



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)



2023

INTERIM REPORT



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 report, 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 (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report 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 report misleading.



The board of directors (the “Board”) of G.A. Holdings Limited is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2023 together with the comparative unaudited figures for the corresponding periods in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	484,342	515,974	1,018,386	1,127,200
Other income	3	23,226	14,472	44,170	27,908
		507,568	530,446	1,062,556	1,155,108
Changes in inventories		(17,205)	42,273	(35,725)	(4,401)
Auto parts and accessories, and motor vehicles purchased		(411,339)	(486,244)	(876,607)	(964,987)
Employee benefit expenses		(31,806)	(30,269)	(65,898)	(67,816)
Depreciation and amortisation		(14,070)	(14,971)	(28,644)	(30,190)
Lease charges		(1,081)	(1,466)	(2,596)	(2,767)
Exchange differences, net		(1,750)	(1,935)	(1,459)	(2,407)
Reversal of Expected Credit Losses (“ECL”) allowance on trade and other receivables		-	3,188	-	3,188
Other expenses	4	(16,522)	(15,394)	(30,235)	(30,066)

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit from operations		13,795	25,628	21,392	55,662
Finance costs	5	(8,892)	(8,792)	(19,766)	(17,504)
Profit before income tax	5	4,903	16,836	1,626	38,158
Income tax expense	6	(3,810)	(5,287)	(5,410)	(11,778)
Profit / (Loss) for the period		1,093	11,549	(3,784)	26,380
Other comprehensive expenses					
Item that may be reclassified subsequently to profit or loss:					
Exchange loss on translation of financial statements of foreign operations		(39,643)	(38,396)	(22,955)	(33,168)
Total comprehensive expenses for the period		(38,550)	(26,847)	(26,739)	(6,788)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share					
Basic and diluted	8	0.23	2.42	(0.79)	5.54



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

		(Unaudited) As at 30 June 2023 <i>HK\$'000</i>	(Audited) As at 31 December 2022 <i>HK\$'000</i>
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	233,717	249,471
Intangible asset		7,595	8,952
Prepaid expenses		10,991	12,323
Right-of-use assets	9	165,713	181,391
Goodwill		6,124	6,315
Financial asset at fair value through other comprehensive income	10	7,968	8,218
Deposits for acquisition of property, plant and equipment		15,908	13,707
		448,016	480,377
Current assets			
Inventories		130,325	166,050
Trade receivables	11	116,917	135,501
Prepayments, deposits and other receivables	12	764,633	760,617
Tax recoverable		3,308	–
Pledged deposits		85,924	114,609
Cash and bank balances		60,684	80,695
		1,161,791	1,257,472

	Notes	(Unaudited) As at 30 June 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
Current liabilities			
Trade payables	13	42,166	51,686
Lease liabilities		9,048	10,612
Contract liabilities	14	44,557	56,913
Accruals and other payables		47,201	48,592
Bills payables	13	128,800	132,815
Borrowings		471,816	536,442
Tax payable		6,207	5,022
		749,795	842,082
Net current assets		411,996	415,390
Total assets less current liabilities		860,012	895,767
Non-current liabilities			
Borrowings		1,222	2,378
Lease liabilities		103,498	110,720
Deferred tax liabilities		12,043	12,681
		116,763	125,779
Net assets		743,249	769,988
EQUITY			
Share capital		47,630	47,630
Reserves		695,619	722,358
Total equity		743,249	769,988



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium* HK\$'000	Capital reserve* HK\$'000	Statutory reserve* HK\$'000	Other reserve* HK\$'000	Translation reserve* HK\$'000	Fair value reserve - non-recycling* HK\$'000	Retained profits* HK\$'000	Total equity HK\$'000
For the six months ended 30 June 2023 (unaudited)									
At 1 January 2023 (audited)	47,630	29,522	8,623	69,227	(10,735)	(30,311)	298	655,734	769,988
Loss for the period	-	-	-	-	-	-	-	(3,784)	(3,784)
Other comprehensive expenses:									
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(22,955)	-	-	(22,955)
Total comprehensive expenses for the period	-	-	-	-	-	(22,955)	-	(3,784)	(26,739)
Transactions with owners:									
Appropriation to statutory reserve	-	-	-	1,536	-	-	-	(1,536)	-
Total transactions with owners	-	-	-	1,536	-	-	-	(1,536)	-
At 30 June 2023	47,630	29,522	8,623	70,763	(10,735)	(53,266)	298	650,414	743,249

	Attributable to owners of the Company								
	Share capital	Share premium*	Capital reserve*	Statutory reserve*	Other reserve*	Translation reserve*	Fair value reserve – non-recycling*	Retained profits*	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2022 (unaudited)									
At 1 January 2022 (audited)	47,630	29,522	8,623	65,064	(10,735)	37,405	4,510	633,793	815,812
Profit for the period	-	-	-	-	-	-	-	26,380	26,380
Other comprehensive expenses:									
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(33,168)	-	-	(33,168)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(33,168)	-	26,380	(6,788)
Transactions with owners:									
Appropriation to statutory reserve	-	-	-	3,228	-	-	-	(3,228)	-
Total transactions with owners	-	-	-	3,228	-	-	-	(3,228)	-
At 30 June 2022	47,630	29,522	8,623	68,292	(10,735)	4,237	4,510	656,945	809,024

* These equity accounts comprise the reserves of HK\$695,619,000 (31 December 2022: HK\$722,358,000) in the condensed consolidated statement of financial position as at 30 June 2023.

