



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)

RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 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 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 the 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 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.

INTERIM RESULTS

The board of directors (the “Board”) of G.A. Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017 (the “Interim Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)
Revenue	2	431,193	119,452	921,415	243,616
Other income	2	<u>12,876</u>	<u>4,915</u>	<u>26,326</u>	<u>9,143</u>
		444,069	124,367	947,741	252,759
Changes in inventories		92,183	(1,370)	107,883	(14,284)
Auto parts and accessories, and motor vehicles purchased		(452,538)	(58,453)	(873,869)	(128,531)
Employee benefit expenses		(26,190)	(19,473)	(61,347)	(31,829)
Depreciation and amortisation		(10,416)	(5,624)	(21,095)	(11,835)
Operating lease charges		(3,926)	(3,879)	(7,951)	(8,408)
Exchange differences, net		1,320	(2,123)	1,567	(1,972)
Other expenses		<u>(22,351)</u>	<u>(18,291)</u>	<u>(38,629)</u>	<u>(33,401)</u>
Profit from operations		22,151	15,154	54,300	22,499
Finance costs	3	<u>(6,975)</u>	<u>(1,222)</u>	<u>(12,924)</u>	<u>(2,679)</u>
Profit before income tax	3	15,176	13,932	41,376	19,820
Income tax expense	4	<u>(5,783)</u>	<u>(6,511)</u>	<u>(12,802)</u>	<u>(9,656)</u>
Profit for the period		<u>9,393</u>	<u>7,421</u>	<u>28,574</u>	<u>10,164</u>
Other comprehensive income/ (expense), item that may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of financial statements of foreign operations		<u>11,688</u>	<u>(11,463)</u>	<u>15,257</u>	<u>(9,190)</u>
Total comprehensive income/(expense) for the period		<u>21,081</u>	<u>(4,042)</u>	<u>43,831</u>	<u>974</u>

		(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 June		30 June	
		2017	2016	2017	2016
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) for the period attributable to:					
Owners of the Company		9,317	8,103	27,194	12,813
Non-controlling interests		<u>76</u>	<u>(682)</u>	<u>1,380</u>	<u>(2,649)</u>
		<u>9,393</u>	<u>7,421</u>	<u>28,574</u>	<u>10,164</u>
Total comprehensive income/(expense) for the period attributable to:					
Owners of the Company		20,730	(3,103)	42,108	3,831
Non-controlling interests		<u>351</u>	<u>(939)</u>	<u>1,723</u>	<u>(2,857)</u>
		<u>21,081</u>	<u>(4,042)</u>	<u>43,831</u>	<u>974</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share					
Basic and diluted	5	<u>1.96</u>	<u>1.70</u>	<u>5.71</u>	<u>2.69</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

		(Unaudited) As at 30 June 2017 HK\$'000	(Audited) As at 31 December 2016 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	6	264,713	267,444
Leasehold land		87,192	85,767
Intangible asset		21,888	22,360
Prepaid rental expenses		15,206	14,987
Goodwill		6,502	6,310
		<u>395,501</u>	<u>396,868</u>
Current assets			
Inventories		310,405	202,522
Trade receivables	7	109,784	228,798
Prepayments, deposits and other receivables	8	259,267	409,319
Tax recoverable		2,025	1,569
Pledged deposits		92,668	94,695
Cash and bank balances		208,819	87,126
		<u>982,968</u>	<u>1,024,029</u>
Current liabilities			
Trade payables	9	66,370	59,856
Accruals and other payables		132,636	254,946
Bills payable	9	125,682	163,986
Borrowings		432,270	335,053
Amounts due to related companies		283	274
Amount due to a director		255	—
Tax payable		28,809	34,520
		<u>786,305</u>	<u>848,635</u>

	(Unaudited) As at 30 June 2017 HK\$'000	(Audited) As at 31 December 2016 HK\$'000
Net current assets	<u>196,663</u>	<u>175,394</u>
Total assets less current liabilities	<u>592,164</u>	<u>572,262</u>
Non-current liabilities		
Borrowings	2,587	3,470
Deferred tax liabilities	<u>17,148</u>	<u>17,154</u>
	<u>19,735</u>	<u>20,624</u>
Net assets	<u><u>572,429</u></u>	<u><u>551,638</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	47,630	47,630
Reserves	<u>524,799</u>	<u>493,426</u>
	572,429	541,056
Non-controlling interests	<u>–</u>	<u>10,582</u>
Total equity	<u><u>572,429</u></u>	<u><u>551,638</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

