivables	12	165,864	132,318
Prepayments, deposits and other receivables		779,969	532,699
Tax recoverable		1,660	2,426
Pledged deposits		134,301	115,595
Cash and bank balances		40,405	116,170
		<u>1,268,001</u>	<u>1,096,423</u>
Current liabilities			
Trade payables	13	57,774	72,175
Lease liabilities		14,418	22,764
Contract liabilities		100,513	71,120
Accruals and other payables		47,822	41,375
Bills payables	13	137,826	110,351
Borrowings		510,671	467,709
Advance from a director		2,140	1,491
Tax payable		16,198	35,587
		<u>887,362</u>	<u>822,572</u>
Net current assets		<u>380,639</u>	<u>273,851</u>
Total assets less current liabilities		<u>879,453</u>	<u>775,526</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities		
Borrowings	4,489	4,499
Lease liabilities	133,783	132,987
Deferred tax liabilities	<u>16,549</u>	<u>16,834</u>
	<u>154,821</u>	<u>154,320</u>
Net assets	<u><u>724,632</u></u>	<u><u>621,206</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	47,630	47,630
Reserves	<u>677,002</u>	<u>573,576</u>
Total equity	<u><u>724,632</u></u>	<u><u>621,206</u></u>

Notes:

1. GENERAL INFORMATION

G.A. Holdings Limited was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 5 July 2001. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited.

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

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

2.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

In addition, on 1 January 2020, the Group has early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" which will be effective for the Group for financial year beginning on or after 1 June 2020.

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Amendments to HKFRS 16 "Covid-19-Related Rent Concessions"

Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 ("COVID-19-Related Rent Concessions") are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) there is no substantive change to other terms and conditions of the lease.

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances. Additional disclosures are required if this practical expedient are used.

The application of these amendments has had no material impact on the Group's consolidated financial statements.

2.2 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

These amendments address the accounting issues that arise when existing Interbank Offered Rate (“IBORs”) included in financial instruments are replaced with alternative benchmark risk-free rates.

The amendments mainly affect the following areas:

- Financial instruments (measured at amortised costs) where the basis for determining the contractual cash flows changes as a result of the IBOR reform (“Reform”) — providing a practical expedient that an entity will not have to derecognise the carrying amount of financial instruments and recognise an immediate gain or loss for changes solely arising from the Reform, but will instead revise the effective interest rate of the financial instruments;
- Modifications of lease liabilities as a result of the IBOR Reform – providing a similar practical expedient that lessee will remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate, instead of applying the original lease modification guidance in HKFRS 16;
- Additional disclosures — an entity will be required to disclose information about new risks arising from the Reform and how it manages those risks as well as additional disclosure requirements for transitioning from IBORs to alternative benchmark risk-free rates.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 are effective for the annual period beginning on or after 1 January 2021 and apply retrospectively. Earlier application is permitted. As at 31 December 2020, the Group had several LIBOR bank loans which will be subject to the interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change and the directors of the Group is in the process of assessing the impact of the application which may have a potential impact on the consolidated financial statements of the Group resulting from the reform on application of the amendments.

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current”

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity have a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at that date or at a later date;
- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and
- “Settlements” are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity’s own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liabilities is current or non-current.

Amendments to HKAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on these consolidated financial statements.

3. BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the GEM Listing Rules.

The consolidated financial statements have been prepared under the historical cost basis except for financial asset at fair value through other comprehensive income (“FVOCI”) which is stated at fair value.

