



G.A. HOLDINGS LIMITED
G.A. 控股有限公司

*(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong
under the trading name of German Automobiles International Limited)*
(Stock Code: 8126)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

**CHARACTERISTICS OF 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 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. 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of G.A. Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
Revenue	4	2,027,453	563,086
Other income	6	<u>43,824</u>	<u>28,527</u>
		2,071,277	591,613
Changes in inventories	7.1	82,185	(17,329)
Auto parts and accessories, and motor vehicles purchased	7.1	(1,784,934)	(311,593)
Employee benefit expenses		(130,450)	(64,307)
Depreciation and amortisation		(43,913)	(23,651)
Operating lease charges		(17,186)	(15,921)
Exchange differences, net		3,910	(5,085)
Other expenses		<u>(82,703)</u>	<u>(78,282)</u>
Profit from operations		98,186	75,445
Finance costs	7.2	<u>(28,213)</u>	<u>(5,593)</u>
Profit before income tax	7	69,973	69,852
Income tax expense	8	<u>(22,444)</u>	<u>(22,990)</u>
Profit for the year		<u>47,529</u>	<u>46,862</u>
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		<u>34,892</u>	<u>(30,849)</u>
Other comprehensive income/(expense) for the year		<u>34,892</u>	<u>(30,849)</u>
Total comprehensive income for the year		<u><u>82,421</u></u>	<u><u>16,013</u></u>

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit/(Loss) for the year attributable to:			
Owners of the Company		46,149	47,899
Non-controlling interests		<u>1,380</u>	<u>(1,037)</u>
		<u>47,529</u>	<u>46,862</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		80,698	17,793
Non-controlling interests		<u>1,723</u>	<u>(1,780)</u>
		<u>82,421</u>	<u>16,013</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	9	<u>9.69</u>	<u>10.06</u>

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		295,010	267,444
Leasehold land		89,246	85,767
Intangible asset		21,528	22,360
Prepaid rental expenses		15,550	14,987
Goodwill		6,750	6,310
Deferred tax assets		1,864	—
		<u>429,948</u>	<u>396,868</u>
Current assets			
Inventories		284,707	202,522
Trade receivables	11	91,497	228,798
Prepayments, deposits and other receivables		479,817	409,319
Tax recoverable		4,261	1,569
Pledged deposits		111,418	94,695
Cash and bank balances		136,024	87,126
		<u>1,107,724</u>	<u>1,024,029</u>
Current liabilities			
Trade payables	12	46,779	59,856
Accruals and other payables		121,080	254,946
Bills payable	12	157,355	163,986
Borrowings		541,127	335,053
Amounts due to related companies		294	274
Advance from a director		531	—
Tax payable		37,494	34,520
		<u>904,660</u>	<u>848,635</u>
Net current assets		<u>203,064</u>	<u>175,394</u>
Total assets less current liabilities		<u>633,012</u>	<u>572,262</u>

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current liabilities		
Borrowings	4,150	3,470
Deferred tax liabilities	<u>17,843</u>	<u>17,154</u>
	<u>21,993</u>	<u>20,624</u>
Net assets	<u>611,019</u>	<u>551,638</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	47,630	47,630
Reserves	<u>563,389</u>	<u>493,426</u>
	611,019	541,056
Non-controlling interests	<u>–</u>	<u>10,582</u>
Total equity	<u>611,019</u>	<u>551,638</u>

Notes:

1. GENERAL INFORMATION

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 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong. The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (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.

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

2.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2017

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvement to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

Except for the amendments to HKAS 7 which require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, 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.

2.2 Issued but not yet effective HKFRSs

The following new and amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

3. BASIS OF PREPARATION

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

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

The consolidated financial statements have been prepared under the historical cost basis.

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

4. REVENUE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sales of motor vehicles	1,465,175	172,497
Servicing of motor vehicles and sales of auto parts	528,335	336,663
Technical fee income	7,577	28,575
Car rental income	26,366	25,351
	<u>2,027,453</u>	<u>563,086</u>

5. SEGMENT INFORMATION

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

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

- Motor vehicles sales and services business – primarily consists of the operations of (i) motor vehicles 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 vehicles services; and
- Car rental business

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

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

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

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

No asymmetrical allocations have been applied to reportable segments.

During the year ended 31 December 2017, the Group's commission income and consultant service income were included in the Group's reportable segment results, after the change of Group's internal reporting information. Accordingly, the segment information for the year ended 31 December 2016 was restated to conform with the current year's presentation to provide comparable information.

