



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)

First Quarterly Report 2017





CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This 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 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 report is accurate and complete in all material respects and not misleading or deceptive, and that 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 (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2017 together with the comparative figures for the three months ended 31 March 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	Notes	(Unaudited) Three months ended 31 March	
		2017 HK\$'000	2016 HK\$'000 (Restated)
Revenue	2	490,222	124,164
Other income	2	13,450	4,228
		503,672	128,392
Changes in inventories Auto parts and accessories, and motor vehicles purchased		15,700 (421,331)	(12,914) (70,078)
Employee benefit expenses		(35,157)	(12,356)
Depreciation and amortisation		(10,679)	(6,211)
Operating lease charges		(4,025)	(4,529)
Exchange differences, net		247	151
Other expenses		(16,278)	(15,110)
Profit from operations		32,149	7,345
Finance costs		(5,949)	(1,457)
Profit before income tax		26,200	5,888
Income tax expense	3	(7,019)	(3,145)
Profit for the period		19,181	2,743
Other comprehensive income Item that may be reclassified subsequently to profit or loss: Exchange differences arising from translation of foreign operations		3,569	2,273
Total comprehensive income for the period		22,750	5,016



(Unaudited)
Three months ended
31 March

	Note	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit/(Loss) for the period attributable to:			
Owners of the Company		17,877	4,710
Non-controlling interests		1,304	(1,967)
		19,181	2,743
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		21,378	6,934
Non-controlling interests		1,372	(1,918)
		22,750	5,016
Earnings per share			
Basic and diluted	4	<i>HK cents</i> 3.75	<i>HK cents</i> 0.99

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2017 and 2016

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 1 January 2016	47,630	29,522	8,623	22,064	(646)	416,070	523,263	12,362	535,625
Profit/(Loss) for the period	-	-	-	-	-	4,710	4,710	(1,967)	2,743
Other comprehensive income									
Translation differences	-	-	-	-	2,224	-	2,224	49	2,273
Total comprehensive income/(expense) for the period	-	-	-	-	2,224	4,710	6,934	(1,918)	5,016
As at 31 March 2016	47,630	29,522	8,623	22,064	1,578	420,780	530,197	10,444	540,641
As at 1 January 2017	47,630	29,522	8,623	26,670	(30,752)	459,363	541,056	10,582	551,638
Profit for the period	-	-	-	-	-	17,877	17,877	1,304	19,181
Other comprehensive income									
Translation differences	-	-	-	-	3,501	-	3,501	68	3,569
Total comprehensive income for the period	-	-	-	-	3,501	17,877	21,378	1,372	22,750
As at 31 March 2017	47,630	29,522	8,623	26,670	(27,251)	477,240	562,434	11,954	574,388



Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is an investment holding company. The Group is 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.

These unaudited condensed consolidated financial statements were authorised for issue by the Board on 9 May 2017.

(a) Statement of compliance

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the unaudited condensed consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In preparing the unaudited condensed consolidated financial statements, management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group’s accounting policies, the key sources of estimation uncertainty, and, except for described below, the accounting policies adopted for the preparation of these unaudited condensed consolidated financial statements of the Group are consistent with those applied to the consolidated financial statements as at and for the year ended 31 December 2016.

(b) Adoption of new or revised HKFRSs

The Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2017.

The adoption of these new and revised HKFRSs has no material impact on the Group’s unaudited condensed consolidated financial statements.

The Group has not early adopted those new or revised HKFRSs that have been issued by HKICPA but are not yet effective.

(c) Functional and presentation currency

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

2. REVENUE AND OTHER INCOME

The Group recognised revenue by category as follows:

	(Unaudited)	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
		(Restated)
Revenue		
Sales of motor vehicles	356,528	36,924
Servicing of motor vehicles and sales of auto parts	125,971	76,054
Technical fee income	1,512	4,488
Car rental income	6,211	6,698
	490,222	124,164

	(Unaudited)	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
		(Restated)
Other income		
Bank interest income	517	429
Consultant service income	3,364	266
Financial guarantee income	1,295	213
Commission income	6,378	2,525
Gain on disposal of property, plant and equipment	816	42
Sundry income	1,080	753
	13,450	4,228

3. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the People's Republic of China (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% (2016: 25%).

The income tax provision in respect of operations in Singapore is calculated at the rate of 17% (2016: 17%) on the estimated assessable profits for the period.

The Group has no material unprovided deferred taxation for the period (2016: Nil).