The notes on pages 9 to 39 are an integral part of these condensed consolidated interim financial information.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2023

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net cash from operating activities	27,048	57,434
Cash flows from investing activities		
Purchase of property, plant and equipment and right-of-use assets	(12,265)	(41,269)
Proceeds from disposal of property, plant and equipment and right-of-use assets	6,794	14,532
Decrease in pledged deposits	25,247	7,350
Deposits for acquisition of property, plant and equipment	(2,201)	–
Net cash from/(used in) investing activities	17,575	(19,387)
Cash flows from financing activities		
New borrowings raised	432,842	494,726
Repayment of borrowings	(482,459)	(541,303)
Payment of lease liabilities	(12,524)	(6,856)
Net cash used in financing activities	(62,141)	(53,433)
Net decrease in cash and cash equivalents	(17,518)	(15,386)
Translation adjustments	(2,493)	14,182
Cash and cash equivalents at the beginning of the period	80,695	102,804
Cash and cash equivalents at the end of the period, represented by cash and bank balances	60,684	101,600

NOTES TO THE INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

1. GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

G.A. Holdings Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 5 July 2001. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 1007, Tower I, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong. The Company’s shares are listed on GEM of The Stock Exchange.

The Company and its subsidiaries (collectively, the “Group”) 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.

The unaudited condensed consolidated interim financial statements (the “Interim Financial Information”) for the six months ended 30 June 2023 are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The Interim Financial Information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules.

The Interim Financial Information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). Except as described in note 2, the basis of preparation and accounting policies adopted in preparing the Interim Financial Information are consistent with those adopted in the preparation of the Group’s audited annual financial statements for the year ended 31 December 2022.



2. ADOPTION OF AMENDED HKFRSs

(a) Amended HKFRSs adopted as at 1 January 2023

In the current period, the Group has applied for the first time the amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's Interim Financial Information for the annual period beginning on 1 January 2023.

HKFRS 17	Insurance Contracts with related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. ADOPTION OF AMENDED HKFRSs (Continued)

(b) **Issued but not yet effective HKFRSs**

At the date of authorisation of the Interim Financial Information, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹

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

² 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 Interim Financial Information.



2. ADOPTION OF AMENDED HKFRSs (Continued)

(b) Issued but not yet effective HKFRSs (Continued)

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 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 “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.

2. ADOPTION OF AMENDED HKFRSs (Continued)

(b) Issued but not yet effective HKFRSs (Continued)

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”) (Continued)

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 arrangement 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 period 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 Group’s Interim Financial Information.



3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group recognised revenue by category as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Sales of motor vehicles	336,338	379,648	709,707	831,856
Servicing of motor vehicles and sales of auto parts	140,300	128,719	293,230	279,145
Technical service fee income	2,194	2,095	4,362	4,646
Car rental income	5,510	5,512	11,087	11,553
	484,342	515,974	1,018,386	1,127,200

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

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:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Types of goods and services				
Sales of motor vehicles	336,338	379,648	709,707	831,856
Servicing of motor vehicles and sales of auto parts	140,300	128,719	293,230	279,145
Technical service	2,194	2,095	4,362	4,646
Car rental service	5,510	5,512	11,087	11,553
Total	484,342	515,974	1,018,386	1,127,200
Timing of revenue recognition				
At a point in time	478,832	510,462	1,007,299	1,115,647
Over-time	5,510	5,512	11,087	11,553
Total	484,342	515,974	1,018,386	1,127,200
Geographical markets				
China (Mainland)	478,832	510,462	1,007,299	1,115,647
China (Hong Kong)	5,510	5,512	11,087	11,553
Total	484,342	515,974	1,018,386	1,127,200
Type of customers				
Corporate	81,717	87,535	189,499	201,879
Individuals	402,625	428,439	828,887	925,321
Total	484,342	515,974	1,018,386	1,127,200



3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

The Group recognised other income by category as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income				
Bank interest income	100	443	1,279	830
Commission income	505	119	687	1,006
Consultant service income	18,766	7,113	34,373	15,255
Government grants	8	250	399	807
Financial guarantee income	1,262	595	2,564	1,217
Net gain on disposal of property, plant and equipment	1,142	3,180	2,029	5,381
Sundry income	1,443	2,772	2,839	3,412
	23,226	14,472	44,170	27,908