G. A. Holdings Limited (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.

These unaudited condensed consolidated interim financial statements (the “Interim Financial Information”) are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

(a) Statement of compliance

The Interim Financial Information for the six months ended 30 June 2017 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016. Except as described below, 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 annual financial statements for the year ended 31 December 2016.

(b) Adoption of new and amended Hong Kong Financial Reporting Standards (“HKFRSs”)

The HKICPA has issued certain new and amended HKFRS that are first effective or available for early adoption for the current period of the Group. These new and amended HKFRSs have no significant impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new and amended HKFRSs that are not yet effective for the current accounting period.

(c) Restatements

	(Unaudited) HK\$'000 As previously stated	(Unaudited) HK\$'000 Reclassification	(Unaudited) HK\$'000 As restated
Three months ended 30 June 2016			
Revenue	113,073	6,379	119,452
Other income	11,294	(6,379)	4,915
Six months ended 30 June 2016			
Revenue	230,539	13,077	243,616
Other income	<u>22,220</u>	<u>(13,077)</u>	<u>9,143</u>

During the year ended 31 December 2016, the directors have reviewed the nature of the Group's car rental business and considered the provision of car rental service to be a principal activity of the Group. The Group's car rental income which was previously presented under "Other income" was classified as "Revenue". Accordingly, car rental income for the three months and six months ended 30 June 2016 amounting to HK\$6,379,000 and HK\$13,077,000, respectively, have been reclassified from other income to revenue in the comparatives of the condensed consolidated statement of profit or loss and other comprehensive income. The restatement has no financial impact on the Group's condensed consolidated statement of financial position.

2. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group recognised revenue by category as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)
Revenue				
Sales of motor vehicles	294,805	21,902	651,333	58,826
Servicing of motor vehicles and sales of auto parts	128,565	82,848	254,536	158,902
Technical fee income	1,804	8,323	3,316	12,811
Car rental income	6,019	6,379	12,230	13,077
	<u>431,193</u>	<u>119,452</u>	<u>921,415</u>	<u>243,616</u>
Other income				
Bank interest income	244	28	761	457
Commission income	5,554	3,014	11,932	5,539
Consultant service income	4,906	9	8,270	275
Financial guarantee income	222	211	1,517	424
Gain on disposal of property, plant and equipment	820	354	1,636	396
Reversal of impairment loss on trade receivables	340	–	340	–
Sundry income	790	1,299	1,870	2,052
	<u>12,876</u>	<u>4,915</u>	<u>26,326</u>	<u>9,143</u>

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 aftersales services; and (ii) other motor vehicles related business, which includes operation of motor vehicles service shop, 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.

In 2016, the Group acquired three subsidiaries which are principally engaged in sales and services of motor vehicles. Subsequent to the acquisitions, the chief operating decision-makers reassessed the Group's business and determined to manage and analyse the i) sales of motor vehicles and provision of car-related technical services segment and ii) servicing of motor vehicles and sales of auto parts segment as a whole because their business performance are closely related. The directors considered that this change will result in a more effective management of the segment assets and liabilities. Consequently, starting from the year ended 31 December 2016, the directors aggregated the above segments into a single reportable segment, "Motor vehicles sales and services business" segment. The measurement of the Group adopted for reporting segment result for the current period is consistent with the Group's consolidated financial statements for the year ended 31 December 2016, except for the commission and consultant service income of the Group which were included in the Group's reportable segment result in the current period, after the change of Group's internal reporting information. Accordingly, the segment information for the six months ended 30 June 2016 is restated to conform with the current period presentation to provide comparable information.

As explained in Note 1(c) to the Interim Financial Information, the provision of car rental service was considered by the directors to be a principal activity of the Group since the year ended 31 December 2016. Consequently, a new reporting segment for the car rental business is introduced and the segment information for the six months ended 30 June 2016 was restated accordingly.

