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 2018

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 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.

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 (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 the Directors (the "Board") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Interim Period").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018

		(Unaudited) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**500,490**	431,193	**1,002,769**	921,415
Other income	*3*	**8,349**	12,876	**17,448**	26,326
		508,839	444,069	**1,020,217**	947,741
Changes in inventories		**1,348**	92,183	**(37,096)**	107,883
Auto parts and accessories, and motor vehicles purchased		**(415,333)**	(452,538)	**(800,596)**	(873,869)
Employee benefit expenses		**(31,518)**	(26,190)	**(70,285)**	(61,347)
Depreciation and amortisation		**(12,657)**	(10,416)	**(25,708)**	(21,095)
Operating lease charges		**(4,573)**	(3,926)	**(8,882)**	(7,951)
Exchange differences, net		**(3,959)**	1,320	**(1,207)**	1,567
Other expenses		**(20,353)**	(22,351)	**(31,959)**	(38,629)
Profit from operations		**21,794**	22,151	**44,484**	54,300
Finance costs	*4*	**(9,578)**	(6,975)	**(18,432)**	(12,924)
Profit before income tax	*4*	**12,216**	15,176	**26,052**	41,376
Income tax expense	*5*	**(6,283)**	(5,783)	**(11,413)**	(12,802)
Profit for the period		**5,933**	9,393	**14,639**	28,574
Other comprehensive (expense)/ income					
Item that may be reclassified subsequently to profit or loss:					
Exchange (loss)/gain on translation of financial statements of foreign operations		**(29,703)**	11,688	**(5,804)**	15,257
Total comprehensive (expense)/ income for the period		**(23,770)**	21,081	**8,835**	43,831

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2018	2017	**2018**	2017
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the period attributable to:					
Owners of the Company		**5,933**	9,317	**14,639**	27,194
Non-controlling interests		**–**	76	**–**	1,380
		5,933	9,393	**14,639**	28,574
Total comprehensive (expense)/ income for the period attributable to:					
Owners of the Company		**(23,770)**	20,730	**8,835**	42,108
Non-controlling interests		**–**	351	**–**	1,723
		(23,770)	21,081	**8,835**	43,831
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings per share					
Basic and diluted	*7*	**1.25**	1.96	**3.07**	5.71

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	**(Unaudited) As at 30 June 2018** *HK$'000*	(Audited) As at 31 December 2017 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*8*	**290,484**	295,010
Leasehold land		**87,074**	89,246
Intangible asset		**20,162**	21,528
Prepaid rental expenses		**15,119**	15,550
Goodwill		**6,694**	6,750
Deferred tax assets		**1,848**	1,864
Financial asset at fair value through other comprehensive income	*17*	**8,539**	–
		429,920	429,948
Current assets			
Inventories		**247,611**	284,707
Trade receivables	*9*	**114,244**	91,497
Prepayments, deposits and other receivables	*10*	**562,576**	479,817
Tax recoverable		**4,862**	4,261
Pledged deposits		**104,156**	111,418
Cash and bank balances		**74,306**	136,024
		1,107,755	1,107,724
Current liabilities			
Trade payables	*11*	**80,809**	46,779
Contract liabilities		**54,169**	–
Accruals and other payables		**57,534**	121,080
Bills payable	*11*	**161,196**	157,355
Borrowings		**502,287**	541,127
Amounts due to related companies		**291**	294
Advance from a director		**785**	531
Tax payable		**34,312**	37,494
		891,383	904,660