Segment information

The Group has identified the following reportable segments for the period:

- Motor vehicles 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 vehicles related business, which includes operations of motor vehicles 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 operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

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

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	(Unaudited)		
	Six months ended 30 June 2023		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
	<u>1,007,299</u>	<u>11,087</u>	<u>1,018,386</u>
Reportable segment revenue	1,007,299	11,087	1,018,386
Reportable segment profit	2,953	1,056	4,009
Other Information			
Depreciation and amortisation of non-current assets	(22,855)	(5,485)	(28,340)
Net (loss)/gain on disposal of property, plant and equipment and right-of-use assets	(43)	2,072	2,029
Addition to non-current assets (other than financial instruments) during the period	10,968	3,914	14,882



3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	(Unaudited)		
	Six months ended 30 June 2022		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	1,115,647	11,553	1,127,200
Reportable segment profit	36,002	1,685	37,687
Other Information			
Depreciation and amortisation of non-current assets	(22,321)	(7,565)	(29,886)
Net gain on disposal of property, plant and equipment and right-of-use assets	2,255	3,126	5,381
Reversal of ECL allowance on trade receivables	2,532	–	2,532
Reversal of ECL allowance on other receivables	656	–	656
Addition to non-current assets (other than financial instruments) during the period	59,746	7,918	67,664

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(b) Segment assets and liabilities

	(Unaudited)		
	As at 30 June 2023		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,419,450	29,962	1,449,412
Reportable segment liabilities	786,923	12,428	799,351

	(Audited)		
	As at 31 December 2022		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,499,704	32,725	1,532,429
Reportable segment liabilities	886,131	13,905	900,036



3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(c) *Reconciliation of segment information to the Group's key financial figures as presented in the Interim Financial Information*

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue	1,018,386	1,127,200
Reportable segment profit	4,009	37,687
Unallocated corporate income	5,128	6,817
Unallocated corporate expenses		
Depreciation and amortisation of non-current assets	(304)	(304)
Employee benefit expenses	(3,732)	(4,074)
Others	(1,764)	(1,225)
Unallocated finance costs	(1,711)	(743)
Profit before income tax	1,626	38,158

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(c) *Reconciliation of segment information to the Group's key financial figures as presented in the Interim Financial Information (Continued)*

	(Unaudited) As at 30 June 2023 <i>HK\$'000</i>	(Audited) As at 31 December 2022 <i>HK\$'000</i>
Reportable segment assets	1,449,412	1,532,429
Non-current corporate assets <i>(note (i))</i>	9,438	9,384
Current corporate assets <i>(note (ii))</i>	150,957	196,036
Consolidated total assets	1,609,807	1,737,849
Reportable segment liabilities	799,351	900,036
Non-current corporate liabilities <i>(note (iii))</i>	12,701	13,293
Current corporate liabilities <i>(note (iv))</i>	54,506	54,532
Consolidated total liabilities	866,558	967,861



3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

(c) Reconciliation of segment information to the Group's key financial figures as presented in the Interim Financial Information (Continued)

Notes:

- (i) Non-current corporate assets mainly include certain property, plant and equipment and financial asset at fair value through other comprehensive income 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 and tax payables that are not directly attributable to the business activities of the reportable segments or that are managed on group basis.

4. OTHER EXPENSES

	(Unaudited) Three months ended		(Unaudited) Six months ended	
	30 June		30 June	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Advertising and promotion expenses	2,007	2,221	3,516	4,675
Auditor's remuneration	5	5	5	5
Bank charges	734	483	1,742	1,397
Entertainment expenses	1,358	795	2,605	1,730
Insurance expenses	430	484	826	886
IT service fees	513	659	666	821
Legal and professional fees	710	510	1,272	855
Motor vehicle expenses	2,079	1,942	3,962	3,093
Office expenses	1,914	2,479	3,493	4,529
Repairs and maintenance expenses	401	632	811	1,099
Taxes and levies*	2,821	2,652	4,845	5,953
Transportation and travelling expenses	1,180	670	2,197	1,152
Utilities	1,011	1,015	2,023	1,978
Miscellaneous expenses	1,359	847	2,272	1,893
	16,522	15,394	30,235	30,066

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



5. PROFIT BEFORE INCOME TAX

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance costs				
Interest charges on bank and other borrowings	7,064	6,941	16,325	13,708
Finance charges on lease liabilities	1,828	1,851	3,441	3,796
	8,892	8,792	19,766	17,504