The consolidated financial statement are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

4. REVENUE

The amount of each significant category of revenue recognised during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
Sales of motor vehicles	1,619,354	1,487,371
Servicing of motor vehicles and sales of auto parts	604,571	707,686
Technical fee income	8,962	10,086
Car rental income	31,419	30,190
Revenue from contracts with customers	<u>2,264,306</u>	<u>2,235,333</u>

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major types of goods and services provided and geographical market:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Types of goods and services		
Sales of motor vehicles	1,619,354	1,487,371
Servicing of motor vehicles and sales of auto parts	604,571	707,686
Technical service	8,962	10,086
Car rental income	<u>31,419</u>	<u>30,190</u>
Total	<u>2,264,306</u>	<u>2,235,333</u>
Timing of revenue recognition		
At a point in time	2,232,887	2,205,143
Over-time	<u>31,419</u>	<u>30,190</u>
Total	<u>2,264,306</u>	<u>2,235,333</u>
Geographical markets		
PRC	2,232,887	2,205,143
Hong Kong	<u>31,419</u>	<u>30,190</u>
Total	<u>2,264,306</u>	<u>2,235,333</u>
Type of customers		
Corporate	426,012	325,210
Individuals	<u>1,838,294</u>	<u>1,910,123</u>
Total	<u>2,264,306</u>	<u>2,235,333</u>

5. SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision makers, have identified two reportable segments as further described below.

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

The Group has identified the following reportable segments:

- Motor vehicle sales and services business – primarily consists of the operations of (i) motor vehicle distribution and dealership business, which includes sales of motor vehicles and provision of after-sales services; and (ii) other motor vehicle related business, which includes operations of motor vehicle service shops, sales of auto parts, provision of car-related technical services and other value-added motor vehicles services; and
- Car rental business

Each of these reportable segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except for the income tax and corporate income and expenses including certain finance costs which are not directly attributable to the business activities of any reportable segment are not included in arriving at the operating results of the reportable segment.

Segment assets exclude corporate assets that are not directly attributable to business activities of any reportable segment, which primarily applies to the Group's headquarters.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any reportable segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

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

(a) Segment revenue, segment results and other segment information

	2020		
	Motor vehicle sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	<u>2,232,887</u>	<u>31,419</u>	<u>2,264,306</u>
Reportable segment profit	<u>86,721</u>	<u>5,982</u>	<u>92,703</u>
Other information			
Depreciation and amortisation of non-current assets	(40,171)	(16,737)	(56,908)
Gain on disposal of property, plant and equipment	3,234	1,742	4,976
Gain on disposal of right-of-use assets	97	320	417
Gain on termination of leases	612	–	612
ECL allowance on trade receivables	(1,787)	–	(1,787)
ECL allowance on other receivables	(6,580)	–	(6,580)
Additions to non-current assets (other than financial instruments) during the year	<u>49,197</u>	<u>6,543</u>	<u>55,740</u>

	2019		
	Motor vehicle sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	2,205,143	30,190	2,235,333
Reportable segment profit	74,935	4,481	79,416
Other information			
Depreciation and amortisation of non-current assets	(43,279)	(15,869)	(59,148)
(Loss)/Gain on disposal of property, plant and equipment	(83)	2,908	2,825
Written-off of property, plant and equipment	(8,858)	–	(8,858)
ECL allowance on trade receivables	(3,300)	–	(3,300)
Additions to non-current assets (other than financial instruments) during the year	69,878	24,748	94,626

(b) Segment assets and liabilities

	2020		
	Motor vehicle sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,532,600	45,799	1,578,399
Reportable segment liabilities	934,038	13,702	947,740

	2019		
	Motor vehicle sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,298,048	56,872	1,354,920
Reportable segment liabilities	817,406	23,049	840,455

(c) **Reconciliation of segment information to the Group's key financial figures as presented in the consolidated financial statements:**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Reportable segment revenue	<u>2,264,306</u>	<u>2,235,333</u>
Reportable segment profit	92,703	79,416
Unallocated corporate income	3,320	3,312
Unallocated corporate expenses		
Depreciation and amortisation of non-current assets	(2,717)	(2,743)
Employee benefit expenses	(6,096)	(6,235)
Others	(4,927)	(12,467)
Unallocated finance costs	<u>(2,730)</u>	<u>(3,786)</u>
Profit before income tax	<u>79,553</u>	<u>57,497</u>
Reportable segment assets	1,578,399	1,354,920
Non-current corporate assets (note (i))	11,348	8,678
Current corporate assets (note (ii))	<u>177,068</u>	<u>234,500</u>
Consolidated total assets	<u>1,766,815</u>	<u>1,598,098</u>
Reportable segment liabilities	947,740	840,455
Non-current corporate liabilities (note (iii))	16,549	17,040
Current corporate liabilities (note (iv))	<u>77,894</u>	<u>119,397</u>
Consolidated total liabilities	<u>1,042,183</u>	<u>976,892</u>