	(Unaudited) As at 30 June 2018 *HK$'000*	(Audited) As at 31 December 2017 *HK$'000*
Net current assets	**216,372**	203,064
Total assets less current liabilities	**646,292**	633,012
Non-current liabilities		
Borrowings	**9,585**	4,150
Deferred tax liabilities	**17,323**	17,843
	26,908	21,993
Net assets	**619,384**	611,019
EQUITY		
Equity attributable to owners of the Company		
Share capital	**47,630**	47,630
Reserves	**571,754**	563,389
Total equity	**619,384**	611,019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Statutory reserve	Other reserve	Translation reserve	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2018 (unaudited)								
At 1 January 2018 (audited)	47,630	29,522	8,623	33,102	(10,735)	3,797	499,080	611,019
Adjustment from adoption of HKFRS 9 *(note 2(a))*	–	–	–	–	–	–	(470)	(470)
Adjusted balance at 1 January 2018	47,630	29,522	8,623	33,102	(10,735)	3,797	498,610	610,549
Profit for the period	–	–	–	–	–	–	14,639	14,639
Other comprehensive expense:								
Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	(5,804)	–	(5,804)
Total comprehensive income for the period	–	–	–	–	–	(5,804)	14,639	8,835
Transactions with owners:								
Appropriation to statutory reserve	–	–	–	2,994	–	–	(2,994)	–
Total transactions with owners	–	–	–	2,994	–	–	(2,994)	–
At 30 June 2018	47,630	29,522	8,623	36,096	(10,735)	(2,007)	510,255	619,384

The initial application of HKFRS 9 has led to an adjustment of retained profits of approximately HK$470,000.

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Other reserve**	**Translation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2017 (unaudited)										
At 1 January 2017 (audited)	**47,630**	**29,522**	**8,623**	**26,670**	**–**	**(30,752)**	**459,363**	**541,056**	**10,582**	**551,638**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**27,194**	**27,194**	**1,380**	**28,574**
Other comprehensive income:										
Exchange gain on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**14,914**	**–**	**14,914**	**343**	**15,257**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**14,914**	**27,194**	**42,108**	**1,723**	**43,831**
Transactions with owners:										
Acquisition of non-controlling interests *(note 18)*	**–**	**–**	**–**	**–**	**(10,735)**	**–**	**–**	**(10,735)**	**(12,305)**	**(23,040)**
Appropriation to statutory reserve	**–**	**–**	**–**	**3,995**	**–**	**–**	**(3,995)**	**–**	**–**	**–**
Total transactions with owners	**–**	**–**	**–**	**3,995**	**(10,735)**	**–**	**(3,995)**	**(10,735)**	**(12,305)**	**(23,040)**
At 30 June 2017	**47,630**	**29,522**	**8,623**	**30,665**	**(10,735)**	**(15,838)**	**482,562**	**572,429**	**–**	**572,429**

These equity accounts comprise the reserves of HK$571,754,000 (31 December 2017: HK$563,389,000) in the condensed consolidated statement of financial position as at 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2018

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Net cash (used in)/from operating activities	**(14,915)**	208,817
Cash flows from investing activities		
Acquisition of subsidiaries	**–**	(130,410)
Acquisition of financial asset at fair value through other comprehensive income	**(8,912)**	–
Purchase of property, plant and equipment	**(12,134)**	(13,239)
Proceeds from disposal of property, plant and equipment	**10,346**	7,106
Decrease in pledged deposits	**6,554**	4,830
Net cash used in investing activities	**(4,146)**	(131,713)
Cash flows from financing activities		
New borrowings raised	**599,365**	872,078
Repayment of borrowings	**(652,218)**	(826,542)
Net proceeds from sale and leaseback transaction	**5,871**	–
Other financing activities	**268**	(3,889)
Net cash (used in)/from financing activities	**(46,714)**	41,647
Net (decrease)/increase in cash and cash equivalents	**(65,775)**	118,751
Translation adjustments	**4,057**	2,942
Cash and cash equivalents at the beginning of the period	**136,024**	87,126
Cash and cash equivalent at the end of the period, represented by cash and bank balances	**74,306**	208,819

NOTES TO THE INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2018

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

G.A. Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 5 July 2001. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 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 Company and its subsidiaries (collectively, the "Group") are principally engaged in the sales of motor vehicles and provision of car-related technical services, servicing of motor vehicles, sales of auto parts and provision of car rental services.

The unaudited condensed consolidated interim financial statements (the "Interim Financial Information") are for the six months ended 30 June 2018 and are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

The Interim Financial Information for the six months ended 30 June 2018 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 GEM 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Except as described in note 2, the basis of preparation and accounting policies adopted in preparing the Interim Financial Information are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs adopted as at 1 January 2018

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's Interim Financial Information for the annual period beginning on 1 January 2018.