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

	2017		
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment revenue	<u>2,001,087</u>	<u>26,366</u>	<u>2,027,453</u>
Reportable segment profit	<u>72,761</u>	<u>3,595</u>	<u>76,356</u>
Other Information			
Depreciation and amortisation of non-current assets	(31,388)	(12,525)	(43,913)
Net gain on disposal of property, plant and equipment	970	1,430	2,400
Reversal of impairment loss on trade receivables	347	–	347
Additions to non-current assets (other than deferred tax assets) during the year	<u>45,374</u>	<u>17,525</u>	<u>62,899</u>
	2016 (Restated)		
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment revenue	<u>537,735</u>	<u>25,351</u>	<u>563,086</u>
Reportable segment profit	<u>83,204</u>	<u>3,078</u>	<u>86,282</u>
Other Information			
Depreciation and amortisation of non-current assets	(10,720)	(12,931)	(23,651)
Net gain on disposal of property, plant and equipment	309	1,897	2,206
Reversal of impairment loss on trade receivables	1,113	–	1,113
Additions to non-current assets during the year (note)	<u>286,122</u>	<u>12,269</u>	<u>298,391</u>

Note: Additions include those arising from the acquisitions of subsidiaries.

(b) Segment assets and liabilities

	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>1,218,761</u>	<u>42,929</u>	<u>1,261,690</u>
Reportable segment liabilities	<u>788,076</u>	<u>14,670</u>	<u>802,746</u>
	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 consolidated financial statements:**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Reportable segment revenue	<u>2,027,453</u>	<u>563,086</u>
Reportable segment profit	76,356	86,282
Unallocated corporate income	10,397	13,776
Unallocated corporate expenses		
Employee benefit expenses	(1,361)	(1,000)
Others	(14,201)	(29,160)
Unallocated finance costs	<u>(1,218)</u>	<u>(46)</u>
Profit before income tax	<u>69,973</u>	<u>69,852</u>
Reportable segment assets	1,261,690	1,222,217
Non-current corporate assets (<i>note (i)</i>)	2,362	107
Current corporate assets (<i>note (ii)</i>)	<u>273,620</u>	<u>198,573</u>
Consolidated total assets	<u>1,537,672</u>	<u>1,420,897</u>
Reportable segment liabilities	802,746	791,215
Non-current corporate liabilities (<i>note (iii)</i>)	18,006	17,561
Current corporate liabilities (<i>note (iv)</i>)	<u>105,901</u>	<u>60,483</u>
Consolidated total liabilities	<u>926,653</u>	<u>869,259</u>

Notes:

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

(d) Geographical segments

The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets (Other than deferred tax assets)	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Singapore	–	–	4,927	5,275
The People's Republic of China (the "PRC")	2,001,087	537,735	385,643	358,132
Hong Kong	26,366	25,351	37,514	33,461
	<u>2,027,453</u>	<u>563,086</u>	<u>428,084</u>	<u>396,868</u>

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

For the years ended 31 December 2017 and 2016, no revenue from a single customer accounted for 10% or more of the Group's revenue.

6. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Bank interest income	1,344	557
Financial guarantee income	2,575	2,412
Commission income	18,447	14,513
Consultant service income	14,980	238
Gain on disposal of property, plant and equipment	2,400	2,206
Gain on bargain purchase arising from acquisitions of subsidiaries	–	4,858
Government grants*	516	–
Reversal of impairment loss on trade receivables	347	1,113
Sundry income	<u>3,215</u>	<u>2,630</u>
	<u>43,824</u>	<u>28,527</u>

* Government grants mainly related to cash subsidies granted by the government in respect of operating activities which are either unconditional grants or grants with conditions having been satisfied.

7. PROFIT BEFORE INCOME TAX

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

7.1 Cost of inventories

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Changes in inventories		
Motor vehicles	(84,394)	10,753
Auto parts and accessories	<u>2,209</u>	<u>6,576</u>
	<u>(82,185)</u>	<u>17,329</u>
 Auto parts and accessories, and motor vehicles purchased		
Motor vehicles	1,515,248	151,063
Auto parts and accessories	<u>269,686</u>	<u>160,530</u>
	<u>1,784,934</u>	<u>311,593</u>
	<u><u>1,702,749</u></u>	<u><u>328,922</u></u>

7.2 Finance costs

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest charges on bank and other borrowings	27,513	4,897
Interest element of finance lease payments	<u>700</u>	<u>696</u>
	<u><u>28,213</u></u>	<u><u>5,593</u></u>

7.3 Other items

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Auditor's remuneration	1,030	911
Depreciation of property, plant and equipment*	38,703	22,668
Amortisation of intangible asset	2,313	–
Gain on disposal of property, plant and equipment	(2,400)	(2,206)
Write-off of other receivables	–	584
Financial guarantee expenses	1,850	2,920
Amortisation of prepaid rental expenses	467	846
Amortisation of leasehold land	2,430	137
Reversal of impairment loss on trade receivables	(347)	(1,113)

* Amount included depreciation charge of HK\$4,633,000 (2016: HK\$4,567,000) for the Group's assets held under finance leases.