Notes:

- (i) Non-current corporate assets mainly include certain property, plant and equipment, certain right-of-use assets, and financial asset at FVOCI that are not directly attributable to the business activities of the reportable segments.
- (ii) Current corporate assets mainly include certain prepayments, deposits and other receivables, tax recoverable, cash and bank balances and pledged deposits that are not directly attributable to the business activities of the reportable segments or that are managed on group basis.
- (iii) Non-current corporate liabilities include deferred tax liabilities and certain lease liabilities that are not directly attributable to the business activities of the reportable segments.
- (iv) Current corporate liabilities include certain accruals and other payables, certain borrowings, certain lease liabilities, advance from a director, and tax payables that are not directly attributable to the business activities of the reportable segments or that are managed on group basis.

(d) Geographical segments

The Group's revenue from external customers and non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets (other than financial instruments)	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Singapore	–	–	1,629	2,257
PRC	2,232,887	2,205,143	445,232	439,806
Hong Kong	31,419	30,190	40,897	51,577
	<u>2,264,306</u>	<u>2,235,333</u>	<u>487,758</u>	<u>493,640</u>

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

For the years ended 31 December 2020 and 2019, no revenue from a single customer accounted for 10% or more of the Group's revenue.

6. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	1,315	1,267
Commission income	10,222	14,806
Consultant service income	18,640	19,844
Financial guarantee income	224	1,164
Gain on disposal of property, plant and equipment	4,976	2,825
Gain on disposal of right-of-use assets	417	–
Gain on termination of leases [#]	612	–
Government grants [*]	4,495	261
Sundry income	4,422	4,065
	<u>45,323</u>	<u>44,232</u>

[#] The Group has early terminated leases of right-of-use assets with carrying amount of approximately HK\$13,704,000 and lease liabilities of approximately HK\$14,316,000 which resulted in a gain on termination of leases of approximately HK\$612,000.

^{*} During the year ended 31 December 2020, government grants mainly related to cash subsidies granted by the government in respect of operating activities which are either unconditional grants or grants with conditions having been satisfied, including a funding support amounting to approximately HK\$1,151,000 from the Employment Support Scheme and the fiscal support amounting to approximately HK\$1,811,000 that the relevant government authorities offered to the Group's entities for supporting employment. All government grants are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

7. OTHER EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Advertising and promotion expenses	2,986	5,421
Auditor's remuneration	1,044	1,070
Bank charges	4,460	2,902
Entertainment expenses	3,825	5,614
Financial guarantee expenses	–	731
Insurance expenses	1,924	2,034
IT service fees	2,396	2,830
Legal and professional fees	3,831	8,889
Miscellaneous expenses	3,510	5,168
Motor vehicles expenses	7,655	7,750
Office expenses	6,568	6,570
Repairs and maintenance expenses	1,520	1,453
Taxes and levies*	14,187	11,653
Transportation and travelling expenses	1,872	3,922
Utilities	3,595	4,480
Written-off of property, plant and equipment	–	8,858
	<u>59,373</u>	<u>79,345</u>

* Taxes and levies mainly represents the indirect taxes arising from sales and other operating activity of the Group.