These operating 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

	(Unaudited)		
	Six months ended 30 June 2017		
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment revenue	<u>909,185</u>	<u>12,230</u>	<u>921,415</u>
Reportable segment profit	<u>43,547</u>	<u>1,849</u>	<u>45,396</u>
Other Information			
Depreciation and amortisation	(15,046)	(6,049)	(21,095)
Net gain on disposal of property, plant and equipment	372	1,166	1,538
Reversal of impairment loss on trade receivables	340	–	340
Addition to non-current assets during the period	<u>7,785</u>	<u>6,654</u>	<u>14,439</u>

	(Unaudited)		
	Six months ended 30 June 2016 (Restated)		
	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	<u>230,539</u>	<u>13,077</u>	<u>243,616</u>
Reportable segment profit	<u>24,407</u>	<u>1,506</u>	<u>25,913</u>
Other Information			
Depreciation and amortisation	(5,315)	(6,520)	(11,835)
Write-off of other receivables	(594)	–	(594)
Net (loss)/gain on disposal of property, plant and equipment	(2,694)	396	(2,298)
Addition to non-current assets during the period	<u>8,678</u>	<u>6,171</u>	<u>14,849</u>

(b) Segment assets and liabilities

	(Unaudited)		
	As at 30 June 2017		
	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	<u>1,021,532</u>	<u>37,732</u>	<u>1,059,264</u>
Reportable segment liabilities	<u>712,428</u>	<u>15,016</u>	<u>727,444</u>

	(Audited)		
	As at 31 December 2016		
	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	<u>1,184,527</u>	<u>37,690</u>	<u>1,222,217</u>
Reportable segment liabilities	<u>774,323</u>	<u>16,892</u>	<u>791,215</u>

(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	
	2017	2016
	HK\$'000	HK\$'000
		<i>(Restated)</i>
Reportable segment revenue	921,415	243,616
Reportable segment profit	45,396	25,913
Unallocated corporate income	4,204	2,176
Unallocated corporate expenses		
Employee benefit expenses	(674)	(487)
Others	(7,056)	(7,782)
Unallocated finance costs	(494)	—
Profit before income tax	41,376	19,820
	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Reportable segment assets	1,059,264	1,222,217
Non-current corporate assets <i>(note (i))</i>	107	107
Current corporate assets <i>(note (ii))</i>	319,098	198,573
Consolidated total assets	1,378,469	1,420,897
Reportable segment liabilities	727,444	791,215
Non-current corporate liabilities <i>(note (iii))</i>	17,438	17,561
Current corporate liabilities <i>(note (iv))</i>	61,158	60,483
Consolidated total liabilities	806,040	869,259

Notes:

- (i) Non-current corporate assets mainly include property, plant and equipment that are not directly attributable to the business activities of the operating segments.
- (ii) Current corporate assets mainly include 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 operating segments or that are managed on group basis.
- (iii) Non-current corporate liabilities include deferred tax liabilities, and finance lease liabilities (included in borrowings) that are not directly attributable to the business activities of the operating segments.

- (iv) Current corporate liabilities include accruals and other payables, tax payable and borrowings that are not directly attributable to the business activities of the operating segments or that are managed on group basis.

3. PROFIT BEFORE INCOME TAX

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Finance costs				
Interest charges on bank and other borrowings	6,765	1,025	12,471	2,269
Interest element of finance lease payments	210	197	453	410
	<u>6,975</u>	<u>1,222</u>	<u>12,924</u>	<u>2,679</u>
	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Other items				
Depreciation of property, plant and equipment	9,632	5,399	19,523	11,376
Net (gain)/loss on disposal of property, plant and equipment	(820)	2,340	(1,538)	2,298
Amortisation of intangible asset	567	–	1,134	–
Amortisation of prepaid rental expenses	198	205	394	413
Annual charges of prepaid operating land lease payments	19	20	44	46
Write-off of other receivables	–	–	–	594
Financial guarantee expense	–	651	944	651

4. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current – Hong Kong				
Charge for the period	–	307	–	614
Current – Overseas				
Charge for the period	<u>6,184</u>	<u>4,997</u>	<u>13,203</u>	<u>7,835</u>
Current tax – total	<u>6,184</u>	<u>5,304</u>	<u>13,203</u>	<u>8,449</u>
Deferred tax	<u>(401)</u>	<u>1,207</u>	<u>(401)</u>	<u>1,207</u>
Total income tax expense	<u><u>5,783</u></u>	<u><u>6,511</u></u>	<u><u>12,802</u></u>	<u><u>9,656</u></u>

Hong Kong profits tax rate is 16.5% (2016: 16.5%) for the period. Hong Kong profits tax has not been provided for the six months ended 30 June 2017 as the Group has no assessable profits for the period. Hong Kong profits tax has been calculated on the estimated assessable profits for the six months ended 30 June 2016.

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% (2016: 25%).

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

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2017 is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 June 2017 of approximately HK\$9,317,000 (three months ended 30 June 2016: HK\$8,103,000) and on the weighted average number of 476,300,000 (three months ended 30 June 2016: 476,300,000) ordinary shares in issue during the three months ended 30 June 2017.

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the unaudited profit attributable to the owners of the Company for the six months ended 30 June 2017 of approximately HK\$27,194,000 (six months ended 30 June 2016: HK\$12,813,000) and on the weighted average number of 476,300,000 (six months ended 30 June 2016: 476,300,000) ordinary shares in issue during the six months ended 30 June 2017.

Diluted earnings per share for the three months and the six months ended 30 June 2017 and 2016 are the same as the basic earnings per share as there was no dilutive potential ordinary share in issue during the respective periods.

6. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with total cost of approximately HK\$14,439,000 (six months ended 30 June 2016: HK\$14,849,000) and disposed of certain items of property, plant and equipment with total carrying amount of approximately HK\$5,568,000 (six months ended 30 June 2016: HK\$4,286,000).

7. TRADE RECEIVABLES

The Group requires individual customers 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 aging analysis of trade receivables, based on invoice date, is as follows:

	(Unaudited) As at 30 June 2017 HK\$'000	(Audited) As at 31 December 2016 HK\$'000
0 – 90 days	69,365	120,048
91 – 180 days	4,452	10,639
181 – 365 days	16,002	54,724
Over 1 year	19,965	43,722
	<u>109,784</u>	<u>229,133</u>
Less: allowance for impairment of receivables	<u>–</u>	<u>(335)</u>
	<u><u>109,784</u></u>	<u><u>228,798</u></u>

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against trade receivables directly. The movement in the allowance for impairment of trade receivables is as follows:

	(Unaudited) As at 30 June 2017 HK\$'000	(Audited) As at 31 December 2016 HK\$'000
Balance at the beginning of the period/year	335	1,496
Reversal of impairment loss previously recognised	(340)	(1,113)
Exchange differences	<u>5</u>	<u>(48)</u>
Balance at the end of the period/year	<u><u>–</u></u>	<u><u>335</u></u>

8. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Advances to Zhong Bao Group (<i>note</i>)	192,430	312,846
Current portion of prepaid rental expenses	476	441
Other receivables, prepayments and deposits paid	<u>66,361</u>	<u>96,032</u>
	<u>259,267</u>	<u>409,319</u>

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 has business transactions with Zhong Bao Group for motor vehicles, auto parts and related motor vehicles services. Receivables arising from the above transactions including advances made to Zhong Bao Group outstanding as at 30 June 2017 amounted to HK\$226,856,000 (31 December 2016: HK\$433,970,000), which was reduced to HK\$199,415,000 (31 December 2016: HK\$290,684,000) 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 19 March 2015, the Group entered into an agreement with Xiamen Zhong Bao, pursuant to which Xiamen Zhong Bao agreed to pledge their motor vehicles inventories to the Group until full settlement of all the outstanding amount due by Zhong Bao Group, which provide safeguard for the balances due by Zhong Bao Group. The collateral remains effective as long as there are outstanding balances due by Zhong Bao Group.

In view of the satisfactory settlement record and the collateral in place as mentioned above, the directors are of the opinion that the advances and the trade receivables due by Zhong Bao Group is fully recoverable and thus no impairment provision is considered necessary.

