



**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 2022  
AND  
PROPOSED AMENDMENTS TO THE  
MEMORANDUM AND ARTICLES OF ASSOCIATION**

**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 of the Stock Exchange 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 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	4	<b>2,362,390</b>	2,588,968
Other income	6	<u>59,891</u>	<u>50,736</u>
		<b>2,422,281</b>	2,639,704
Changes in inventories	8.1	(929)	21,177
Auto parts and accessories, and motor vehicles purchased	8.1	(2,079,650)	(2,248,990)
Employee benefit expenses		(135,364)	(132,365)
Depreciation and amortisation		(59,226)	(61,062)
Lease charges		(5,493)	(6,075)
Exchange differences, net		(4,018)	(1,518)
Reversal/(Provision) of ECL allowance on trade and other receivables, net	8.3	3,390	(3,860)
Other expenses	7	<u>(69,494)</u>	<u>(82,013)</u>
<b>Profit from operations</b>		<b>71,497</b>	124,998
Finance costs	8.2	<u>(33,156)</u>	<u>(34,665)</u>
<b>Profit before income tax</b>	8	<b>38,341</b>	90,333
Income tax expense	9	<u>(12,237)</u>	<u>(24,900)</u>
<b>Profit for the year</b>		<u><b>26,104</b></u>	<u>65,433</u>

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Other comprehensive (expenses)/income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Unlisted equity investment at FVOCI – net movement in fair value reserves (non-recycling)		(4,212)	2,008
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange (loss)/gain on translation of financial statements of foreign operations		<u>(67,716)</u>	<u>23,739</u>
<b>Other comprehensive (expenses)/income for the year, net of tax</b>		<u>(71,928)</u>	<u>25,747</u>
<b>Total comprehensive (expenses)/income for the year</b>		<u><u>(45,824)</u></u>	<u><u>91,180</u></u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<u><u>26,104</u></u>	<u><u>65,433</u></u>
<b>Total comprehensive (expenses)/income for the year attributable to:</b>			
Owners of the Company		<u><u>(45,824)</u></u>	<u><u>91,180</u></u>
		<b>HK cents</b>	HK cents
<b>Earnings per share</b>			
Basic and diluted	<i>10</i>	<u><u>5.48</u></u>	<u><u>13.74</u></u>

## Consolidated Statement of Financial Position

as at 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>249,471</b>	209,647
Intangible asset		<b>8,952</b>	12,230
Prepaid expenses		<b>12,323</b>	12,844
Right-of-use assets		<b>181,391</b>	225,899
Goodwill		<b>6,315</b>	6,902
Financial asset at fair value through other comprehensive income		<b>8,218</b>	13,418
Deposits for acquisition of property, plant and equipment		<b>13,707</b>	17,059
		<b>480,377</b>	497,999
<b>Current assets</b>			
Inventories		<b>166,050</b>	166,979
Trade receivables	<i>12</i>	<b>135,501</b>	118,702
Prepayments, deposits and other receivables		<b>760,617</b>	940,787
Tax recoverable		<b>–</b>	590
Pledged deposits		<b>114,609</b>	135,066
Cash and bank balances		<b>80,695</b>	102,804
		<b>1,257,472</b>	1,464,928
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>51,686</b>	53,452
Lease liabilities		<b>10,612</b>	12,782
Contract liabilities		<b>56,913</b>	117,832
Accruals and other payables		<b>48,592</b>	56,832
Bills payables	<i>13</i>	<b>132,815</b>	170,083
Borrowings		<b>536,442</b>	569,153
Advance from a director		<b>–</b>	2,750
Tax payable		<b>5,022</b>	12,810
		<b>842,082</b>	995,694

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Net current assets</b>	<u>415,390</u>	<u>469,234</u>
<b>Total assets less current liabilities</b>	<u>895,767</u>	<u>967,233</u>
<b>Non-current liabilities</b>		
Borrowings	2,378	4,815
Lease liabilities	110,720	131,355
Deferred tax liabilities	<u>12,681</u>	<u>15,251</u>
	<u>125,779</u>	<u>151,421</u>
<b>Net assets</b>	<u><u>769,988</u></u>	<u><u>815,812</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	47,630	47,630
Reserves	<u>722,358</u>	<u>768,182</u>
<b>Total equity</b>	<u><u>769,988</u></u>	<u><u>815,812</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 1007, Level 10, Tower I, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, 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 Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of the 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 3 “Reference to the Conceptual Framework” (“HKFRS 3”)***