8. PROFIT BEFORE INCOME TAX

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

8.1 Cost of inventories

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Changes in inventories		
Motor vehicles	39,373	12,854
Auto parts and accessories	<u>12,040</u>	<u>(14,181)</u>
	<u>51,413</u>	<u>(1,327)</u>
Auto parts and accessories, and motor vehicles purchased		
Motor vehicles	1,644,408	1,507,058
Auto parts and accessories	<u>262,774</u>	<u>396,036</u>
	<u>1,907,182</u>	<u>1,903,094</u>
	<u><u>1,958,595</u></u>	<u><u>1,901,767</u></u>

8.2 Finance costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest charges on bank and other borrowings	27,252	29,878
Finance charges on lease liabilities	<u>7,256</u>	<u>7,167</u>
	<u><u>34,508</u></u>	<u><u>37,045</u></u>

8.3 Other items

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration	1,044	1,070
Lease charges:		
Short term leases and leases term shorter than 12 months	4,785	6,778
Leases of low value items	<u>10</u>	<u>14</u>
Total lease charges	<u>4,795</u>	<u>6,792</u>
Depreciation of property, plant and equipment:		
Owned assets	29,706	33,617
Right-of-use assets	<u>27,667</u>	<u>26,000</u>
Total depreciation	<u>57,373</u>	<u>59,617</u>
Gain on termination of leases	(612)	–
Gain on disposal of property, plant and equipment	(4,976)	(2,825)
Gain on disposal of right-of-use assets	(417)	–
Amortisation of an intangible asset	2,252	2,274
Written-off of property, plant and equipment	–	8,858
Financial guarantee expenses	–	731
ECL allowance on trade receivables	1,787	3,300
ECL allowance on other receivables	<u>6,580</u>	<u>–</u>

9. INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. Hong Kong Profits Tax has not been provided as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. For the year ended 31 December 2020 and 2019, one subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (2019: 25%).

Dividend distribution out of the retained profits of foreign-invested enterprises in the PRC earned after 1 January 2008 is subject to withholding income tax at a tax rate of 10% (2019: 10%) unless reduced by treaty. Under the tax treaty between Singapore and the Mainland China, the withholding income tax rate applicable to the Group is 5% (2019: 5%).

Income tax in respect of operations in Singapore has not been provided for the years ended 31 December 2020 and 2019 as the Company's Singapore subsidiary has no assessable profits for the years.

	2020 HK\$'000	2019 HK\$'000
Current tax – Hong Kong		
Over-provision in prior years	—	(20)
	—	(20)
Current tax – Overseas		
Charge for the year	27,689	28,375
Current tax – total	27,689	28,355
Deferred tax	(947)	2,263
Total income tax expense	26,742	30,618

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the owners of the Company for the year of approximately HK\$52,811,000 (2019: HK\$26,879,000) and on the weighted average number of 476,300,000 (2019: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2020 and 2019 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2020 and 2019.

11. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: nil).

12. TRADE RECEIVABLES

At the end of the reporting period, the ageing analysis of trade receivables, based on invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 90 days	147,719	105,569
91 – 180 days	21,406	22,937
181 – 365 days	966	7,182
Over 1 year	<u>1,345</u>	<u>439</u>
	171,436	136,127
Less: ECL allowance	<u>(5,572)</u>	<u>(3,809)</u>
	<u><u>165,864</u></u>	<u><u>132,318</u></u>

The Group requires individual customers to pay cash for any service rendered and goods sold while it generally allows a credit period of 3 to 9 months to its major customers with long business relationship.

13. TRADE AND BILLS PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	57,774	72,175
Bills payables	<u>137,826</u>	<u>110,351</u>
	<u>195,600</u>	<u>182,526</u>

The credit period of the Group is usually 3 to 6 months. The ageing analysis of trade and bills payables, based on invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	45,792	80,712
31 – 180 days	136,213	73,221
181 – 365 days	5,981	18,954
1 – 2 years	1,899	8,012
Over 2 years	<u>5,715</u>	<u>1,627</u>
	<u>195,600</u>	<u>182,526</u>

The carrying amounts of trade and bills payables as at 31 December 2020 and 2019 were considered to be a reasonable approximation of their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The outbreak of novel coronavirus (COVID-19) epidemic since January 2020 affected the economy around the world. The PRC government has implemented various measures including the extension of the lunar new year holiday, various stay-home orders across all cities, and restriction on business resumption during February and March 2020. These measures and restriction have adversely affected the performance of the Group in the first quarter of 2020.