8. 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 year at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (2016: 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% 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%.

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 year.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	–	1,135
(Over)/Under-provision in prior years	(20)	50
Current tax – Overseas		
Charge for the year	24,460	20,490
Current tax – total	24,440	21,675
Deferred tax	(1,996)	1,315
Total income tax expense	22,444	22,990

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the owners of the Company for the year of approximately HK\$46,149,000 (2016: HK\$47,899,000) and on the weighted average number of 476,300,000 (2016: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2017 and 2016 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2017 and 2016.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: nil).

11. TRADE RECEIVABLES

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

	2017 HK\$'000	2016 HK\$'000
0 – 90 days	70,658	120,048
91 – 180 days	9,109	10,639
181 – 365 days	5,798	54,724
Over 1 year	<u>5,932</u>	<u>43,722</u>
	91,497	229,133
Less: allowance for impairment of receivables	<u>–</u>	<u>(335)</u>
	<u><u>91,497</u></u>	<u><u>228,798</u></u>

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

12. TRADE AND BILLS PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	46,779	59,856
Bills payable	<u>157,355</u>	<u>163,986</u>
	<u>204,134</u>	<u>223,842</u>

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

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	82,971	62,030
31 – 180 days	109,195	153,146
181 – 365 days	7,816	5,633
1 – 2 years	2,788	2,062
Over 2 years	<u>1,364</u>	<u>971</u>
	<u>204,134</u>	<u>223,842</u>

The carrying values of trade and bills payables as at 31 December 2017 and 2016 were considered to be a reasonable approximation of their fair values.

13. ACQUISITION OF NON-CONTROLLING INTERESTS

During the year ended 31 December 2017, the Group acquired additional equity interests of 49% in a non-wholly owned 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

Subsequent to the acquisitions of three subsidiaries which operate automobile dealer shops for premium automobile brands (the “Acquisitions”) in 2016, the Group further acquired the remaining 49% equity interest of a non-wholly owned subsidiary from the minority shareholder during the year ended 31 December 2017. The revenue base has therefore been strengthened and total revenue of the Group experienced a sharp increase of 260.1% to HK\$2,027,453,000 for the year ended 31 December 2017 as compared to HK\$563,086,000 in 2016.

During the year ended 31 December 2017, the profit from operations was HK\$98,186,000, representing a 30.1% increase compared to HK\$75,445,000 in 2016. The increase in the profit was a net result of i) the profit contribution from the subsidiaries newly acquired in the late 2016; ii) the continuous improvement in financial performance of the Group’s ultra-luxury dealer shop and service centres; iii) the exchange gain of HK\$3,910,000 resulting from the appreciation of Renminbi (“RMB”) to Hong Kong dollars, offset by iv) the absence of gain on bargain purchase of HK\$4,858,000 arising from the Acquisitions; and v) the decline of HK\$20,998,000 in technical fee income.

Sales of Motor Vehicles

Sales of motor vehicles accounted for 72.3% (2016: 30.6%) of the total revenue of the Group in 2017, and amounted to HK\$1,465,175,000. The increase was mainly driven by the three newly acquired subsidiaries and the continuous improvement in customer awareness of the Group’s 4S store for ultra-luxury brands in Fuzhou.

Servicing of Motor Vehicles and Sales of Auto Parts

Revenue generated from servicing of motor vehicles and sales of auto parts increased by 56.9% to HK\$528,335,000 compared to 2016. The increase was driven by the contribution of the three newly-acquired subsidiaries.

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 (“Zhong Bao Group”) for providing management consulting and technical assistance in relation to the PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao.

After the Acquisitions, the Group has gradually shifted its focus to sales and servicing of motor vehicles and sales of auto parts and as a result, technical fee income for the year ended 31 December 2017 dropped to HK\$7,577,000 from HK\$28,575,000 in 2016.

Car Rental Business

The income from car rental business in Hong Kong for the year ended 31 December 2017 was HK\$26,366,000 which was stable compared to 2016.

FINANCIAL REVIEW

The consolidated revenue for the year ended 31 December 2017 increased sharply by 260.1%, from HK\$563,086,000 in 2016 to HK\$2,027,453,000. The increase was mainly driven by the contribution from three subsidiaries newly acquired in the late 2016 and the growth in sales of ultra-luxury motor vehicles, which out-weighted the decrease in technical fee income.