The amendments update the reference in HKFRS 3 to the latest version of “Conceptual Framework for Financial Reporting” issued in March 2018, and add an exception to the requirement for an entity to refer to “Conceptual Framework for Financial Reporting” to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (“HKAS 37”) or HK(IFRIC)-Int 21 “Levies” (“HK(IFRIC)-Int 21”) if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the “Conceptual Framework for Financial Reporting”) to determine whether a present obligation exists at the acquisition date.

Furthermore, the amendments also explicitly state that contingent assets do not qualify for recognition at the acquisition date.

Amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 January 2022 and apply prospectively. The amendments have no impact on the consolidated financial statements because there are no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the year ended 31 December 2022.

### ***Amendments to HKAS 16 “Property, Plant and Equipment – Proceeds before Intended Use” (“HKAS 16”)***

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds received from selling items produced before that asset is available for use (i.e. any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management). Instead, an entity should recognise such sales proceeds and related costs in profit or loss. The entity should measure the cost of those items in accordance with HKAS 2 “Inventories”.

Besides, the amendments also clarify the meaning of “testing whether an asset is functioning properly” and require additional disclosures for the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities.

In accordance with the transitional provisions, the Group has applied the amendments to HKAS 16 apply retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021.

The amendments have no impact on the consolidated financial statements as there are no sales of such items produced by property, plant and equipment made available for use on or after 1 January 2021.

### ***Amendments to HKAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”***

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

In accordance with the transitional provisions, the Group applied the amendments to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 (i.e. date of initial application). The amendments have no impact on the consolidated financial statements as there are no onerous contracts during the year ended 31 December 2022.

### ***Annual Improvements to HKFRS Standards 2018-2020***

The Annual Improvements to HKFRS Standards 2018-2020 include a number of amendments to various HKFRSs, which are summarised below.

Amendments to HKFRS 1 “First-time Adoption of International Financial Reporting Standards” (“HKFRS 1”) provide an option for a subsidiary to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of its parent company (based on the parent company’s date of transitions to HKFRSs) if a subsidiary adopts HKFRSs later than its parent company and applies paragraph D16(a) of HKFRS 1.

Amendments to HKFRS 9 “Financial Instruments” (“HKFRS 9”) clarify that, for the purpose of applying the “10 per cent” test for derecognition of financial liability, the borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other’s behalf, in the assessment.

Amendments to HKFRS 16 “Leases” remove the illustration of the reimbursement of leasehold improvements by the lessor from the illustrative example 13 as the example is not clear as to why such payments are not a lease incentive, which in turn remove any potential confusion regarding the treatment of lease incentives that might arise.

Amendments to HKAS 41 “Agriculture” (“HKAS 41”) remove a requirement to exclude cash flows from taxation when measuring fair value of a biological asset, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

Amendments to HKFRS 1, HKFRS 9 and HKAS 41 are effective for annual period beginning on or after 1 January 2022. The amendments to HKFRS 16 only regard an illustrative example, so no effective date is stated. The annual improvements have no impact on the consolidated financial statements.

***Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combination” (“Accounting Guideline 5”)***

Accounting Guideline 5 was revised to clarify why a common control transaction involving inserting a shell company between a parent entity and a single subsidiary or between a parent entity and a group of subsidiaries is not common control combination in the Accounting Guideline 5 and why, in practice, a principle similar to that for a reverse acquisition is applied to those transactions.

Besides, Accounting Guideline 5 was also revised to:

- clarify the accounting for change in non-controlling interests as a result of common control by providing more guidance in the illustrative example;
- include additional disclosure requirements for the common control transactions; and
- update the terminologies and references in Accounting Guideline 5 to align with existing HKFRSs.

Accounting Guideline 5 (Revised) is effective for common control combinations that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. The revision has no impact on the consolidated financial statements.

## **2.2 Issued but not yet effective HKFRSs**

At the date of authorisation of this announcement, 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 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

2 Effective for annual periods beginning on or after 1 January 2024

3 Effective date not yet determined

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 is provided below, which are not expected to have a material impact on the Group’s consolidated financial statements.

***Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” (“2020 Amendments”) and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (“2022 Amendments”)***

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 has 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 end of 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 “Financial Instruments: Presentation” (“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.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the end of the reporting period (even if the covenant is only assessed after the end of the reporting period) affect the classification of that liability as current or non-current. Those covenants to be complied with after the end of the reporting period do not affect the classification of loan arrangements as current or non-current at the end of the reporting period.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. The information provided should enable users of financial statements to understand the risk that the liability could become repayable within twelve months of the end of the reporting period, including:

- the carrying amount of the related liabilities;
- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
- facts and circumstances, if any, that indicate that an entity may have difficulty complying with covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The 2022 Amendments also deferred the effective date of the 2020 Amendments to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

***Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”***

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, the HKICPA issued HKFRS Practice Statement 2 “Making Materiality Judgements” to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The directors expect that the amendments have no other material impact on the consolidated financial statements.

***Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”***

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 “Income Taxes” does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The directors expect that the amendments have no other material impact on the consolidated financial statements.

### *Amendments to HKAS 8 “Definition of Accounting Estimates”*

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as “monetary amounts in the financial statements that are subject to measurement uncertainty”.

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

### **3. BASIS OF PREPARATION**

The 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 statements 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of motor vehicles	1,752,680	1,891,045
Servicing of motor vehicles and sales of auto parts	577,473	659,705
Technical service fee income	10,010	10,222
Car rental income	<u>22,227</u>	<u>27,996</u>
<b>Revenue from contracts with customers</b>	<b><u>2,362,390</u></b>	<b><u>2,588,968</u></b>

#### 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Types of goods and services</b>		
Sales of motor vehicles	1,752,680	1,891,045
Servicing of motor vehicles and sales of auto parts	577,473	659,705
Technical service	10,010	10,222
Car rental service	<u>22,227</u>	<u>27,996</u>
<b>Total</b>	<b><u>2,362,390</u></b>	<b><u>2,588,968</u></b>
<b>Timing of revenue recognition</b>		
At a point in time	2,340,163	2,560,972
Over time	<u>22,227</u>	<u>27,996</u>
<b>Total</b>	<b><u>2,362,390</u></b>	<b><u>2,588,968</u></b>
<b>Geographical markets</b>		
China (Mainland)	2,340,163	2,560,972
China (Hong Kong)	<u>22,227</u>	<u>27,996</u>
<b>Total</b>	<b><u>2,362,390</u></b>	<b><u>2,588,968</u></b>
<b>Type of customers</b>		
Corporate	438,871	461,822
Individuals	<u>1,923,519</u>	<u>2,127,146</u>
<b>Total</b>	<b><u>2,362,390</u></b>	<b><u>2,588,968</u></b>

## 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 aftersales 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 vehicle services; and
- Car rental business

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" 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 and they 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

	2022		
	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>2,340,163</u>	<u>22,227</u>	<u>2,362,390</u>
Reportable segment profit	<u>47,161</u>	<u>1,458</u>	<u>48,619</u>
Other information:			
Depreciation and amortisation of non-current assets	(42,955)	(13,806)	(56,761)
Gain on disposal of property, plant and equipment	2,112	2,254	4,366
Gain on disposal of right-of-use assets	–	3,476	3,476
Reversal of ECL allowance on trade receivables	2,595	–	2,595
Reversal of ECL allowance on other receivables	795	–	795
Additions to non-current assets (other than financial instruments) during the year	97,353	14,309	111,662
Finance costs	<u>30,948</u>	<u>365</u>	<u>31,313</u>
	2021		
	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>2,560,972</u>	<u>27,996</u>	<u>2,588,968</u>
Reportable segment profit	<u>92,680</u>	<u>3,681</u>	<u>96,361</u>
Other information:			
Depreciation and amortisation of non-current assets	(42,874)	(15,145)	(58,019)
Gain on disposal of property, plant and equipment	3,849	1,486	5,335
Gain on disposal of right-of-use assets	–	1,841	1,841
Reversal of ECL allowance on trade receivables	266	–	266
ECL allowance on other receivables	(4,126)	–	(4,126)
Additions to non-current assets (other than financial instruments) during the year	61,831	6,130	67,961
Finance costs	<u>32,843</u>	<u>257</u>	<u>33,100</u>