Starting in the second quarter of 2020, the COVID-19 measures in the PRC were eased. The rebound in general consumption has led to an increase in revenue from the sales of motor vehicles.

FINANCIAL REVIEW

During the year ended 31 December 2020, the consolidated revenue increased by 1.3% from HK\$2,235,333,000 for the year ended 31 December 2019 to HK\$2,264,306,000 for the year ended 31 December 2020. The profit from operations for the year ended 31 December 2020 was HK\$114,061,000, representing a 20.6% increase compared to HK\$94,542,000 in 2019. The increase in the profit from operations was mainly due to (i) decrease in employee benefits expenses; (ii) a write-off in property, plant and equipment amounted to HK\$8,858,000 for the year ended 31 December 2019 while nil for the year ended 31 December 2020; and (iii) decrease in legal and professional fee by HK\$5,058,000 for the year ended 31 December 2020.

Sales of Motor Vehicles

Sales of motor vehicles increased by 8.9% from HK\$1,487,371,000 for the year ended 31 December 2019 to HK\$1,619,354,000 for the year ended 31 December 2020, which was mainly driven by the sales of more new models with higher price. Sales of motor vehicles accounted for 71.5% of the total revenue of the Group for the year ended 31 December 2020 (2019: 66.5%).

Servicing of Motor Vehicles and Sales of Auto Parts

Revenue generated from servicing of motor vehicles and sales of auto parts decreased by 14.6% from HK\$707,686,000 for the year ended 31 December 2019 to HK\$604,571,000 for the year ended 31 December 2020. The decrease was mainly due to the decrease in number of times of servicing during the temporary closure of our 4S shops and repair centres due to the outbreak of COVID-19.

Technical Fee Income

The Group received technical fee income from Xiamen Zhong Bao Automobiles Co., Ltd.[#] (“Xiamen Zhong Bao”) for providing management consulting and technical assistance in relation to the PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao.

Technical fee income for the year ended 31 December 2020 was HK\$8,962,000, representing a decrease of 11.1% compared to the year ended 31 December 2019 since there was a decrease in the number of locally assembled BMW motor vehicles sold by Xiamen Zhong Bao.

Car Rental Income

The income from car rental business in Hong Kong for the year ended 31 December 2020 was HK\$31,419,000, representing an increase of 4.1% compared to the year ended 31 December 2019. The increase in income from car rental business in Hong Kong was mainly because people generally prefer driving rather than taking public transportation during the outbreak of COVID-19 and also since the local residents cannot travel abroad, they switched to renting cars for leisure during weekends and holidays.

Gross Operating Profit and Gross Operating Margin

Gross operating profit is calculated based on revenue for the year minus changes in inventories and auto parts and accessories, and motor vehicles purchased during the year. Gross operating margin is calculated based on the gross operating profit for the year divided by revenue for the year multiplied by 100%.

The gross operating profit for the year ended 31 December 2020 decreased by 8.4% to HK\$305,711,000, as compared to HK\$333,566,000 for the year ended 31 December 2019.

The gross operating margin decreased from 14.9% for the year ended 31 December 2019 to 13.5% for the year ended 31 December 2020. The decrease was mainly due to the decrease in share of revenue contribution from servicing of motor vehicles and sales of auto parts during the year ended 31 December 2020, which yields relatively higher profit as compared to revenue from the sales of motor vehicles.