Other than as noted below, 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.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount on 31 December 2017 under HKAS 18	**Reclassification**	**Carrying amount on 1 January 2018 under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Contract liabilities	–	83,837	83,837
Accruals and other payables	121,080	(83,837)	37,243

The contract liabilities primarily relate to the deposit received from customers for sales of motor vehicles, for which revenue is recognised when the goods are delivered and the customer has accepted the goods.

The full amount of HK$83,837,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2018.

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The adoption of HKFRS 9 has impacted the following areas:

- for trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

  The following table summarises the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits.

	Impact of adopting HKFRS 9 on opening balance
	HK$'000
Retained earnings	
Recognition of expected credit losses under HKFRS 9	(470)
Impact at 1 January 2018	(470)

  The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out in note 2(c)(ii).

(b) Issued but not yet effective HKFRSs

The Group has not applied any new and amended HKFRSs that have been published by the HKICPA but are not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 will replace HKAS 17 "Leases" and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in note 12, as at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately HK$36,468,000 for office premises, furniture and equipment and motor vehicles, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

(c) Significant accounting policies

The Interim Financial Information has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2017, except for the effects of applying HKFRS 15 and HKFRS 9.

(i) Revenue Recognition

Revenue arises mainly from 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.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from the sales of motor vehicles for which control of assets is transferred at a point in time is recognised when the goods are delivered to customers. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

The Group offers servicing of motor vehicles, including maintenance, repairing and other support services. Revenue from servicing of motor vehicles is recognised when the relevant services have been provided and the Group received the payment or the right to receive payment has been established.

The Group received technical fee income from Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao") for providing management consulting and technical assistance in relation to the PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao. Revenue is recognised when the relevant services have been provided.

Car rental income is recognised on a time proportion basis over the lease terms.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts in the condensed consolidated statement of financial position.

(ii) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, pledged deposits and cash and bank balances fall into this category of financial instruments.

Financial assets at FVOCI

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is hold to collect the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income will be recycled upon derecognition of the asset. This category includes unlisted equity security.

Impairment of financial assets

HKFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" ("ECL") model. This replaces HKAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI and trade and other receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The adoption of HKFRS 9 led to a decrease in trade and other receivables of approximately HK$470,000 and a decrease of retained profits amounting to approximately HK$470,000.

Trade receivables

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 0.1% for amounts that are neither past due nor impaired, 1% for amounts that are 1 to 90 days past due, 2% for amounts that are between 91 and 180 days past due and 4% for amounts that are more than 180 days past due.

Advances to Zhong Bao Group and rebate and other receivables

Impairment on advances to Zhong Bao Group and rebate and other receivables from third parties are measured as either 12-month expected credit losses or lifetime expected credit losses depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group has concluded that the impact of expected credit losses on financial asset is insignificant as at 1 January 2018.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under HKFRS 9 compared to HKAS 39, the Group's financial liabilities were not impacted by the adoption of HKFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and bills payables, accruals and other payables and amounts due to related companies and a director.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group recognised revenue and other income by category as follows:

	(Unaudited) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue				
Sales of motor vehicles	**314,717**	294,805	**677,258**	651,333
Servicing of motor vehicles and sales of auto parts	**177,060**	128,565	**307,397**	254,536
Technical fee income	**1,637**	1,804	**3,536**	3,316
Car rental income	**7,076**	6,019	**14,578**	12,230
	500,490	431,193	**1,002,769**	921,415
Other income				
Bank interest income	**143**	244	**525**	761
Commission income	**2,221**	5,554	**4,864**	11,932
Consultant service income	**3,061**	4,906	**6,553**	8,270
Financial guarantee income	**116**	222	**234**	1,517
Gain on disposal of property, plant and equipment	**1,247**	820	**2,241**	1,636
Reversal of impairment loss on trade receivables	**–**	340	**–**	340
Sundry income	**1,561**	790	**3,031**	1,870
	8,349	12,876	**17,448**	26,326