(b) Segment assets and liabilities

	2022		
	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	<u>1,499,704</u>	<u>32,725</u>	<u>1,532,429</u>
Reportable segment liabilities	<u>886,131</u>	<u>13,905</u>	<u>900,036</u>
	2021		
	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	<u>1,671,027</u>	<u>35,056</u>	<u>1,706,083</u>
Reportable segment liabilities	<u>1,055,584</u>	<u>9,437</u>	<u>1,065,021</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reportable segment revenue	<u>2,362,390</u>	<u>2,588,968</u>
Reportable segment profit	48,619	96,361
Unallocated corporate income	6,868	9,814
Unallocated corporate expenses		
Depreciation and amortisation of non-current assets	(2,465)	(3,043)
Employee benefit expenses	(5,660)	(5,933)
Others	(7,178)	(5,301)
Unallocated finance costs	<u>(1,843)</u>	<u>(1,565)</u>
Profit before income tax	<u>38,341</u>	<u>90,333</u>
Reportable segment assets	1,532,429	1,706,083
Non-current corporate assets (note (i))	9,384	15,388
Current corporate assets (note (ii))	<u>196,036</u>	<u>241,456</u>
Consolidated total assets	<u>1,737,849</u>	<u>1,962,927</u>
Reportable segment liabilities	900,036	1,065,021
Non-current corporate liabilities (note (iii))	13,293	16,706
Current corporate liabilities (note (iv))	<u>54,532</u>	<u>65,388</u>
Consolidated total liabilities	<u>967,861</u>	<u>1,147,115</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)	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Singapore	–	–	514	1,336
China (Mainland)	2,340,163	2,560,972	441,648	448,727
China (Hong Kong)	22,227	27,996	29,997	34,518
	<u>2,362,390</u>	<u>2,588,968</u>	<u>472,159</u>	<u>484,581</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 2022 and 2021, no revenue from a single customer accounted for 10% or more of the Group's revenue.

6. **OTHER INCOME**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	1,375	1,589
Commission income	2,219	4,118
Consultancy service income	38,328	30,055
Financial guarantee income	2,348	1,865
Gain on disposal of property, plant and equipment	4,366	5,335
Gain on disposal of right-of-use assets	3,476	1,841
Government grants	1,331	1,194
Sundry income	6,448	4,739
	<u>59,891</u>	<u>50,736</u>

## 7. OTHER EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Advertising and promotion expenses	11,365	8,083
Auditor's remuneration	1,594	1,485
Bank charges	3,066	2,713
Entertainment expenses	3,907	4,868
Insurance expenses	2,307	1,904
IT service fees	2,444	3,389
Legal and professional fees	1,869	3,658
Loss allowance from financial guarantee contracts	1,606	3,868
Miscellaneous expenses	4,606	5,521
Motor vehicles expenses	7,833	8,582
Office expenses	9,873	9,208
Repairs and maintenance expenses	1,681	3,491
Taxes and levies*	9,074	11,019
Transportation and travelling expenses	3,213	3,214
Utilities	5,056	4,393
Written-off of property, plant and equipment	—	6,617
	<u>69,494</u>	<u>82,013</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 charging/(crediting):

### 8.1 Cost of inventories

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Changes in inventories</b>		
Motor vehicles	15,719	(21,285)
Auto parts and accessories	<u>(14,790)</u>	<u>108</u>
	<u>929</u>	<u>(21,177)</u>
<b>Auto parts and accessories, and motor vehicles purchased</b>		
Motor vehicles	1,712,559	1,881,089
Auto parts and accessories	<u>367,091</u>	<u>367,901</u>
	<u>2,079,650</u>	<u>2,248,990</u>
	<u>2,080,579</u>	<u>2,227,813</u>

## 8.2 Finance costs

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest charges on bank and other borrowings	25,779	26,585
Finance charges on lease liabilities	<u>7,377</u>	<u>8,080</u>
	<u><b>33,156</b></u>	<u><b>34,665</b></u>