Other Income

Other income slightly increased by 2.5% from HK\$44,232,000 for the year ended 31 December 2019 to HK\$45,323,000 for the year ended 31 December 2020. The increase was mainly due to (i) increase in government grants by HK\$4,234,000 in relation to compensation for expenses or losses already incurred or as immediate financial support from government; (ii) increase in gain on disposal of property, plant and equipment by HK\$2,151,000; and offset by (iii) decrease in commission income and consultancy service income by HK\$4,584,000 and HK\$1,204,000, respectively, due to the effect of COVID-19.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK\$105,709,000 for the year ended 31 December 2020, representing a 19.1% decrease as compared to HK\$130,666,000 for the year ended 31 December 2019. It was mainly due to (i) head-count reduction for better cost control during the year; and (ii) decrease in staff commission expenses in line with the decrease in gross operating margin.

Depreciation and Amortisation

Depreciation and amortisation expenses decreased by 3.7% from HK\$61,891,000 for the year ended 31 December 2019 to HK\$59,625,000 for the year ended 31 December 2020.

Foreign Exchange Exposure

For the year ended 31 December 2020, there was an exchange gain of HK\$896,000 (2019: exchange loss of HK\$1,262,000), which mainly resulted from the translation of receivables and payables which are denominated in foreign currencies other than the functional currencies of the group companies.

Other Expenses

For the year ended 31 December 2020, other expenses were HK\$59,373,000, representing a decrease of 25.2% compared to HK\$79,345,000 for the year ended 31 December 2019. The decrease was mainly attributable to (i) general cost savings during the temporary closure period of our 4S shops, repair centres and offices due to the outbreak of COVID-19; (ii) decrease in advertising expenses as car manufacturer provided more support on marketing activities; (iii) a write-off in property, plant and equipment amounted to HK\$8,858,000 for the year ended 31 December 2019 while nil for the year ended 31 December 2020; and (iv) decrease in legal and professional fee during the year ended 31 December 2020.

Finance Costs

Finance costs decreased by 6.8% from HK\$37,045,000 for the year ended 31 December 2019 to HK\$34,508,000 for the year ended 31 December 2020 primarily due to the decrease in average borrowings and bills payables during the year ended 31 December 2020 compared to the year ended 31 December 2019.

Income Tax Expense

Income tax expense during the year ended 31 December 2020 was HK\$26,742,000, a decrease of HK\$ HK\$3,876,000 compared to HK\$30,618,000 for the year ended 31 December 2019. The effective tax rate of the Group decreased from 53.3% for the year ended 31 December 2019 to 33.6% for the year ended 31 December 2020. The decrease was due to decrease in losses of the Group's loss-making subsidiaries compared to last year.

Financial Resources and Liquidity

As at 31 December 2020, shareholders' fund of the Group amounted to HK\$724,632,000 (2019: HK\$621,206,000). Current assets of the Group amounted to HK\$1,268,001,000 (2019: HK\$1,096,423,000), of which HK\$174,706,000 were cash and bank balances and pledged deposits (2019: HK\$231,765,000). Current liabilities of the Group amounted to HK\$887,362,000 (2019: HK\$822,572,000), mainly represented trade payables, bills payables, borrowings, contract liabilities, accruals and other payables, income tax payables and current portion of lease liabilities. The Group had non-current liabilities of HK\$154,821,000 (2019: HK\$154,320,000) mainly represents the non-current portion of borrowings and lease liabilities and deferred tax liabilities. The net asset value per share as at 31 December 2020 was HK\$1.52 (2019: HK\$1.30).

Capital Structure of the Group

During the year 31 December 2020, the Group had no debt securities in issue (2019: nil).

The Group obtained funding mainly from bank and other borrowings. They are mainly denominated in Hong Kong dollars and Renminbi ("RMB"). As at 31 December 2020, the Group has available unutilised banking facilities of approximately HK\$272,890,000 (2019: HK\$348,242,000).

Capital Expenditure and Capital Commitments

In 2020, the Group incurred capital expenditure of HK\$34,578,000 (2019: HK\$35,775,000) on acquisition of property, plant and equipment.