Segment information

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

- Motor vehicles sales and services business – primarily consists of the operations of (i) motor vehicle distribution and dealership business, which includes sales of motor vehicles and provision of after-sales services; and (ii) other motor vehicles related business, which includes operations of motor vehicles service shops, sales of auto parts, provision of car-related technical services and other value-added motor vehicle services; and

- Car rental business

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

These 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 2018		
	Motor vehicles sales and services business	**Car rental business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Reportable segment revenue	**988,191**	**14,578**	**1,002,769**
Reportable segment profit	**30,117**	**2,113**	**32,230**
Other Information			
Depreciation and amortisation of non-current assets	**(18,544)**	**(7,164)**	**(25,708)**
Net gain on disposal of property, plant and equipment	**710**	**1,531**	**2,241**
Impairment loss on trade receivables	**(245)**	**(2)**	**(247)**
Addition to non-current assets (other than deferred tax assets and financial instruments) during the period	**11,553**	**16,779**	**28,332**

	(Unaudited) Six months ended 30 June 2017		
	Motor vehicles sales and services business	Car rental business	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment revenue	909,185	12,230	921,415
Reportable segment profit	43,547	1,849	45,396
Other Information			
Depreciation and amortisation of non-current assets	(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 (other than deferred tax assets and financial instruments) during the period	7,785	6,654	14,439

(b) ***Segment assets and liabilities***

	Motor vehicles sales and services business	**Car rental business**	**Total**
	(Unaudited) As at 30 June 2018		
	HK$'000	***HK$'000***	***HK$'000***
Reportable segment assets	**1,249,197**	**60,341**	**1,309,538**
Reportable segment liabilities	**775,950**	**26,270**	**802,220**

	Motor vehicles sales and services business	Car rental business	Total
	(Audited) As at 31 December 2017		
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	1,218,761	42,929	1,261,690
Reportable segment liabilities	788,076	14,670	802,746

(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	
	2018	2017
	HK$'000	*HK$'000*
Reportable segment revenue	**1,002,769**	921,415
Reportable segment profit	**32,230**	45,396
Unallocated corporate income	**2,791**	4,204
Unallocated corporate expenses		
Employee benefit expenses	**(673)**	(674)
Others	**(6,918)**	(7,056)
Unallocated finance costs	**(1,378)**	(494)
Profit before income tax	**26,052**	41,376

	(Unaudited) As at 30 June 2018 *HK$'000*	(Audited) As at 31 December 2017 *HK$'000*
Reportable segment assets	**1,309,538**	1,261,690
Non-current corporate assets *(note (i))*	**10,577**	2,362
Current corporate assets *(note (ii))*	**217,560**	273,620
Consolidated total assets	**1,537,675**	1,537,672
Reportable segment liabilities	**802,220**	802,746
Non-current corporate liabilities *(note (iii))*	**17,346**	18,006
Current corporate liabilities *(note (iv))*	**98,725**	105,901
Consolidated total liabilities	**918,291**	926,653

Notes:

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

4. 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance costs				
Interest charges on bank and other borrowings	**9,351**	6,765	**18,007**	12,471
Interest element of finance lease payments	**227**	210	**425**	453
	9,578	6,975	**18,432**	12,924

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other items				
Depreciation of property, plant and equipment	**11,225**	9,632	**22,785**	19,523
Net gain on disposal of property, plant and equipment	**(1,247)**	(820)	**(2,241)**	(1,538)
Amortisation of intangible asset	**608**	567	**1,228**	1,134
Amortisation of prepaid rental expenses	**119**	198	**242**	394
Amortisation of leasehold land	**705**	19	**1,453**	44
Impairment loss on trade receivables	**247**	–	**247**	–
Reversal of impairment loss on trade receivables	**–**	(340)	**–**	(340)
Financial guarantee expense	**–**	–	**–**	944

5. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – Overseas				
– Charge for the period	**6,707**	6,184	**11,837**	13,203
Current tax – total	**6,707**	6,184	**11,837**	13,203
Deferred tax	**(424)**	(401)	**(424)**	(401)
Total Income tax expense	**6,283**	5,783	**11,413**	12,802

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. Hong Kong profits tax has not been provided for the six months ended 30 June 2018 and 2017 as the Group has no assessable profits for the period.