## 8.3 Other items

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	1,594	1,485
Lease charges:		
Short term leases	5,412	6,037
Leases of low value items	<u>81</u>	<u>38</u>
Total lease charges	<u><b>5,493</b></u>	<u><b>6,075</b></u>
Depreciation:		
Owned assets	31,597	30,103
Right-of-use assets	<u>25,307</u>	<u>28,547</u>
Total depreciation	<u><b>56,904</b></u>	<u><b>58,650</b></u>
Gain on disposal of property, plant and equipment	(4,366)	(5,335)
Gain on disposal of right-of-use assets	(3,476)	(1,841)
Amortisation of an intangible asset	2,322	2,412
Written-off of property, plant and equipment	-	6,617
Loss allowance from financial guarantee contract	1,606	3,868
Reversal of ECL allowance on trade receivables	(2,595)	(266)
(Reversal of)/ECL allowance on other receivables	(795)	4,126
Net foreign exchange loss	<u><b>4,018</b></u>	<u><b>1,518</b></u>

## 9. INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for the year ended 31 December 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year. For the years ended 31 December 2022 and 2021, a 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%.

Hong Kong Profits Tax has not been provided for the year ended 31 December 2022 as the Company's Hong Kong subsidiaries have no assessable profits for the year (2021: The assessable profits were wholly absorbed by unrelieved tax losses bought forward from previous years).

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

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% (2021: 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% (2021: 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% (2021: 5%).

Income tax in respect of operations in Singapore has not been provided for the years ended 31 December 2022 and 2021 as the Company's Singapore subsidiary has no assessable profits for the years.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Current tax – PRC</b>		
Charge for the year	<u>13,959</u>	<u>26,505</u>
<b>Current tax – total</b>	<b>13,959</b>	26,505
Deferred tax	<u>(1,722)</u>	<u>(1,605)</u>
<b>Total income tax expense</b>	<b><u>12,237</u></b>	<b><u>24,900</u></b>

## 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\$26,104,000 (2021: HK\$65,433,000) and on the weighted average number of 476,300,000 (2021: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2022 and 2021 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2022 and 2021.

## 11. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

## 12. TRADE RECEIVABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 90 days	123,227	90,264
91 – 180 days	12,447	16,753
181 – 365 days	2,011	14,827
Over 1 year	<u>527</u>	<u>2,164</u>
	138,212	124,008
Less: ECL allowance	<u>(2,711)</u>	<u>(5,306)</u>
	<u><u>135,501</u></u>	<u><u>118,702</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	51,686	53,452
Bills payables	<u>132,815</u>	<u>170,083</u>
	<u><b>184,501</b></u>	<u><b>223,535</b></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 and issuance date of bill, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	90,639	51,518
31 – 180 days	92,024	141,561
181 – 365 days	47	25,533
1 – 2 years	55	2,369
Over 2 years	<u>1,736</u>	<u>2,554</u>
	<u><b>184,501</b></u>	<u><b>223,535</b></u>

The carrying amounts of trade and bills payables as at 31 December 2022 and 2021 were considered to be a reasonable approximation of their fair values.

## **BUSINESS REVIEW**

During the year ended 31 December 2022, China experienced a new wave of COVID-19 inflection and promoted the government to take actions to contain the spread in many cities. Lockdowns and restrictions in various cities have dampened the market and the economy. The Group's car sales and after sales services experienced slowdown in 2022 with lower revenue and profit.

## **FINANCIAL REVIEW**

During the year ended 31 December 2022, the consolidated revenue decreased by 8.8% from HK\$2,588,968,000 for the year ended 31 December 2021 to HK\$2,362,390,000 for the year ended 31 December 2022. The profit for the year ended 31 December 2022 was HK\$26,104,000, representing a 60.1% decrease compared to HK\$65,433,000 for the year ended 31 December 2021. The decrease in the revenue and profit from operations was mainly due to intermittent of COVID-19 infections in the PRC in the year 2022.

### **Sales of Motor Vehicles**

Sales of motor vehicles decreased by 7.3% from HK\$1,891,045,000 for the year ended 31 December 2021 to HK\$1,752,680,000 for the year ended 31 December 2022 mainly due to China's measures implemented for the control of COVID-19 epidemic during the year ended 31 December 2022.