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other items				
Lease charges:				
– Short term leases	1,035	1,440	2,505	2,737
– Leases of low value items	46	26	91	30
Depreciation of property, plant and equipment and right-of-use assets	13,516	14,356	27,518	28,986
Net gain on disposals of property, plant and equipment and right-of-use assets	(1,142)	(3,180)	(2,029)	(5,381)
Amortisation of intangible assets	554	615	1,126	1,204
Reversal of ECL allowance on trade receivables	–	(2,532)	–	(2,532)
Reversal of ECL allowance on other receivables	–	(656)	–	(656)

6. INCOME TAX EXPENSE

	(Unaudited) Three months ended		(Unaudited) Six months ended	
	30 June		30 June	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Current – the PRC				
– Charge for the period	4,001	5,490	5,799	12,194
Current tax – total	4,001	5,490	5,799	12,194
Deferred tax	(191)	(203)	(389)	(416)
Total income tax expense	3,810	5,287	5,410	11,778

The provision for Hong Kong Profits Tax for the six months ended 30 June 2023 and 2022 is calculated at 16.5% of the estimated assessable profits for the periods. For the six months ended 30 June 2023 and 2022, a subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rate regimes. 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 as the assessable profits for both periods are wholly absorbed by unrelieved tax losses brought forward from previous years.



6. INCOME TAX EXPENSE (Continued)

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 on 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 period based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (six months ended 30 June 2022: 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% (six months ended 30 June 2022: 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% (six months ended 30 June 2022: 5%).

Income tax in respect of operations in Singapore has not been provided for the six months ended 30 June 2023 and 2022 as the Company's Singapore subsidiary has no assessable profits for the periods.

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the three months ended 30 June 2023 is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 June 2023 of approximately HK\$1,093,000 (three months ended 30 June 2022: HK\$11,549,000) and on the weighted average number of 476,300,000 (three months ended 30 June 2022: 476,300,000) ordinary shares in issue during the three months ended 30 June 2023.

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2023 is based on the unaudited loss attributable to the owners of the Company for the six months ended 30 June 2023 of approximately HK\$3,784,000 (six months ended 30 June 2022: unaudited profit attributable to the owners of the Company of approximately HK\$26,380,000) and on the weighted average number of 476,300,000 (six months ended 30 June 2022: 476,300,000) ordinary shares in issue during the six months ended 30 June 2023.

Diluted earnings/(loss) per share for the three months and the six months ended 30 June 2023 and 2022 are the same as the basic earnings/(loss) per share as there was no dilutive potential ordinary share in issue during the respective periods.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment and right-of-use assets with total cost of approximately HK\$14,882,000 (six months ended 30 June 2022: HK\$67,664,000) and disposed of certain items of property, plant and equipment and right-of-use assets with total carrying amount of approximately HK\$4,765,000 (six months ended 30 June 2022: HK\$9,151,000).



10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors consider that the carrying amount of each class of the financial assets and financial liabilities approximate to their fair values.

Financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly and not using significant inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Level 3 HK\$'000
<hr/>	
As at 30 June 2023 (Unaudited)	
Assets	
Financial asset at fair value through other comprehensive income	7,968
<hr/>	
As at 31 December 2022 (Audited)	
Assets	
Financial asset at fair value through other comprehensive income	8,218
<hr/>	

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the Group's unlisted equity investment.

10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Details of the particulars of the financial asset at fair value through other comprehensive income (non-recycling) are as follows:

Name of financial asset	Place of establishment and operation	Particulars of registered capital	Percentage of equity interest directly held by the Group	Principal activities
廈門歐利行汽車銷售服務有限公司 (Xiamen Euro Automobiles Sales and Service Co., Ltd.)	PRC	Renminbi (“RMB”) 80,000,000	9% (31 December 2022: 9%)	Sales of high-end motor vehicles and provision of repair and maintenance services of high-end automobiles

The fair value of financial asset at fair value through other comprehensive income (non-recycling) is determined using discounted cash flow method which requires the directors to estimate the future cash flows expected to arise from the financial asset and a suitable discount rate in order to calculate the present value. The main input used by the Group in measuring the fair value of the unlisted equity investment is derived and evaluated as follows:

- Discount rates of 14.6% (31 December 2022: 14.6%) for financial assets were determined using a capital asset pricing model to calculate a pre-tax rate that reflected current market assessments of the time value of money and the risk specific to the asset.
- A discount for lack of marketability (DLOM) of 15.7% (31 December 2022: 15.7%) is adopted as reference to “2022 Stout Restricted Stock Study Companion Guide” published by Stout Risius Ross, LLC, which its ownership interest is not readily marketable compared to similar interest in public companies.
- Average revenue growth rate of 2.0% (31 December 2022: 2.0%) were estimated reference to the publicly available market benchmark of China’s average inflation rate.