As at 31 December 2020, there is no commitment contracted but not provided for the purchase of property, plant and equipment. (2019: HK\$1,330,000).

Material Acquisitions and Disposals of Subsidiaries or Affiliated Companies

The Group had no acquisitions and disposals of subsidiaries or affiliated companies during the years ended 31 December 2020 and 2019.

Employees

As at 31 December 2020, the total number of employees of the Group was 757 (2019: 816). For the year ended 31 December 2020, staff costs including directors' remuneration of the Group amounted to HK\$105,709,000 (2019: HK\$130,666,000), representing 4.7% (2019: 5.8%) of the revenue of the Group. Appropriate staff force is maintained cautiously in accordance with the operational needs and activities of the Group.

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.

Charges on Group's Assets

As at 31 December 2020, fixed deposits of HK\$118,310,000 (2019: HK\$100,585,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK\$15,991,000 (2019: HK\$15,010,000) were pledged to banks as security in favor of one of our suppliers.

As at 31 December 2020, certain motor vehicles and plant and machinery with net carrying amount of approximately HK\$3,744,000 (2019: HK\$3,780,000) was pledged as collateral for the other borrowings of the Group.

As at 31 December 2020, building with net carrying amount of approximately HK\$26,669,000 (2019: HK\$27,537,000) was pledged as collateral for the bank borrowings of the Group.

As at 31 December 2020, certain motor vehicles included in right-of-use assets with net carrying amount of approximately HK\$16,171,000 was pledged as collateral for the lease liabilities of the Group (2019: HK\$30,261,000).

As at 31 December 2020, leasehold land included in right-of-use assets with net carrying amounts of approximately HK\$77,311,000 and HK\$2,731,000 were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao, respectively (2019: HK\$75,288,000 and HK\$2,625,000 respectively).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payables, lease liabilities, short-term and long-term borrowings, as shown in the consolidated statement of financial position), less cash and bank balances (net debt), divided by total equity, plus net debt. As at 31 December 2020, the Group had a gearing ratio of 0.51 (2019: 0.50).

Contingent Liabilities

As at 31 December 2020, the Group provided guarantees with aggregate principal amounts of HK\$109,296,000 in respect of banking facilities to Zhong Bao Group (2019: HK\$102,672,000).

Subsequent Events

Subsequent to 31 December 2020 and up to the date of this announcement, there was no material event relevant to the business or financial performance of the Group after 31 December 2020 that comes into the attention of the Directors.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: nil).

PROSPECT

Although the impact of the COVID-19 epidemic in the first quarter of 2020 has adversely affected the financial performance of the Group, with the easing of the epidemic since the second quarter of the year in the PRC, the general public's activities gradually returned to normal. We expect that the financial performance afterwards will be maintained to the level before the epidemic. The Group is well confident to further improve its profitability and bring value to its stakeholders in the long run.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

None of the Directors and chief executives 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 had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives to participants in the Share Option Scheme to contribute to the Group and enabling the Company to recruit high-calibre employees and attract human resources that are valuable to the Group.

No share option has been granted under the Share Option Scheme in prior years and during the year.

ADVANCES TO ENTITIES

As defined in the GEM Listing Rule 17.14, “relevant advance to an entity” means the aggregate of amounts due from and all guarantees given on behalf of (i) an entity; (ii) the entity’s controlling shareholder; (iii) the entity’s subsidiaries; (iv) the entity’s affiliated companies; and (v) any other entity with the same controlling shareholders.

Pursuant to the GEM Listing Rule 17.16, a disclosure obligation arises where the increment of the relevant advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07 (1) of the GEM Listing Rules (the “Assets Ratio”).

As at 31 December 2020, the Company’s consolidated total assets were approximately HK\$1,766,815,000.