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% (2017: 25%).

The income tax in respect of operations in Singapore is calculated at the rate of 17% (2017: 17%) on the estimated assessable profits for the period.

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2018 is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 June 2018 of approximately HK$5,933,000 (three months ended 30 June 2017: HK$9,317,000) and on the weighted average number of 476,300,000 (three months ended 30 June 2017: 476,300,000) ordinary shares in issue during the three months ended 30 June 2018.

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the unaudited profit attributable to the owners of the Company for the six months ended 30 June 2018 of approximately HK$14,639,000 (six months ended 30 June 2017: HK$27,194,000) and on the weighted average number of 476,300,000 (six months ended 30 June 2017: 476,300,000) ordinary shares in issue during the six months ended 30 June 2018.

Diluted earnings per share for the three months and the six months ended 30 June 2018 and 2017 are the same as the basic earnings per share as there was no dilutive potential ordinary share in issue during the respective periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with total cost of approximately HK$28,332,000 (six months ended 30 June 2017: HK$14,439,000) and disposed of certain items of property, plant and equipment with total carrying amount of approximately HK$8,105,000 (six months ended 30 June 2017: HK$5,568,000).

During the six months ended 30 June 2018, the Group entered into a sale and leaseback arrangement. Pursuant to which certain of the Group's motor vehicles with an aggregate carrying amount of approximately HK$5,871,000 have been sold at a consideration of HK$5,871,000 and have been leaseback for lease term of less than two years.

9. TRADE RECEIVABLES

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

	(Unaudited) **As at** **30 June** **2018** ***HK$'000***	(Audited) As at 31 December 2017 *HK$'000*
0 – 90 days	**79,196**	70,658
91 – 180 days	**21,657**	9,109
181 – 365 days	**7,168**	5,798
Over 1 year	**6,940**	5,932
	114,961	91,497
Less: allowance for impairment of trade receivables	**(717)**	–
	114,244	91,497

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** **2018** ***HK$'000***	(Audited) As at 31 December 2017 *HK$'000*
Balance at the beginning of the period/year	**–**	335
Adoption of HKFRS 9	**470**	–
Adjusted balance	**470**	335
Impairment loss recognised during the period/year	**247**	–
Reversal of impairment loss during the period/year	**–**	(347)
Exchange differences	**–**	12
Balance at the end of the period/year	**717**	–

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) **As at** **30 June** **2018** ***HK$'000***	(Audited) As at 31 December 2017 *HK$'000*
Advances to the Zhong Bao Group *(note)*	**433,252**	354,909
Current portion of prepaid rental expenses	**471**	480
Rebate receivables	**51,336**	60,316
Other receivables, prepayments and deposits paid	**77,517**	64,112
	562,576	479,817

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 2018 amounted to HK$510,471,000 (31 December 2017: HK$390,527,000), which was reduced to HK$490,842,000 (31 December 2017: HK$383,950,000) after netting off the trade and other payables balances due by the Group to Zhong Bao Group. The amount is interest fee and repayable on demand.

On 19 March 2018, 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.

11. TRADE AND BILLS PAYABLES

	(Unaudited) As at 30 June 2018 ***HK$'000***	(Audited) As at 31 December 2017 *HK$'000*
Trade payable	**80,809**	46,779
Bills payable	**161,196**	157,355
	242,005	204,134

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

	(Unaudited) As at 30 June 2018 ***HK$'000***	(Audited) As at 31 December 2017 *HK$'000*
0 – 30 days	**53,449**	82,971
31 – 180 days	**162,921**	109,195
181 – 365 days	**22,861**	7,816
1 – 2 years	**1,357**	2,788
Over 2 years	**1,417**	1,364
	242,005	204,134

12. 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 are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
Within one year	**15,354**	14,436
After one year but within five years	**18,375**	14,834
	33,729	29,270

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)	(Audited)
	As at	As at
	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
Within one year	**11,943**	8,845
After one year but within five years	**22,622**	17,902
After five years	**1,903**	7,306
	36,468	34,053

(b) Capital commitment

At 30 June 2018, the Group had commitment contracted but not provided for the purchase of property, plant and equipment of approximately HK$2,720,000 (31 December 2017: HK$4,196,000).