10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

There have been no transfers into or out of Level 3 during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Fair value measurement using significant unobservable inputs (Level 3)

The reconciliation of the carrying amount of the Group's financial instrument classified within Level 3 of the fair value hierarchy is as follows:

	Unlisted equity security (Level 3) <i>HK\$'000</i>
At 1 January 2022 (audited)	13,418
Fair value loss recognised in other comprehensive income	(4,212)
Translation adjustment	(988)
At 31 December 2022 and 1 January 2023 (audited)	8,218
Translation adjustment	(250)
At 30 June 2023 (unaudited)	7,968

11. TRADE RECEIVABLES

The Group requires individual customer to pay cash for any service rendered and goods sold while it generally allows a credit period from 3 to 9 months to its major customers with long business relationship. At the end of the reporting period, the ageing analysis of trade receivables, based on invoice date, is as follows:

	(Unaudited) As at 30 June 2023 <i>HK\$'000</i>	(Audited) As at 31 December 2022 <i>HK\$'000</i>
0 – 90 days	109,162	123,227
91 – 180 days	8,885	12,447
181 – 365 days	1,411	2,011
Over 1 year	170	527
	119,628	138,212
Less: ECL allowance	(2,711)	(2,711)
	116,917	135,501

The movement in the ECL allowance on trade receivables is as follows:

	(Unaudited) As at 30 June 2023 <i>HK\$'000</i>	(Audited) As at 31 December 2022 <i>HK\$'000</i>
Balance at the beginning of the period/year	2,711	5,306
Reversal of ECL allowance during the period/year	–	(2,595)
Balance at the end of the period/year	2,711	2,711



12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
Advances to Zhong Bao Group (<i>note</i>)	667,096	638,179
Rebate receivables	62,142	75,182
Other receivables, prepayments and deposits paid		
– Prepayments for acquisition of inventories	14,469	29,521
– Others prepaid expenses	3,794	5,827
– Others	27,043	21,819
	774,544	770,528
Less: ECL allowance	(9,911)	(9,911)
	764,633	760,617

The movement in the ECL allowance on other receivables is as follows:–

	(Unaudited) As at 30 June 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
Balance at the beginning of the period/year	9,911	10,706
Reversal of ECL allowance during the period/year	–	(795)
Balance at the end of the period/year	9,911	9,911

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Note:

The Group has maintained long term business relationship with Xiamen Zhong Bao Automobiles Co., Limited (“Xiamen Zhong Bao”) and its related companies (collectively, “Zhong Bao Group”).

Pursuant to technical and management service agreements entered into between the Group and Zhong Bao Group, the Group would provide technical expertise, management service and financial assistance to Zhong Bao Group including making advances for the operations of the distribution of locally manufactured BMW motor vehicles in the PRC by Zhong Bao Group. The technical fee charged by the Group is based on agreed terms with reference to the monthly actual sales quantity of specified car models of Zhong Bao Group.

Other than the above, the Group sells motor vehicles, auto parts and provides motor vehicles services to the customers of Zhong Bao Group. Total receivables arising from the above transactions including advances made to Zhong Bao Group and trade receivables from Zhong Bao Group outstanding as at 30 June 2023 amounted to HK\$758,725,000 (31 December 2022: HK\$750,888,000), which is after netting off the trade and other payables balances due by the Group to Zhong Bao Group. The amount is interest-free and repayable on demand.

On 14 January 2022, the Group entered into an agreement (“Agreement”) with Zhong Bao Group, pursuant to which Zhong Bao Group agreed to pledge their motor vehicles inventories to the Group together with a personal guarantee provided by Zhong Bao’s shareholder until full settlement of all the outstanding amount due by Zhong Bao Group. As at 30 June 2023, the market value of the pledged assets amounted to approximately HK\$341,586,000 (31 December 2022: HK\$380,396,000) which provide safeguard for the balances due by Zhong Bao Group. The directors of the Company consider that the market value of the pledged assets and personal guarantee provided by Zhong Bao’s shareholder under the Agreement provide safeguard for the advances to Zhong Bao Group. The collateral remains effective as long as there are outstanding balances due by Zhong Bao Group.



12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Note: (Continued)

The Group individually assesses ECL under HKFRS 9 on trade receivables and advances due from Zhong Bao Group based on historical settlement records and past experience and current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

In view of the satisfactory settlement record in the past and the collateral in place as mentioned above, the directors are of the opinion that the credit risk of total receivables due from Zhong Bao Group are low. During the six months ended 30 June 2022, reversal of ECL allowance on trade receivables and advance due from Zhong Bao Group of HK\$2,532,000 and HK\$656,000 respectively (six months ended 30 June 2023: nil).