9. TRADE AND BILLS PAYABLE

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Trade payables	66,370	59,856
Bills payables	<u>125,682</u>	<u>163,986</u>
	<u>192,052</u>	<u>223,842</u>

The credit period of the Group is usually 3 months. At the end of the reporting period, the aging analysis of trade and bills payable, based on invoice date, is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
0 – 30 days	76,624	62,030
31 – 180 days	95,687	153,146
181 – 365 days	18,778	5,633
1 to 2 years	137	2,062
Over 2 years	<u>826</u>	<u>971</u>
	<u>192,052</u>	<u>223,842</u>

10. COMMITMENTS

(a) Operating lease commitments

As lessor

The Group leases its motor vehicles under operating leases arrangements. The terms of the leases are mutually agreed between the Group and the respective lessees.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	(Unaudited) As at 30 June 2017 HK\$'000	(Audited) As at 31 December 2016 HK\$'000
Within one year	16,838	11,458
After one year but within five years	<u>9,476</u>	<u>7,853</u>
	<u>26,314</u>	<u>19,311</u>

As lessee

The Group leases certain of its office premises, furniture and equipment, and motor vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	(Unaudited) As at 30 June 2017 HK\$'000	(Audited) As at 31 December 2016 HK\$'000
Within one year	10,130	8,405
After one year but within five years	14,264	14,802
After five years	<u>8,583</u>	<u>10,538</u>
	<u>32,977</u>	<u>33,745</u>

(b) Capital commitment

As at 30 June 2017, the Group had commitment contracted but not provided for the purchase of property, plant and equipment of approximately HK\$517,000 (31 December 2016: HK\$261,000).

11. CONTINGENT LIABILITIES

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

	(Unaudited) As at 30 June 2017 HK\$'000	(Audited) As at 31 December 2016 HK\$'000
Guarantees for banking facilities provided to Zhong Bao Group – principal amount (<i>note</i>)	<u>161,280</u>	<u>156,520</u>

Note:

Included in accruals and other payables as at 30 June 2017 of approximately HK\$1,729,000 (31 December 2016: approximately HK\$2,244,000) are liabilities recognised in relation to the above guarantees.

12. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 8 and 11, the Group had generated income from sales of motor vehicles, car servicing and sales of auto parts of HK\$31,499,000 (six months ended 30 June 2016: HK\$20,255,000) and earned technical fee income of HK\$3,316,000 (six months ended 30 June 2016: HK\$12,811,000) from Zhong Bao Group during the six months ended 30 June 2017.

The Group purchased motor vehicles and auto parts and car servicing of HK\$25,006,000 from Zhong Bao Group and was charged rental of HK\$3,062,000 (six months ended 30 June 2016: HK\$3,208,000) by Zhong Bao Group during the six months ended 30 June 2017. No repair and maintenance fee was charged by Zhong Bao Group for the current period (six months ended 30 June 2016: HK\$2,495,000).

13. ACQUISITION OF NON-CONTROLLING INTERESTS

During the six months ended 30 June 2017, the Group acquired additional interests of 49% in a subsidiary, Fuzhou Euro Motors Sales & Services Co., Ltd. for a consideration of Renminbi 20,000,000 (equivalent to approximately HK\$23,040,000) (the “Consideration”). As a result of the acquisition, the difference of HK\$10,735,000 between the Consideration and the amount of non-controlling interests acquired of HK\$12,305,000 was directly recognised in other reserve.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group has successfully strengthened its revenue base through the acquisitions of three automobile dealer shops at the end of 2016 (the “Acquisitions”). Total revenue of the Group experienced a sharp increase of 278.2% for the six months ended 30 June 2017 (the “Interim Period”) as compared to the corresponding period in 2016.

Profit for the period ended 30 June 2017 was HK\$28,574,000, an increase of 181.1% compared to HK\$10,164,000 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 six months ended 30 June 2017, sales of motor vehicles increased by 10.1 times to HK\$651,333,000 from HK\$58,826,000 in the corresponding period in 2016. The increase was driven by the three newly-acquired automobile dealer shops for premium automobile brands and the continuously 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 60.2% to HK\$254,536,000 compared to the corresponding period in 2016. The increase was driven by the three newly-acquired 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 and as a result, technical fee income for the six months ended 30 June 2017 dropped to HK\$3,316,000, from HK\$12,811,000 in the corresponding period in 2016.