13. CONTINGENT LIABILITIES

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

	(Unaudited) As at 30 June 2018 *HK$'000*	(Audited) As at 31 December 2017 *HK$'000*
Guarantees for banking facilities provided to Zhong Bao Group – principal amount *(note)*	**164,854**	166,244

Note:

Included in accruals and other payables as at 30 June 2018 of approximately HK$1,410,000 (31 December 2017: approximately HK$1,650,000) are liabilities recognised in relation to the above guarantees.

14. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 10 and 13, the Group had generated income from sales of motor vehicles, car servicing and sales of auto parts of HK$61,089,000 (six months ended 30 June 2017: HK$31,499,000) and earned technical fee income of HK$3,536,000 (six months ended 30 June 2017: HK$3,316,000) from Zhong Bao Group during the six months ended 30 June 2018.

The Group purchased motor vehicles and auto parts and car servicing of HK$34,346,000 from Zhong Bao Group and was charged rental of HK$3,123,000 (six months ended 30 June 2017: HK$3,062,000) by Zhong Bao Group during the six months ended 30 June 2018.

15. RELATED PARTY TRANSACTIONS

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

15.1 Key management personnel remuneration

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

	(Unaudited) Six months ended 30 June	
	2018 *HK$'000*	2017 *HK$'000*
Key management personnel compensation		
Short term employee benefits	**4,974**	4,432
Post-employment benefits	**43**	85
	5,017	4,517

15.2 As at 30 June 2018, bank and other borrowings of approximately HK$288,382,000 (31 December 2017: HK$302,329,000) were guaranteed by Loh Nee Peng, a substantial shareholder of the Company.

16. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2018, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value of the leases of approximately HK$16,198,000 (six months ended 30 June 2017: HK$1,200,000).

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The financial assets measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2018 (Unaudited)				
Assets				
Financial asset at fair value through other comprehensive income	**–**	**–**	**8,539**	**8,539**
As at 31 December 2017 (Audited)				
Assets				
Financial asset at fair value through other comprehensive income	–	–	–	–

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

Details of the particulars of the financial asset at fair value through other comprehensive income are as follows:

Name of financial asset	Place of establishment and operation	Particulars of registered capital	Percentage of equity interest directly held by the Group	Principal activities
廈門歐利行汽車銷售服務有限公司 (Xiamen EURO Automobiles Sales and Service Co., Ltd.)	PRC	RMB80,000,000	9%	Sales of high-end motor vehicles and provision of repair and maintenance services of high-end automobiles

The fair value of financial asset at fair value through other comprehensive income is determined using adjusted net asset method.

Fair value measurement using significant unobservable inputs (Level 3)

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

	Unlisted equity security (Level 3) *HK$'000*
Opening balance at 31 December 2017 (audited)	–
Acquisition during the period	8,912
Translation adjustment	(373)
Closing balance at 30 June 2018 (unaudited)	**8,539**

Valuation processes

In determining fair value, specific valuation techniques are used with reference to inputs such as leasehold land's market value and other specific inputs relevant to the particular financial asset. The main inputs used by the Group in measuring the fair value of the unlisted equity security are derived and evaluated as follows:

- Market value of leasehold land: this is estimated based on market information at the reporting date.

Based on the fact that the leasehold land was acquired by the investee in the open market on 28 April 2018 and the short elapsing time between the reporting date and the measurement date of the leasehold land, the directors considered the fair value of the adjusted net assets at 30 June 2018 is not materially different from the carrying amount of the unlisted equity security.

There have been no transfers into or out of Level 3 during the six months ended 30 June 2018 (2017: nil).