### **Servicing of Motor Vehicles and Sales of Auto Parts**

Revenue generated from servicing of motor vehicles and sales of auto parts decreased by 12.5% from HK\$659,705,000 for the year ended 31 December 2021 to HK\$577,473,000 for the year ended 31 December 2022 mainly due to the above-mentioned reason.

### **Technical Service Fee Income**

The Group received technical service 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 service fee income for the year ended 31 December 2022 was HK\$10,010,000, decreased by 2.1% as compared to HK\$10,222,000 for year ended 31 December 2021 since there was a decrease in the number of PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao due to COVID-19 related measures in the PRC.

## **Car Rental Business**

The income from car rental business in Hong Kong for the year ended 31 December 2022 was HK\$22,227,000, representing a decrease of 20.6% compared to HK\$27,996,000 for the year ended 31 December 2021. This was mainly due to decrease in long-term leasing customers amidst general business uncertainties resulting from the COVID-19 pandemic.

## **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 2022 decreased by 22.0% to HK\$281,811,000, as compared to HK\$361,155,000 for the year ended 31 December 2021. This decrease was mainly due to (i) decrease in revenue during the year ended 31 December 2022; and (ii) more discounts on car sales were offered to customers during the year ended 31 December 2022 ahead of facelifting of several models.

The gross operating margin for the year ended 31 December 2022 was 11.9%, as compared to 13.9% for the year ended 31 December 2021. The decrease in gross operating margin during the year was mainly due to (i) more discounts on car sales were offered to customers ahead of facelifting of several models during the year ended 31 December 2022; and (ii) decrease in revenue contribution from servicing of motor vehicles and sales of auto parts during the year ended 31 December 2022, which yields relatively higher profit as compared to revenue from the sales of motor vehicles.

## **Other Income**

Other income increased by 18.0% from HK\$50,736,000 for the year ended 31 December 2021 to HK\$59,891,000 for the year ended 31 December 2022 mainly due to the increase in consultancy service income during the year.

## **Employee Benefit Expenses**

The Group recorded employee benefit expenses of HK\$135,364,000 for the year ended 31 December 2022, representing a slightly increase of 2.3% as compared to HK\$132,365,000 for the year ended 31 December 2021. The increase was mainly due to an increase in general staff salaries during the year.

## **Depreciation and Amortisation**

Depreciation and amortisation expenses decreased slightly by 3.0% from HK\$61,062,000 for the year ended 31 December 2021 to HK\$59,226,000 for the year ended 31 December 2022.

## **Foreign Exchange Exposure**

For the year ended 31 December 2022, there was an exchange loss of approximately HK\$4,018,000 (2021: HK\$1,518,000), which mainly resulted from the translation of receivables and payables denominated in foreign currencies other than the functional currencies of the group companies.

## **Other Expenses**

For the year ended 31 December 2022, other expenses were HK\$69,494,000, representing a decrease of 15.3% compared to HK\$82,013,000 for the year ended 31 December 2021. The decrease was mainly attributable to (i) a written-off of property, plant and equipment amount to HK\$6,617,000 during the year ended 31 December 2021 while nil incurred for the year ended 31 December 2022; (ii) a decrease in loss allowance from financial guarantee contract, a non-cash expenses, of HK\$2,262,000 during the year ended 31 December 2022; (iii) a decrease in taxes and levies, repair and maintenance expenses and legal and professional fee by HK\$1,945,000, HK\$1,810,000 and HK\$1,789,000 respectively during the year ended 31 December 2022; offset by (iv) increase in advertising and promotion expenses by HK\$3,282,000.

## **Finance Costs**

Finance costs decreased by 4.4% from HK\$34,665,000 for the year ended 31 December 2021 to HK\$33,156,000 for the year ended 31 December 2022 mainly due to decrease in average borrowings and lease liabilities during the year ended 31 December 2022.

## **Income Tax Expense**

Income tax expense during the year ended 31 December 2022 was HK\$12,237,000, a decrease by 50.9% compared to HK\$24,900,000 during the year ended 31 December 2021. The effective tax rate of the Group increased from 27.6% for the year ended 31 December 2021 to 31.9% for the year ended 31 December 2022. The increase was due to increase in losses of the Group's loss making subsidiaries compared to last year.