13. TRADE AND BILLS PAYABLES

	(Unaudited) As at 30 June 2023 <i>HK\$'000</i>	(Audited) As at 31 December 2022 <i>HK\$'000</i>
Trade payables	42,166	51,686
Bills payables	128,800	132,815
	170,966	184,501

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

	(Unaudited) As at 30 June 2023 <i>HK\$'000</i>	(Audited) As at 31 December 2022 <i>HK\$'000</i>
0 – 30 days	42,320	90,639
31 – 180 days	117,594	92,024
181 – 365 days	9,281	47
1 – 2 years	28	55
Over 2 years	1,743	1,736
	170,966	184,501



14. CONTRACT LIABILITIES

	(Unaudited) As at 30 June 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
Contract liabilities arising from deposits received from sales of motor vehicles	23,876	26,937
Contract liabilities arising from deposits received from servicing of motor vehicles and sales of auto parts	20,681	29,976
	44,557	56,913

15. COMMITMENTS

15.1 Lease commitments as lessee

At the reporting date, the lease commitments for short-term leases and low-value assets are as follows:

	(Unaudited) As at 30 June 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
Within one year	6	27
After one year but within five years	-	-
	6	27

15.2 Capital commitment

	(Unaudited) As at 30 June 2023 HK\$'000	(Audited) As at 31 December 2022 HK\$'000
Contracted but not provided for acquisition of property, plant and equipment	11,821	-

16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had given guarantees as follows:

	(Unaudited) As at 30 June 2023 <i>HK\$'000</i>	(Audited) As at 31 December 2022 <i>HK\$'000</i>
Guarantees for banking facilities provided to Zhong Bao Group	142,786	158,450

17. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 12 and 16, the Group had generated income from sales of motor vehicles and auto parts and car servicing of HK\$86,061,000 (six months ended 30 June 2022: HK\$67,148,000), earned technical fee income of HK\$4,362,000 (six months ended 30 June 2022: HK\$4,646,000), earned financial guarantee income of HK\$797,000 (six months ended 30 June 2022: HK\$852,000) and generated operating lease income of HK\$74,000 (six months ended 30 June 2022: HK\$80,000) from Zhong Bao Group during the six months ended 30 June 2023.

The Group purchased motor vehicles and auto parts and car servicing of HK\$46,097,000 (six months ended 30 June 2022: HK\$36,045,000) from Zhong Bao Group and was charged rental of HK\$2,252,000 (six months ended 30 June 2022: HK\$2,528,000) by Zhong Bao Group during the six months ended 30 June 2023.



18. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the Interim Financial Information, during the period, the Group had the following transactions with related parties:

18.1 Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Key management personnel compensation		
Short term employee benefits	4,181	4,875
Post-employment benefits	62	68
	4,243	4,943

18.2 Guarantee provided by a related party

As at 30 June 2023, certain borrowings of approximately HK\$452,668,000 (31 December 2022: HK\$428,861,000) were guaranteed by Loh Nee Peng, a substantial shareholder of the Company.

19. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2023, the Group entered into lease arrangements in respect of the acquisition of right-of-use assets with a total capital value at the inception of the leases of HK\$330,000 (six months ended 30 June 2022: HK\$9,336,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Due to the intensifying price competition among various automobiles brands in China, the Group recorded lower revenue, gross operating profit and margin and suffered from a net loss for the six months ended 30 June 2023.

FINANCIAL REVIEW

Revenue

The unaudited consolidated revenue for the six months ended 30 June 2023 decreased by 9.7% from HK\$1,127,200,000 for the six months ended 30 June 2022 to HK\$1,018,386,000 for the six months ended 30 June 2023.

1. Sales of motor vehicles

Revenue generated from the sales of motor vehicles decreased by 14.7% from HK\$831,856,000 for the six months ended 30 June 2022 to HK\$709,707,000 for the six months ended 30 June 2023 mainly due the intensifying price competition.

2. Servicing of motor vehicles and sales of auto parts

Revenue generated from servicing of motor vehicles and sales of auto parts increased by 5.0% from HK\$279,145,000 for the six months ended 30 June 2022 to HK\$293,230,000 for the six months ended 30 June 2023 as the consumer economy in the PRC showed signs of resurgence after lifting of the zero-COVID restriction.



3. 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 six ended 30 June 2023 was HK\$4,362,000, decreased by 6.1% as compared to HK\$4,646,000 for the corresponding period in 2022 since the number of PRC locally assembled BMW sold by Xiamen Zhong Bao decreased.

4. Car rental business

The income from car rental business in Hong Kong for the six months ended 30 June 2023 was HK\$11,087,000, representing a decrease of 4.0% compared to the corresponding period in 2022. This was mainly due to decrease in long-term leasing customers amidst general business uncertainties since the beginning of the COVID-19 epidemic.

Gross Operating Profit and Gross Operating Margin

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

The gross operating profit for the six months ended 30 June 2023 decreased by 32.8% to HK\$106,054,000, as compared to HK\$157,812,000 in the corresponding period in 2022. The decrease was mainly due to the decrease in revenue during the six months ended 30 June 2023 as more discounts on car sales were offered to customers ahead of facelifting of several models and intensifying price competition in the automobiles markets in China.