18. ACQUISITION OF NON-CONTROLLING INTERESTS

During the six months ended 30 June 2017, the Group acquired additional equity 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

During the six months ended 30 June 2018, our group continues to provide excellent customer-oriented services and improved customer experience at our automobile dealer shops. Revenue has grown by 8.8% to HK$1,002,769,000 compared with HK$921,415,000 in the corresponding period in 2017. Nevertheless, the competition in the premium and ultra-luxury automobile market has been tremendous, and the profit for the six months ended 30 June 2018 was HK$14,639,000, representing a decrease of 48.8% compared to HK$28,574,000 in corresponding period in 2017. This was mainly resulted from declines in gross operating profit and other income as well as higher operating costs & finance cost.

FINANCIAL REVIEW

Revenue

The unaudited consolidated revenue for the six months ended 30 June 2018 increased by 8.8%, from HK$921,415,000 in the corresponding period in 2017 to HK$1,002,769,000 in the current period. The increase was attributable to the increase in sales of motor vehicles, servicing of motor vehicles and sales of auto parts and increase in revenue from car rental business.

1. Sales of motor vehicles

For the six months ended 30 June 2018, the sales amount of motor vehicles increased by 4.0% to HK$677,258,000 from HK$651,333,000 in the corresponding period in 2017. The increase was attributable to the effective promotion activities during the six months ended 30 June 2018.

2. Servicing of motor vehicles and sales of auto parts

Revenue generated from servicing of motor vehicles and sales of auto parts increased by 20.8% to HK$307,397,000 compared to the corresponding period in 2017, the increase was primarily driven by the increase in number of orders in the Fuzhou area.

3. Technical fee income

The Group received technical fee income from Xiamen Zhong Bao Automobiles Co., Ltd.* ("Xiamen Zhong Bao") for providing management consulting and technical assistance in relation to the PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao.

Technical fee income for the six months ended 30 June 2018 was HK$3,536,000, increased by 6.6% as compared to the corresponding period in 2017.

4. Car rental business

The income from car rental business in Hong Kong for the six months ended 30 June 2018 was HK$14,578,000, representing an increase of 19.2% compared to the corresponding period in 2017. This was mainly due to the increase in number of long-term rental orders.

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 2018 increased by 6.2% to HK$165,077,000, as compared to HK$155,429,000 in the corresponding period in 2017.

The gross operating margin for the period remained stable at 16.5%, compared to 16.9% for the six months ended 30 June 2017.

Other Income

Other income decreased from HK$26,326,000 in the corresponding period in 2017 to HK$17,448,000 in the current period mainly due to the decline in commission income resulting from the intensified competition.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK$70,285,000 for the six months ended 30 June 2018, representing a 14.6% increase as compared to HK$61,347,000 in the corresponding period in 2017 due to the increase in sales incentives to motivate the sales force as well as general increase in staff salary and the number of staff in the Group.

Operating Lease Charges

The operating lease charges for the six months ended 30 June 2018 increased by 11.7% from HK$7,951,000 in the corresponding period in 2017 to HK$8,882,000 in 2018. This was mainly attributable to the general increase in monthly rental expenses.

Foreign Exchange Exposure

During the six months ended 30 June 2018, the exchange loss was HK$1,207,000 compared to a gain of HK$1,567,000 in the corresponding period in 2017. This is mainly resulted from the borrowings which denominated in foreign currencies and the translation of inter-company balances mainly from Renminbi ("RMB") to Hong Kong dollars.

Other Expenses

For the six months ended 30 June 2018, other expenses were HK$31,959,000, representing a decrease of 17.3% compared to HK$38,629,000 in the corresponding period in 2017. The decrease was mainly due to decrease in legal and professional fee and travelling expenses.

Finance Costs

Finance costs increased from HK$12,924,000 for the six months ended 30 June 2017 to HK$18,432,000 for the current period due to increased borrowings since the second half of 2017.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2018 was HK$14,639,000 while HK$27,194,000 was recorded in the corresponding period in 2017. The decrease was mainly due to (i) decrease in other income; (ii) increase in employee benefit expenses; offset by (iii) the increase in gross operating margin and (iv) decrease in other expenses.