## **Financial Resources and Liquidity**

As at 31 December 2022, shareholders' fund of the Group amounted to HK\$769,988,000 (2021: HK\$815,812,000). Current assets of the Group amounted to HK\$1,257,472,000 (2021: HK\$1,464,928,000), of which HK\$195,304,000 (2021: HK\$237,870,000) were cash and bank balances and pledged deposits. Current liabilities of the Group amounted to 842,082,000 (2021: HK\$995,694,000), mainly represented trade payables, bills payables, borrowings, contract liabilities, accruals and other payables and current portion of lease liabilities. The Group had non-current liabilities of approximately HK\$125,779,000 (2021: HK\$151,421,000) and 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 2022 was HK\$1.62 (2021: HK\$1.71).

## **Capital Structure of the Group**

During the year ended 31 December 2022, the Group had no debt securities in issue (2021: nil).

The Group obtained funding mainly from bank and other borrowings. They are mainly denominated in United States dollars and Renminbi (“RMB”). As at 31 December 2022, the Group has available unutilised banking facilities of approximately HK\$224,434,000 (2021: HK\$231,080,000).

## **Capital Expenditure and Capital Commitments**

In 2022, the Group incurred capital expenditure of approximately HK\$110,334,000 and HK\$1,328,000 (2021: HK\$43,077,000 and HK\$7,363,000 respectively) on acquisition of property, plant and equipment and right-of-use assets respectively.

As at 31 December 2022, the Group’s has no commitment contracted but not provided for the purchase of property, plant and equipment (2021: HK\$31,593,000).

## **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 2022 and 2021.

## **Employees**

As at 31 December 2022, the total number of employees of the Group was 799 (2021: 786). For the year ended 31 December 2022, the staff costs including directors’ remuneration of the Group amounted to HK\$135,364,000 (2021: HK\$132,365,000), representing 5.7% (2021: 5.1%) 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 2022, fixed deposits of HK\$105,186,000 (2021: HK\$122,542,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK\$9,423,000 (2021: HK\$12,524,000) were pledged to banks as security in favor of one of our suppliers.

As at 31 December 2022, certain motor vehicles and plant and machinery with net carrying amount of approximately HK\$16,798,000 (2021: HK\$10,778,000) was pledged as collateral for the other borrowings of the Group.

As at 31 December 2022, building with net carrying amount of approximately HK\$20,265,000 (2021: HK\$25,097,000) was pledged as collateral for the bank borrowings of the Group.

As at 31 December 2022, certain motor vehicles included in right-of-use assets with net carrying amount of approximately HK\$7,159,000 (2021: HK\$9,019,000) was pledged as collateral for the lease liabilities of the Group.

As at 31 December 2022, leasehold land included in right-of-use assets with net carrying amounts of approximately HK\$67,575,000 and HK\$2,454,000 (2021: HK\$76,690,000 and HK\$2,746,000) were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao respectively.

### **Gearing Ratio**

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payable, 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 2022, the Group had a gearing ratio of 0.48 (2021: 0.49).

### **Contingent Liabilities**

As at 31 December 2022, the Group provided guarantees with aggregate principal amounts of approximately HK\$158,450,000 (2021: HK\$173,177,000) in respect of banking facilities to Zhong Bao Group.

### **Subsequent Events**

Subsequent to 31 December 2022 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 2022 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 2022 (2021: nil).

### **PROSPECT**

After three years of the epidemic, starting in December 2022, several pandemic control measures in China were eased or eliminated and since January 2023, quarantine requirements for inbound travelers to Hong Kong and Mainland China were removed. The Group anticipates that the general social climate will recover and is prepared to seize opportunities that may accordingly emerge. The Group will also continue to exercise vigilant cost control to improve productivity and uphold quality service to customers as well as leverage on long-term good relationships with leading automobile suppliers of premium and ultra-luxury brands. The Group endeavours to overcome the hurdles ahead and realize its value to the shareholders and business partners.

## 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 2022, the Company's consolidated total assets were approximately HK\$1,737,849,000.