The gross operating margin decreased from 14.0% for the six months ended 30 June 2022 to 10.4% for the six months ended 30 June 2023. The decrease in gross operating margin during the period was mainly due to more discounts on car sales were offered to customers ahead of facelifting of several models and intensifying price competition in the automobiles markets in China.

Other Income

Other income increased from HK\$27,908,000 in the corresponding period in 2022 to HK\$44,170,000 for the six months ended 30 June 2023 mainly due to the increase in consultancy service income during the period.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK\$65,898,000 for the six months ended 30 June 2023, representing a 2.8% decrease as compared to HK\$67,816,000 in the corresponding period in 2022. The decrease was mainly due to lower staff commission which correlates to the decrease in revenue and gross operating profit during the period.

Depreciation and amortisation

Depreciation and amortisation expenses decreased by 5.1% from HK\$30,190,000 for the six months ended 30 June 2022 to HK\$28,644,000 for the six months ended 30 June 2023.

Foreign Exchange Exposure

During the six months ended 30 June 2023, the Group recorded exchange loss of HK\$1,459,000 (2022: HK\$2,407,000), which was mainly resulted from the translation of receivables or payables denominated in foreign currencies other than the functional currency of the Group.

Other Expenses

For the six months ended 30 June 2023, other expenses were HK\$30,235,000, a slight increase by 0.6% compared to HK\$30,066,000 in the corresponding period in 2022.



Finance Costs

Finance costs increased from HK\$17,504,000 for the six months ended 30 June 2022 to HK\$19,766,000 for the six months ended 30 June 2023 mainly due to increase in general interest rates.

(Loss)/Profit Attributable to Owners of the Company

The loss attributable to owners of the Company for the six months ended 30 June 2023 was HK\$3,784,000 compared to a profit of HK\$26,380,000 for the six months ended 30 June 2022. The loss was a result of intensifying price competition among various automobiles brands in China.

Financial Resources and Liquidity

As at 30 June 2023, shareholders' fund of the Group amounted to HK\$743,249,000 (31 December 2022: HK\$769,988,000); current assets amounted to HK\$1,161,791,000 (31 December 2022: HK\$1,257,472,000) of which, HK\$146,608,000 (31 December 2022: HK\$195,304,000) was cash and bank balances and pledged deposits. Current liabilities of the Group amounted to HK\$749,795,000 (31 December 2022: HK\$842,082,000), were mainly trade payables, contract liabilities, borrowings, bills payables, accruals and other payables and current portion of lease liabilities. The Group had non-current liabilities amounted to HK\$116,763,000 (31 December 2022: HK\$125,779,000) which were mainly the non-current portion of borrowings, lease liabilities and deferred tax liabilities. The net asset value per share as at 30 June 2023 was HK\$1.56 (31 December 2022: HK\$1.62).

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) less cash and bank balances (net debt), divided by total equity plus net debt. As at 30 June 2023, the gearing ratio of the Group was 0.47 (31 December 2022: 0.48).

Charges On Group's Assets

As at 30 June 2023, fixed deposits of HK\$76,056,000 (31 December 2022: HK\$105,186,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK\$9,868,000 (31 December 2022: HK\$9,423,000) were pledged to banks as security in favor of one of our suppliers.

As at 30 June 2023, certain motor vehicles and plant and machinery with net carrying amount of approximately HK\$16,697,000 (31 December 2022: HK\$16,798,000) was pledged as collateral for the other borrowings of the Group.

As at 30 June 2023, building with net carrying amount of approximately HK\$18,617,000 (31 December 2022: HK\$20,265,000) was pledged as collateral for the bank borrowings of the Group.

As at 30 June 2023, certain motor vehicles included in right-of-use assets with net carrying amount of approximately HK\$2,664,000 (31 December 2022: HK\$4,457,000) was pledged as collateral for the lease liabilities of the Group.

As at 30 June 2023, leasehold land included in right-of-use assets with net carrying amounts of approximately HK\$64,244,000 and HK\$2,351,000 (31 December 2022: HK\$67,575,000 and HK\$2,454,000) were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao respectively.

Contingent Liabilities

As at 30 June 2023, the Group provided bank guarantees with aggregate principal amounts of approximately HK\$142,786,000 (31 December 2022: HK\$158,450,000) in respect of banking facilities to Zhong Bao Group.

Employee Information

As at 30 June 2023, the total number of employees of the Group was 752 (31 December 2022: 799). The decrease in the workforce was mainly due to cost control imposed by 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.



Retirement Benefits

During the six months ended 30 June 2023, the Group's aggregate amount of employer's contribution under the Central Provident Fund in Singapore and the Mandatory Provident Fund in Hong Kong and the Central Pension Scheme in the PRC amounted to approximately HK\$6,414,000 (six months ended 30 June 2022: HK\$6,165,000).