	(Unaudited)	
	Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Current tax – Hong Kong		
Charge for the period	–	(307)
Current tax – Overseas		
Charge for the period	(7,019)	(2,838)
Total income tax expense	(7,019)	(3,145)

4. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit attributable to owners of the Company for the three months ended 31 March 2017 of HK\$17,877,000 (2016: HK\$4,710,000) and on the weighted average number of 476,300,000 (2016: 476,300,000) ordinary shares in issue during the period.

Diluted earnings per share for the three months ended 31 March 2017 and 2016 are the same as the basic earnings per share as there was no dilutive potential ordinary shares during the relevant period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Following the completion of the acquisitions of three automobile dealer shops at the end of 2016 (the “Acquisitions”), during the first three months in 2017, the Group recorded sharp increase in total revenue even though both technical fee income and car rental income declined compared to the corresponding period in 2016.

During the period ended 31 March 2017, the Group recorded total comprehensive income of HK\$22,750,000 as compared to HK\$5,016,000 in the corresponding period in 2016. The increase in total comprehensive income was mainly resulted from i) the profit contribution from the subsidiaries newly acquired in late 2016; ii) the continuous improvement in financial performance of our ultra-luxury dealer shop and service centres.

1. Sales of motor vehicles

For the three months ended 31 March 2017, sales of motor vehicles increased by 8.7 times to HK\$356,528,000 from HK\$36,924,000 in the corresponding period in 2016. The increase was driven by the three automobile dealer shops for premium automobile brands and the continuous improved customer awareness of our 4S store for ultra-luxury brands in Fuzhou.

2. Servicing of motor vehicles and sales of auto parts

Revenue generated from servicing of motor vehicles and sales of auto parts increased by 65.6% to HK\$125,971,000 compared to the corresponding period in 2016. The increase was driven by the three automobile dealer shops for premium automobile brands and the increase in demand for maintenance and repair services and related sales of auto parts.

3. Technical fee income

The Group received technical fee income from Xiamen Zhong Bao Automobiles Co., Ltd.* (“Xiamen Zhong Bao”) and certain of its subsidiaries and related companies, collectively (the “Zhong Bao Group”) for providing management consulting and technical assistance in relation to the PRC locally assembled BMW motor vehicles sold by the Zhong Bao Group.

After the Acquisitions, the Group gradually shifts its focus to sales and servicing of motor vehicles and sales of auto parts, technical fee income for the three months ended 31 March 2017, therefore, dropped to HK\$1,512,000, a decrease of 66.3% compared to the corresponding period in 2016.

4. Car rental business

The income from car rental business in Hong Kong for three months ended 31 March 2017 was HK\$6,211,000, representing a decrease of 7.3% compared to the corresponding period in 2016. This was mainly due to the decrease in the number of long-term rental orders.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2016, the management of the Company reviewed the reporting structures for performance assessment and resources allocation of the Group in both Hong Kong and the PRC and determined that the Group has two operating segments: i) sale of motor vehicles and auto parts and the provision of car-related services; and ii) car rental and related services. Accordingly, the car rental income for the three months ended 31 March 2016 has been reclassified from other income to revenue in the comparatives of the condensed consolidated statement of profit or loss and other comprehensive income.

The unaudited consolidated revenue for the three months ended 31 March 2017 increased sharply by 294.8%, to HK\$490,222,000 in the current period from HK\$124,164,000 (restated) in the corresponding period in 2016. The increase was the net result of the contribution from three subsidiaries newly acquired in late 2016, the growth in sales of ultra-luxury motor vehicles and the decreases in technical fee income and car rental income.

Gross operating profit

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 three months ended 31 March 2017 doubled to HK\$84,591,000, as compared to HK\$41,172,000 in the corresponding period in 2016.

The gross operating margin in the current period was 17.3%, as compared to 33.2% for the three months ended 31 March 2016. The decrease in gross operating margin was mainly attributable to the increased share of sales contribution from sales of motor vehicles, which yields relatively lower profit.

Other income

Other income increased from HK\$4,228,000 in the corresponding period in 2016 to HK\$13,450,000 in 2017 mainly due to the contributions from the newly acquired subsidiaries.

Employee benefit expenses

The Group recorded employee benefit expenses of HK\$35,157,000 for the three months ended 31 March 2017, representing a 184.5% increase as compared to HK\$12,356,000 in the corresponding period in 2016. This was mainly driven by the newly acquired subsidiaries and increased commission paid to salesmen in line with increased sales.

Operating lease charges

The operating lease charges for the three months ended 31 March 2017 decreased by 11.1% from HK\$4,529,000 in the corresponding period in 2016 to HK\$4,025,000 in 2017. This was mainly attributable to the removal of a showroom from downtown to uptown of Fuzhou since the first half year of 2016, which lowered the monthly rental expense.