Gross Operating Profit and Gross Operating Margin

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

The gross operating profit for the year 2017 increased by HK\$90,540,000 to HK\$324,704,000 as compared to HK\$234,164,000 in 2016. The gross operating margin for the year ended 31 December 2017 was 16.0%, as compared to 41.6% for the year ended 31 December 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\$28,527,000 in 2016 to HK\$43,824,000 for the year ended 31 December 2017 was mainly attributable to the contributions from the newly acquired subsidiaries.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK\$130,450,000 for the year ended 31 December 2017, representing a 102.9% increase as compared to HK\$64,307,000 in 2016. This was driven by the increased commission paid to salesmen in line with increased sales contributed by the newly acquired subsidiaries.

Depreciation and Amortisation

The depreciation and amortisation for the year ended 31 December 2017 increased by 85.7% from HK\$23,651,000 in 2016 to HK\$43,913,000. This is mainly attributable to the contribution from the newly acquired subsidiaries.

Operating Lease Charges

The operating lease charges for the year ended 31 December 2017 increased by 7.9% from HK\$15,921,000 in 2016 to HK\$17,186,000 this year. This was mainly attributable to the net effect of i) the expenses incurred in the newly acquired subsidiaries; ii) the relocation of a showroom from downtown to uptown of Fuzhou during the first half year of 2016, which lowered the monthly rental expense; and (iii) the decrease in number of cars rented for daily operation.

Other Expenses

Other expenses were HK\$82,703,000, representing an increase of 5.6% compared to HK\$78,282,000 in 2016. The increase was the net result of the expenses incurred in the newly acquired subsidiaries and a decrease in repair and maintenance expenses.

Finance Costs

Finance costs increased by HK\$22,620,000 from HK\$5,593,000 for the year ended 31 December 2016 to HK\$28,213,000 in 2017 primarily due to borrowings raised in the newly acquired subsidiaries.

Income Tax Expense

Income tax expense during the year ended 31 December 2017 was HK\$22,444,000 representing a decrease of HK\$546,000 as compared with HK\$22,990,000 in 2016. The amount of income tax expense represented i) the current tax expenses of HK\$24,440,000 and ii) deferred tax of HK\$1,996,000 credited to profit or loss mainly arising from the recognition of tax losses of a subsidiary and the additional depreciation for fair value adjustments on the Acquisitions.

Financial Resources and Liquidity

As at 31 December 2017, shareholders' fund of the Group amounted to HK\$611,019,000 (2016: HK\$551,638,000). Current assets amounted to HK\$1,107,724,000 (2016: HK\$1,024,029,000) of which HK\$247,442,000 (2016: HK\$181,821,000) were cash and pledged deposits. Current liabilities amounted to HK\$904,660,000 (2016: HK\$848,635,000) and mainly represents trade payables, bills payable, borrowings, accruals and other payables. The Group had non-current liabilities amounted to approximately HK\$21,993,000 (2016: HK\$20,624,000). The net asset value per share as at 31 December 2017 was HK\$1.28 (2016: HK\$1.16).

Capital Structure of the Group

During the year ended 31 December 2017, the Group had no debt securities in issue (2016: nil).

The Group obtained funding mainly from bank and other borrowings. They are mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2017, the Group has available unutilised banking facilities of approximately HK\$395,350,000 (2016: HK\$329,868,000).

Capital Expenditure and Capital Commitments

In 2017, the Group incurred capital expenditure amounted to HK\$62,899,000 (2016: HK\$31,581,000) on acquisition of property, plant and equipment.

Capital commitments contracted but not provided for in the consolidated financial statements at 31 December 2017 amounted to HK\$4,196,000 (2016: HK\$261,000).

Material Acquisitions and Disposals of Subsidiaries or Affiliated Companies

During the year ended 31 December 2017, the Group acquired additional equity interests of 49% in a non-wholly owned subsidiary, Fuzhou Euro Motors Sales & Services Co., Ltd. for a consideration of RMB20,000,000 (equivalent to approximately HK\$23,040,000). Further details were set out in the announcements of the Company dated 15 June 2017 and 29 June 2017 respectively.

Save for the acquisitions of three subsidiaries, Longyan Zhongbao Automobiles Company Limited, Fujian Xingdebao Automobiles Sales and Service Company Limited and Quanzhou Fubao Automobiles Sales and Service Company Limited on 23 November 2016, 21 December 2016 and 22 December 2016 respectively, the Group had no material acquisitions and disposals of subsidiaries or affiliated companies during the year ended 31 December 2016.