	(Audited) As at 31 December 2022 HK\$'000	Assets Ratio (%)	(Audited) As at 31 December 2021 HK\$'000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao Group ( <i>note</i> )	<u>158,450</u>	<u>9.1</u>	<u>173,177</u>	<u>0.3</u>

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

	(Audited)		(Unaudited)	
	As at 31		As at 30	Increment as
	December		September	compared to
	2022	Assets Ratio	2022	Assets Ratio
	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)
Guarantees to Zhong Bao Group ( <i>note</i> )	<u>158,450</u>	<u>9.1</u>	<u>156,610</u>	<u>0.1</u>

*Note:* Such amounts include the principal amount of the facilities granted by the banks to Xiamen Zhong Bao and its related companies (“Zhong Bao Group”).

The Group entered into a guarantee agreement on 7 June 2021 (the “Guarantee Agreement A”) with Fuzhou Zhong Bao Automobiles Sales and Service Co., Ltd.# (“FZZB”) and Ningde Zhong Bao Automobiles Sales and Services Co., Ltd.# (“NDZB”). Pursuant to the Guarantee Agreement A, Xiamen BMW Automobiles Service Co, Ltd.#, Quanzhou Fubao Automobiles Sales and Services Co., Ltd.# and Fujian Xingbao Automobiles Sales and Services Co., Ltd.#, all being wholly-owned subsidiaries of the Company, will during the period from 1 August 2021 to 31 July 2023 guarantee FZZB and NDZB banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB51.0 million. The Guarantee Agreement A and the transactions contemplated thereunder have been approved by shareholders at the Company’s extraordinary general meeting held on 30 July 2021.

The Group entered into another guarantee agreement on 15 November 2021 (the “Guarantee Agreement B”) with Xiamen Zhong Bao Automobiles Co., Ltd.# (“Xiamen Zhong Bao”) to replace the previous one entered into on 12 November 2019, which expired on 31 December 2021. Pursuant to the Guarantee Agreement B, Xiamen BMW Automobiles Service Co, Ltd.# and its immediate holding company, German Automobiles Pte Ltd. will during the period from 1 January 2022 to 31 December 2023 guarantee Xiamen Zhong Bao’s banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB101.0 million. The Guarantee Agreement B and the transactions contemplated thereunder have been approved by shareholders at the Company’s extraordinary general meeting held on 20 December 2021.

Further details for the Guarantee Agreement A and Guarantee Agreement B were set out in the circular of the Company dated 15 July 2021 and 3 December 2021 respectively.

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

For the year ended 31 December 2022, 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.

## **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 2022.

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. As at 31 December 2022, the Audit Committee comprised of Mr. Yuen Kin Pheng, Ms. Guan Xin and Mr. Zhou Ming, all are independent non-executive Directors and Mr. Yuen Kin Pheng 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 ended 31 December 2022, 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 2022. The audited financial results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF THE 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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Grant Thornton Hong Kong Limited ("Grant Thornton"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022. The work performed by Grant Thornton in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Grant Thornton on the preliminary announcement.

## **PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION**

The GEM Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 "Core Standards" for shareholder protections.

The Board proposed to take this opportunity to update the memorandum and articles of association of the Company ("Memorandum and Articles") with regard to the updates in the GEM Listing Rules and the applicable laws as well as for housekeeping purposes. The Board proposes to seek the approval of shareholders by way of a special resolution at the 2023 annual general meeting of the Company (the "Special Resolution") for the amendment and adoption of a new set of Memorandum and Articles. Prior to the passing of the Special Resolution, the existing Memorandum and Articles shall remain valid.

After the proposed amendments to the Memorandum and Articles come into effect, the full text of the new set of Memorandum and Articles will be published on the websites of the Company ([www.ga-holdings.com.hk](http://www.ga-holdings.com.hk)) and the GEM ([www.hkgem.com](http://www.hkgem.com)).

A circular of the annual general meeting of the Company containing, inter alia, full details of the proposed amendments to the Memorandum and Articles, together with a notice of the annual general meeting of the Company and the related proxy form, will be despatched to the shareholders of the Company on or around 31 March 2023.

## **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 2022.

## **DIRECTORS OF THE COMPANY**

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

On behalf of the Board  
**G.A. Holdings Limited**  
**Yuen Kin Pheng**  
*Chairman*

Hong Kong, 23 March 2023

*This announcement will remain on the “Latest Listed Company Information” page on the GEM website at [www.hkgem.com](http://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](http://www.ga-holdings.com.hk).*

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