4. Car rental business

The income from car rental business in Hong Kong for the six months ended 30 June 2017 was HK\$12,230,000, representing a decrease of 6.5% compared to the corresponding period in 2016. This was mainly due to the decrease in the demand for 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 six months ended 30 June 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 six months ended 30 June 2017 increased sharply by 278.2%, from HK\$243,616,000 (restated) in the corresponding period in 2016 to HK\$921,415,000 in the Interim Period. The increase was the net result of the contribution from three subsidiaries newly acquired in late 2016 and the growth in sales of ultra-luxury motor vehicles, which outweighed the decreases in technical fee income and car rental income.

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 2017 increased by 54.2% to HK\$155,429,000, as compared to HK\$100,801,000 in the corresponding period in 2016.

The gross operating margin in the interim period was 16.9%, as compared to 41.4% for the six months ended 30 June 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 as compared to the servicing of motor vehicles and car rental business.

Other Income

Other income increased from HK\$9,143,000 in the corresponding period in 2016 to HK\$26,326,000 in the Interim Period mainly due to the contributions from the newly acquired subsidiaries.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK\$61,347,000 for the six months ended 30 June 2017, representing a 92.7% increase as compared to HK\$31,829,000 in the corresponding period in 2016 due to the increased commission paid to salesmen in line with increased sales.

Operating Lease Charges

The operating lease charges for the six months ended 30 June 2017 decreased by 5.4% from HK\$8,408,000 in the corresponding period in 2016 to HK\$7,951,000 in 2017. This was mainly attributable to the removal of a showroom from downtown to uptown of Fuzhou during the first half year of 2016, which lowered the monthly rental expense.

Foreign Exchange Exposure

For the Interim Period, the exchange gain was HK\$1,567,000 (2016: loss of HK\$1,972,000), 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 Interim Period, other expenses were HK\$38,629,000, representing an increase of 15.7% compared to HK\$33,401,000 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 expense.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2017 was HK\$27,194,000 while HK\$12,813,000 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.

Financial Resources and Liquidity

As at 30 June 2017, shareholders’ fund of the Group amounted to HK\$572,429,000 (31 December 2016: HK\$551,638,000). Current assets amounted to HK\$982,968,000 (31 December 2016: HK\$1,024,029,000) of which, HK\$301,487,000 (31 December 2016: HK\$181,821,000) were cash and bank deposits. Current liabilities, amounted to HK\$786,305,000 (31 December 2016: HK\$848,635,000), were mainly trade payables, borrowings, bills payable, accruals and other payables. The Group had non-current liabilities amounted to HK\$19,735,000 (31 December 2016: HK\$20,624,000). The net asset value per share as at 30 June 2017 was at HK\$1.20 (31 December 2016: HK\$1.16).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings less cash and cash equivalents (net debt), divided by total equity plus net debt. As at 30 June 2017, the gearing ratio of the Group was 0.38 (31 December 2016: 0.43).

Capital Commitment

As at 30 June 2017, the Group had commitment contracted but not provided for in connection with the purchase of property, plant and equipment of HK\$517,000 (31 December 2016: HK\$261,000).

Charges On Group Assets

As at 30 June 2017, fixed deposits of HK\$76,901,000 (31 December 2016: HK\$78,238,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK\$15,767,000 (31 December 2016: HK\$16,457,000) were pledged to banks as security in favor of one of our suppliers.

In addition to the fixed deposits, leasehold land with a net carrying amount of HK\$61,185,000 (31 December 2016: HK\$60,154,000) was pledged to secure banking facilities of the Group at 30 June 2017.

Motor vehicles held under finance leases with a net carrying value of HK\$19,195,000 (31 December 2016: HK\$21,729,000) were also pledged to secure the respective borrowings.

Contingent Liabilities

As at 30 June 2017, the Group provided bank guarantees with an aggregate principal amount of approximately HK\$161,280,000 (31 December 2016: HK\$156,520,000) in respect of banking facilities to Zhong Bao Group.