Capital Structure of the Group in Debt Securities

During the six months ended 30 June 2023 and the corresponding period in 2022, the Group has no debt securities in issue.

Capital Expenditure and Capital Commitment

During the six months ended 30 June 2023, the Group incurred capital expenditure of approximately HK\$14,882,000 (six months ended 30 June 2022: HK\$67,664,000) on acquisition of property, plant and equipment and right-of-use assets.

As at 30 June 2023, the Group's has commitment contracted but not provided for the acquisition of property, plant and equipment amounted to HK\$11,821,000 (31 December 2022: nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Event after the Reporting Period

Subsequent to 30 June 2023 and up to the date of this report, there was no material event relevant to the business or financial performance of the Group that comes into the attention of the Directors.

PROSPECTS

While the consumer economy in China showed signs of resurgence after lifting of the zero-COVID restrictions, the intensifying price war in the automobiles market continues. We expect that short term revenue and profitability will be adversely affected. The Group will continue to exercise vigilant cost control and drive productivity as well as uphold our high quality of service to our customers. The Group would also leverage on long-term good relationships with leading automobile suppliers of premium brands to capture new opportunities for growth.

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

As at 30 June 2023, the interests or short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are notified to the Company and the Stock Exchange pursuant to SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.48 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares of the Company

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Ma Hang Kon, Louis	Personal interest	500,000	0.10%
Zhang Xi	Personal interest	500,000	0.10%

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company or their respective associates, had any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.



INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, the persons or corporations (other than Directors or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh Nee Peng	Beneficial owner and interest of a controlled corporations (<i>Note 1</i>)	107,780,320	22.63%
Loh & Loh Construction Group Ltd.	Beneficial owner (<i>Note 1</i>)	45,284,000	9.51%
Big Reap Investment Limited	Beneficial owner (<i>Note 1</i>)	32,676,320	6.86%
Galligan Holdings Limited	Beneficial owner (<i>Note 2</i>)	39,700,000	8.34%
Butterfield Trust (Asia) Limited	Trustee (<i>Note 2</i>)	39,700,000	8.34%

Notes:

- The 107,780,320 shares are held as to 32,676,320 shares by Big Reap Investment Limited, 45,284,000 shares by Loh & Loh Construction Group Ltd as well as 29,820,000 shares held directly by Mr. Loh Nee Peng. Big Reap Investment Limited is interested as to 100% by Mr. Loh Nee Peng and Loh & Loh Construction Group Ltd. is interested as to 64% by Mr. Loh Nee Peng. By virtue of Part XV of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.
- The 39,700,000 shares are held by Galligan Holdings Limited which is interested as to 100% indirectly held by Butterfield Trust (Asia) Limited. By virtue of Part XV of the SFO, Butterfield Trust (Asia) Limited is deemed to be interested in the shares held by Galligan Holdings Limited.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other person or corporation who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who was expected to be interested in 5% or more of the nominal value of any class of share capital or carrying rights to vote in all circumstances at general meetings of the Company.

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

None of the Directors or chief executives of the Company 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

During the six months ended 30 June 2023, none of the Directors or the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

The Company 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.

During the six months ended 30 June 2023, no option has been granted under the Share Option Scheme.



ADVANCES TO ENTITIES

As defined in Rule 17.14 of the GEM Listing Rules, “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 Rule 17.16 of the GEM Listing Rules, a disclosure obligation arises where the increment of 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 30 June 2023, the Company’s consolidated total assets were approximately HK\$1,609,807,000.

	(Unaudited)		(Unaudited)	
	As at		As at	Increment as
	30 June	Assets	31 March	compared to
	2023	Ratio	2023	Assets Ratio
	<i>HK\$’000</i>	(%)	<i>HK\$’000</i>	(%)
Guarantees to Zhong Bao Group <i>(note)</i>	142,786	8.9	161,707	N/A

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”).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2023, 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 Directors' securities transactions.

CORPORATE GOVERNANCE

The Board also considers that the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the GEM Listing Rules throughout the period. Application of corporate governance policies are consistent with those adopted by the Group in the preparation of the annual consolidated financial statements for the year ended 31 December 2022.

AUDIT COMMITTEE

Pursuant to Rule 5.28 to 5.33 of the GEM Listing Rules and Code Provision C.3.3., the Company's Audit Committee was formed on 5 June 2002 and is currently composed of, namely, Mr. Zhou Ming, Ms. Guan Xin and Mr. Lin Ju Zheng. 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; and (b) to review and supervise the financial reporting, risk management and internal control procedures 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.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have been reviewed by the Audit Committee and were approved by the Board on 10 August 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 securities during the six months ended 30 June 2023.

DIRECTORS OF THE COMPANY

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

By Order of the Board
G.A. Holdings Limited
Yuen Kin Pheng
Chairman

Hong Kong, 10 August 2023

* *For identification purpose only*