	(Audited) As at 31 December 2020 HK\$'000	Assets Ratio (%)	(Audited) As at 31 December 2019 HK\$'000	Increment as compared to Assets Ratio (%)
Guarantees to Xiamen Zhong Bao (<i>note</i>)	<u>109,296</u>	<u>6.2</u>	<u>102,672</u>	<u>N/A</u>

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

	(Audited) As at 31 December 2020 HK\$'000	Assets Ratio (%)	(Unaudited) As at 30 September 2020 HK\$'000	Increment as compared to Assets Ratio (%)
Guarantees to Xiamen Zhong Bao (<i>note</i>)	<u>109,296</u>	<u>6.2</u>	<u>104,696</u>	<u>N/A</u>

Note: Such amounts include the principal amount of the facilities granted by the banks to Xiamen Zhong Bao.

The Group entered into a guarantee agreement on 12 November 2019 (the “Guarantee Agreement”) with Xiamen Zhong Bao to replace the previous one entered into in 14 November 2017, which expired on 31 December 2019. Pursuant to the Guarantee Agreement, Xiamen BMW Automobiles Service Co, Ltd.# and its immediate holding company, German Automobiles Pte Ltd. will during the period from 1 January 2020 to 31 December 2021 guarantee Xiamen Zhong Bao’s banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB120 million. The Guarantee Agreement and the transactions contemplated thereunder have been approved by shareholders at the Company’s extraordinary general meeting held on 19 December 2019.

Further details for the Guarantee Agreement were set out in the circular of the Company dated 2 December 2019.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 2020, 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 5.48 to 5.67 of the GEM Listing Rules. The Company had also 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.

The Group has appointed Red Sun Capital Limited as its compliance adviser which will provide advice and guidance to the Group in respect of compliance with the applicable laws and GEM Listing Rules including various requirements relating to directors' duties and internal control. Except for the compliance adviser agreement entered into between the Company and its compliance adviser with effect from 21 May 2018, neither its compliance adviser nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules. On 21 May 2020, the appointment of Red Sun Capital Limited as its compliance adviser has completed.

CORPORATE GOVERNANCE CODE

The Group is committed to promoting good corporate governance, with the following objectives: (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 complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (the "Code Provisions") throughout the year ended 31 December 2020.

The Board continues to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance. The Board and senior management are responsible for performing the corporate governance duties set out in Code Provision D.3.1.

Audit Committee

The Audit Committee was formed on 5 June 2002 and is currently composed of three independent non-executive Directors, namely, Mr. Zhou Ming, Mr. Yuen Kin Pheng and Ms. Guan Xin. Mr. Zhou Ming is the chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly: (a) to review the Group's annual reports, consolidated financial statements, interim reports and quarterly reports, (b) to review and supervise the financial reporting process, risk management and internal control system of the Group, and (c) to liaise with the external auditor at least twice a year and provide advices and comments thereon to the Board. Further details on the terms of reference of the Audit Committee are available on the website of the Company and the website of the Stock Exchange.

During the year 2020, the Audit Committee held five meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its risk management and internal control system and has made suggestions to improve them. The Audit Committee has also carried out and discharged its duties set out in the relevant Code Provisions. In the course of doing so, the Audit Committee has met the Company's management, risk management and internal audit teams and external auditor during 2020. The audited financial results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited ("Grant Thornton"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

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 shares during the year ended 31 December 2020.

DIRECTORS OF THE COMPANY

Executive Directors of the Company as at the date hereof are Mr. Luo Wan Ju, Mr. Choy Choong Yew, Mr. Zhang Xi, Mr. Ma Hang Kon, Louis and Mr. Xue Guo Qiang; the non-executive Director is Mr. Lin Ju Zheng and the independent non-executive Directors of the Company are Mr. Zhou Ming, Mr. Yuen Kin Pheng and Ms. Guan Xin.

On behalf of the Board
G.A. Holdings Limited
Luo Wan Ju
Chairman

Hong Kong, 22 March 2021

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 and the company’s website at www.ga-holdings.com.hk.

for identification purpose only