Financial Resources and Liquidity

As at 30 June 2018, shareholders' fund of the Group amounted to HK$619,384,000 (31 December 2017: HK$611,019,000); current assets amounted to HK$1,107,755,000 (31 December 2017: HK$1,107,724,000) of which HK$178,462,000 (31 December 2017: HK$247,442,000) was cash and bank deposits. Current liabilities, amounted to HK$891,383,000 (31 December 2017: HK$904,660,000), were mainly trade payables, contract liabilities, borrowings, bills payable, accruals and other payables. The Group had non-current liabilities amounted to HK$26,908,000 (31 December 2017: HK$21,993,000). The net asset value per share as at 30 June 2018 was HK$1.30 (31 December 2017: HK$1.28).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payable, short-term and long-term borrowings) less cash and cash equivalents (net debt), divided by total equity plus net debt. As at 30 June 2018, the gearing ratio of the Group was 0.49 (31 December 2017: 0.48).

Capital Commitment

As at 30 June 2018, the Group had commitment contracted but not provided for in connection with the purchase of property, plant and equipment of HK$2,720,000 (31 December 2017: HK$4,196,000).

Charges On Group's Assets

As at 30 June 2018, fixed deposits of HK$78,238,000 (31 December 2017: HK$94,979,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK$25,918,000 (31 December 2017: HK$16,439,000) 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$84,254,000 (31 December 2017: HK$86,307,000) and HK$2,820,000 (31 December 2017: HK$2,939,000) were pledged to secure banking facilities of the Group and Xiamen Zhong Bao, respectively, as at 30 June 2018.

Motor vehicles held under finance leases with a net carrying value of HK$27,179,000 (31 December 2017: HK$19,038,000) were also pledged to secure the respective borrowings as at 30 June 2018.

Contingent Liabilities

As at 30 June 2018, the Group provided bank guarantees with an aggregate principal amount of approximately HK$164,854,000 (31 December 2017: HK$166,244,000) in respect of banking facilities to Zhong Bao Group.

Employee Information

As at 30 June 2018, the total number of employees of the Group was 928 (30 June 2017: 898). 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 six months ended 30 June 2018, 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$4,282,000 (six months ended 30 June 2017: HK$3,248,000).

Capital Structure of the Group in Debt Securities

During the six months ended 30 June 2018 and the corresponding period in 2017, the Group has no debt securities in issue.

Material Investments or Capital Assets

Please refer to note 12(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 2018 (six months ended 30 June 2017: Nil).

Event after the Reporting Period

Subsequent to 30 June 2018 and up to the date of this announcement, there was no material event relevant to the business or financial performance of the Group that comes into the attention of the Directors.

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 rational customers. The growing middle class in China 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 wide price range to cater for consumer needs.

With long-term good relationships with leading automobile suppliers of premium and ultra-luxury brands and as more new models from our major suppliers will be unveiled in coming months, the Group is confident to further improve its revenue through effective marketing on the new models and related value-added services. In addition, the Group will exert a greater control over operating cost to bring value to its stakeholders in the long run.

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 2018, the Company's consolidated total assets were approximately HK$1,537,675,000.

	(Unaudited) As at 30 June 2018 *HK$'000*	**Assets Ratio** *(%)*	(Unaudited) As at 31 March 2018 *HK$'000*	Increment as compared to Assets Ratio *(%)*
Guarantees to Zhong Bao Group *(note)*	**164,854**	**10.7**	173,472	N/A

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 2018, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

The Group has appointed Red Sun Capital Limited as our compliance adviser which will provide advice and guidance to the Group in respect of compliance with the applicable laws and GEM Listing Rules including various requirements relating to directors' duties and internal control. Except for the compliance adviser agreement entered into between the Company and our compliance adviser with effect from 21 May 2018, neither our compliance adviser nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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 period ended 30 June 2018.

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 2018 interim results and provided comments thereon to the Board.

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 7 August 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

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, 7 August 2018

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*