Employee Information

As at 30 June 2017, the total number of employees of the Group was 898 (30 June 2016: 431). The increase in the workforce was mainly for the expanded business. 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 Interim Period, 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\$3,248,000 (six months ended 30 June 2016: HK\$1,704,000).

Capital Structure of the Group in Debt Securities

During the Interim Period and the corresponding period in 2016, the Group has no debt securities in issue.

Materials Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 15 June 2017, 福州星寶汽車服務有限公司 (subsequently renamed as 福建星寶汽車銷售服務有限公司) (“Fuzhou Xingbao”), an indirect wholly-owned subsidiary of the Company, entered into an agreement, pursuant to which 泉州給力投資有限公司 (Quanzhou Geili Investments Co., Ltd.*) agreed to sell and Fuzhou Xingbao agreed to purchase 49% equity interests of 福州歐利行汽車銷售服務有限公司 (“Fuzhou Euro”) at the consideration of RMB20.0 million (“49% Acquisition”). The 49% Acquisition was completed on 23 June 2017 upon which Fuzhou Euro has become an indirect wholly-owned subsidiary of the Company. Details of the transaction are set out in the announcements of the Company dated 15 June 2017 and 29 June 2017.

Save for the 49% Acquisition, the Group had no major investment or acquisition for major capital assets or other businesses during the Interim Period. The Group will continue to identify new opportunities for business development and the enhancement of shareholders’ value.

Material Investments or Capital Assets

Please refer to note 10(b) of the condensed consolidated interim financial statements for details of capital commitments.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Event after the Reporting Period

Up to the date of this announcement, there was no material event relevant to the business or financial performance of the Group after 30 June 2017 that comes into the attention of the Directors.

PROSPECTS

As the largest automobile market in the world, China continues to offer various opportunities despite intensifying competition. There is still a huge growth potential for the China market given relatively lower vehicle parc density compared to Americas. 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 and the first half of 2017, the Group has attained stronger financial positions and increased earnings. The geographical expansion of business in the province of Fujian puts the Group in the leading position relative to our 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 keep on realising potential synergetic effects which will be accretive to the earnings of the Group. The acquisitions have boosted the Group's car sales business and provided a platform for growing our after-sales and value-added services which contribute 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.

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 2017, the Company's consolidated total assets were approximately HK\$1,378,469,000.

	(Unaudited) As at 30 June 2017 HK\$'000	Assets Ratio (%)	(Unaudited) As at 31 March 2017 HK\$'000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao Group (<i>note</i>)	<u>161,280</u>	<u>11.7</u>	<u>157,640</u>	<u>N/A</u>

Note:

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2017, the Company had adopted a code of conduct regarding Directors' securities transactions 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 also had made specific enquiry of all Directors and the Company were not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

CORPORATE GOVERNANCE

The Company has complied with the standards and requirements concerning board practices and procedures of the Board and 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 Interim Period.

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, 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; 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 Audit Committee has reviewed the 2017 interim results and provided comments.

The unaudited condensed consolidated interim financial statements have been reviewed by Grant Thornton Hong Kong Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the Audit Committee, and were approved by the Board of Directors on 9 August 2017.

PROPOSED TRANSFER OF LISTING

The Company has submitted a formal application to the Stock Exchange on 30 June 2017 for the proposed transfer of listing of the shares from the GEM to the Main Board of the Stock Exchange pursuant to Chapter 9A and relevant provisions of the GEM Listing Rules. Shareholders and potential investors should be aware that the implementation of the proposed transfer of listing is subject to, among others, the fulfillment of all the conditions for the transfer of listing as set out in the Company's announcement "Proposed transfer of the listing of the shares from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited" dated 30 June 2017. Accordingly, there is no assurance that permission will be obtained from the Stock Exchange for the proposed transfer of listing.

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 Interim Period.

DIRECTORS OF THE COMPANY

As at the date hereof, the executive Directors of the Company 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 August 2017

This announcement will remain on the "Latest Company Announcements" page on the GEM website with the domain name of www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.ga-holdings.com.hk.

* *For identification purpose only*