Employees

As at 31 December 2017, the total number of employees of the Group was approximately 896. For the year ended 31 December 2017, the staff costs including directors' remuneration of the Group amounted to HK\$130,450,000 (2016: HK\$64,307,000), representing 6.4% (2016: 11.4%) of the revenue of the Group. Appropriate staff force is maintained cautiously in accordance with the operational needs and activities of the Group.

It is the Group policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Charges on Group Assets

As at 31 December 2017, fixed deposits of HK\$94,979,000 (2016: HK\$78,238,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK\$16,439,000 (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 carrying amounts of HK\$86,307,000 (2016: HK\$60,154,000) and HK\$2,939,000 (2016: nil) were pledged to secure banking facilities of the Group and Xiamen Zhong Bao respectively as at 31 December 2017.

The net carrying amount of motor vehicles held under finance leases of HK\$19,038,000 (2016: HK\$21,729,000) were also pledged to secure the respective borrowings as at 31 December 2017.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payable, short-term and long-term borrowings, as shown in the consolidated statement of financial position), less cash and bank balances, divided by total equity, plus net debt. As at 31 December 2017, the Group had a gearing ratio of 0.48 (2016: 0.43).

Foreign Exchange Exposure

During the year ended 31 December 2017, the Group had an exchange gain of approximately HK\$3,910,000 (2016: exchange loss of HK\$5,085,000), mainly resulted from the appreciation of Renminbi against Hong Kong dollars during the year.

Contingent Liabilities

As at 31 December 2017, the Group provided guarantees with aggregate principal amounts of approximately HK\$166,244,000 in respect of banking facilities to Zhong Bao Group (2016: HK\$156,520,000).

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: nil).

PROSPECT

Looking ahead, we believe that the China's automotive market remains competitive and will become more mature while automobile consumption will be more rational that the steady growth in demand for high-quality after-sales service will sustain. As the competition in the PRC automotive industry intensifies, the Company will continue to exercise vigilant cost control to improve productivity and uphold quality service to customers. With long-term good relationships with leading automobile suppliers of premium and ultra-luxury brands and more new models from our major suppliers will be unveiled in 2018, the Group is well confident to further improve its profitability while capitalising on the steady growth of the automotive industry in the PRC and bring value to its stakeholders in the long run.

The Group continues to strive for growths through organic development and acquisitions or joint ventures with existing business partners.

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

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

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

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

No option has been granted under the Share Option Scheme during the year.

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 the relevant advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07 (1) of the GEM Listing Rules (the “Assets Ratio”).

As at 31 December 2017, the Company’s consolidated total assets were approximately HK\$1,537,672,000.

	(Audited) As at 31 December 2017 HK\$’000	Assets Ratio (%)	(Audited) As at 31 December 2016 HK\$’000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao Group	<u>166,244</u>	<u>10.8%</u>	<u>156,520</u>	<u>N/A</u>

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

	(Audited) As at 31 December 2017 HK\$’000	Assets Ratio (%)	(Unaudited) As at 30 September 2017 HK\$’000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao Group (note)	<u>166,244</u>	<u>10.8%</u>	<u>163,603</u>	<u>N/A</u>

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

The Group entered into a guarantee agreement on 14 November 2017 (the “Guarantee Agreement”) with Xiamen Zhong Bao to replace the previous one entered into in April 2016, which has been expired on 31 December 2017. Pursuant to the Guarantee Agreement, Xiamen BMW Automobiles Service Co., Ltd.* and its immediate holding company, German Automobiles Pte Ltd. will during the period from 1 January 2018 to 31 December 2019 guarantee Xiamen Zhong Bao’s banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB160 million. The Guarantee Agreement and the transactions contemplated thereunder have been approved by shareholders at the Company’s extraordinary general meeting held on 29 December 2017.

Further details for the Guarantee Agreement were set out in the circular of the Company dated 12 December 2017 and the announcement of the Company dated 14 November 2017.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 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 ON CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting good corporate governance, with the following objectives: (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group.

The Group has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (the “Code Provision”) throughout the year ended 31 December 2017.

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

AUDIT COMMITTEE

The Audit Committee was formed on 5 June 2002 and is currently composed of the four independent non-executive Directors, 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. Further details on the terms of reference of the Audit Committee are available on the website of the Company and the website of the Stock Exchange.

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its risk management and internal control system and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in Code Provision. In the course of doing so, the Committee has met with the Company's management, risk management and internal audit teams and external auditors during 2017. The audited consolidated financial results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited ("Grant Thornton"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2017.

DIRECTORS OF THE COMPANY

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

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

Hong Kong, 21 March 2018

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

for identification purpose only