Foreign exchange exposure

During the three months ended 31 March 2017, the exchange gain was HK\$247,000 (2016: HK\$151,000), which resulted from the translation of trade receivables, and inter-company balances mainly from Renminbi (“RMB”) to Hong Kong dollars, as the Group’s main operation was conducted in RMB.

Other expenses

For the three months ended 31 March 2017, other expenses were HK\$16,278,000, representing an increase of 7.7% compared to HK\$15,110,000 in the corresponding period in 2016. The increase was the net result of the expenses contributed from the newly acquired subsidiaries and a decrease in repair and maintenance fee.

Profit attributable to owners of the company

The profit attributable to owners of the Company for the three months ended 31 March 2017 was HK\$17,877,000 while HK\$4,710,000 was recorded in the corresponding period in 2016. The increase was mainly due to the contributions from the three newly acquired subsidiaries, the growth of business in our 4S store for ultra-luxury brands in Fuzhou and better cost control on servicing of motor vehicles and sales of auto parts during the current period.



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

PROSPECTS

As the largest automobile market in the world, China continues to offer various opportunities. There is still a huge growth potential for the market given relatively lower vehicle parc density compared to Americas. The market also continues to mature with increasing competition and more sophisticated customers. The growing middle class in China which is the target customer segment of the Group, continues to favour high-end and luxury brands in their choice of cars. Sales is expected to improve year-on-year with expanding product portfolio offered by the manufacturers covering a wider price range to cater for consumer needs.

With the successful acquisitions completed in late 2016, the Group has attained stronger financial positions and increased earnings. The geographical expansion of business in the province of Fujian puts the Company in the leading position relative to our automotive competitors. The Group has been diligent in the integration of new dealer shops to the Group's businesses. The integration has been smooth and we continue to realise potential synergetic effects which will be accretive to the earnings of the Company. The acquisitions increased the Group's car sales business and provide a platform for growing our after-sales and value-added services that contributes higher profit margin to the Group.

Looking forward, the Company will continue to build on its solid foundation, with focus on high-end and luxury brands of automobiles and quality services from car sales to all facets of after-sales services.

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

As at 31 March 2017, 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

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Ma Hang Kon, Louis	Personal interest	500,000	0.10%
Xue Guo Qiang	Personal interest	13,292,000	2.79%
Zhang Xi	Personal interest	500,000	0.10%

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company or their respective associates, had any interests or short positions 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 Rules 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 SHAREHOLDERS

As at 31 March 2017, 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 corporation (<i>Note 1</i>)	82,344,320	17.29%
Chan Hing Ka Anthony	Interest of a controlled corporation (<i>Note 2</i>)	66,895,085	14.04%
Tycoons Investment International Limited	Beneficial owner (<i>Note 2</i>)	66,895,085	14.04%
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%

Notes:

1. The 82,344,320 shares are held as to 32,676,320 shares by Big Reap Investment Limited, as to 45,284,000 shares by Loh & Loh Construction Group Ltd as well as 4,384,000 shares held directly by Mr. Loh Nee Peng. Big Reap Investment Limited is interested 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.
2. The 66,895,085 shares are held by Tycoons Investment International Limited which is interested as to 100% by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited.

Save as disclosed above, as at 31 March 2017, the Directors were not aware of any other person or corporation who had interests or short positions in the shares of underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

None of the Directors or chief executives or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any rights to subscribe for equity or debt securities of the Company or any body corporate.

COMPETING INTERESTS

During the three months ended 31 March 2017, 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 three months ended 31 March 2017, no option has been granted under the Share Option Scheme.

ADVANCES TO ENTITIES

As defined in 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 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 March 2017, the Company's consolidated total assets were approximately HK\$1,288,362,000.

	(Unaudited) As at 31 March 2017 HK\$'000	Assets Ratio (%)	(Audited) As at 31 December 2016 HK\$'000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao Group (<i>note</i>)	157,640	12.2	156,520	1.2

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2017, 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.

CODE CORPORATE GOVERNANCE PRACTICES

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 2016.

AUDIT COMMITTEE

The Audit Committee was formed on 5 June 2002 and is currently composed of namely, Mr. Zhou Ming, Mr. Yuen Kin Pheng, Mr. Yin Bin and Ms. Guan Xin. Mr. Zhou Ming is the Chairman of the Audit Committee.

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

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been reviewed by the Audit Committee of the Company and were approved by the Board on 9 May 2017.

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 three months ended 31 March 2017.

DIRECTORS OF THE COMPANY

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

By Order of the Board
G.A. Holdings Limited
Luo Wan Ju
Chairman

Hong Kong, 9 May 2017

* *For identification purpose only*