



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)



INTERIM REPORT
2013



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

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

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

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

INTERIM RESULTS

The board of directors (the “Board”) of G.A. Holdings Limited (the “Company”) is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013 (the “Interim Period”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2013

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2013	2012	2013	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	78,136	110,021	181,289	170,543
Other income	2	24,264	15,584	43,435	31,389
		102,400	125,605	224,724	201,932
Changes in inventories		(40,294)	(76,474)	(118,128)	(118,927)
Employee benefit expenses		(21,385)	(15,226)	(28,010)	(21,211)
Depreciation and amortisation		(4,167)	(3,818)	(8,315)	(7,569)
Operating lease charges		(2,155)	(1,730)	(4,340)	(3,439)
Exchange differences, net		66	(710)	9	(3,640)
Other expenses		(10,111)	(10,029)	(17,708)	(15,718)
Profit from operating activities		24,354	17,618	48,232	31,428
Finance costs		(3,060)	(2,258)	(6,386)	(5,202)
Profit before income tax	3	21,294	15,360	41,846	26,226
Income tax expense	4	(7,188)	(4,812)	(6,365)	(7,462)
Profit for the period		14,106	10,548	35,481	18,764



	Notes	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 June		30 June	
		2013	2012	2013	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income, including reclassification adjustments for the period					
Exchange gain/(loss) on translation of financial statements of foreign operations		1,091	(4,138)	1,517	393
Total comprehensive income for the period		15,197	6,410	36,998	19,157
Profit for the period attributable to:					
Owners of the Company		14,106	10,558	35,481	18,793
Non-controlling interests		–	(10)	–	(29)
		14,106	10,548	35,481	18,764
Total comprehensive income attributable to:					
Owners of the Company		15,178	6,439	36,967	19,209
Non-controlling interests		19	(29)	31	(52)
		15,197	6,410	36,998	19,157
Earnings per share attributable to the owners of the Company for the period (HK\$ cents)	5				
Basic		2.96	2.22	7.45	3.95
Diluted		2.96	2.22	7.45	3.95

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		(Unaudited) As at 30 June 2013 <i>HK\$'000</i>	(Audited) As at 31 December 2012 <i>HK\$'000</i>
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		81,465	82,792
Leasehold lands		4,745	4,888
Prepaid rental expenses		36,054	37,713
Non-current receivables	6	22	21
		122,286	125,414
Current assets			
Inventories		51,026	52,153
Trade receivables	7	114,226	92,791
Prepayment, deposits and other current assets	8	276,861	278,495
Due from a director		26	26
Pledged deposits		18,857	27,512
Cash and cash equivalents		56,408	86,129
		517,404	537,106
Current liabilities			
Trade payables	9	16,379	15,626
Accruals and other payables		99,113	93,830
Pension and other employee obligations		43	33
Bills payables		24,717	80,985
Borrowings		60,273	66,773
Due to related companies		305	315
Due to directors		35,983	38,615
Tax payable		21,792	21,311
		258,605	317,488



	(Unaudited) As at 30 June 2013 HK\$'000	(Audited) As at 31 December 2012 HK\$'000
Notes		
Net current assets	258,799	219,618
Total assets less current liabilities	381,085	345,032
Non-current liabilities		
Borrowings	9,011	9,956
Deferred tax liabilities	1,272	1,272
	10,283	11,228
Net assets	370,802	333,804
EQUITY		
Equity attributable to owners of the Company		
Share capital	47,630	47,630
Reserves	321,135	284,168
	368,765	331,798
Non-controlling interests	2,037	2,006
Total equity	370,802	333,804

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012 and 2013

	Equity attributable to owners of the Company								Total Equity HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Capital reserve* HK\$'000	Translation reserve* HK\$'000	Retained profits* HK\$'000	Proposed final dividend* HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
As at 1 January 2012	47,630	29,522	8,623	28,331	176,445	3,000	293,551	2,035	295,586
Profit for the period	-	-	-	-	18,793	-	18,793	(29)	18,764
Other comprehensive income, including reclassification adjustments									
Translation difference	-	-	-	416	-	-	416	(23)	393
Total comprehensive income for the period	-	-	-	416	18,793	-	19,209	(52)	19,157
2011 final dividend paid	-	-	-	-	-	(3,000)	(3,000)	-	(3,000)
As at 30 June 2012	47,630	29,522	8,623	28,747	195,238	-	309,760	1,983	311,743
As at 1 January 2013	47,630	29,522	8,623	35,342	210,681	-	331,798	2,006	333,804
Profit for the period	-	-	-	-	35,481	-	35,481	-	35,481
Other comprehensive income, including reclassification adjustments									
Translation difference	-	-	-	1,486	-	-	1,486	31	1,517
Total comprehensive income for the period	-	-	-	1,486	35,481	-	36,967	31	36,998
As at 30 June 2013	47,630	29,522	8,623	36,828	246,162	-	368,765	2,037	370,802

* These reserves accounts comprise the consolidated reserves of HK\$321,135,000 (as at 31 December 2012: HK\$284,168,000) in the consolidated statement of financial position as at 30 June 2013.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013 and 2012

	(Unaudited) Six months ended 30 June 2013 HK\$'000	(Unaudited) Six months ended 30 June 2012 HK\$'000
Net cash used in operating activities	(26,475)	(20,881)
Net cash generated from/(used in) investing activities	8,675	(9,819)
Net cash used in financing activities	(16,010)	(10,630)
Net decrease in cash and cash equivalents	(33,810)	(41,330)
Translation adjustment	4,089	6,239
Cash and cash equivalents, at beginning of period	86,129	54,904
Cash and cash equivalents, at end of period	56,408	19,813
Analysis of balances of cash and cash equivalents		
Cash and bank balances	56,408	19,813

Notes:

1. BASIS OF PREPARATION

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 and sales of auto parts.

(a) Statement of compliance

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

These interim financial statements were authorized for issue by the Company’s Board of Directors on 9 August 2013.

(b) Judgements and estimates

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

The significant judgments made by Management in applying the Group’s accounting policies, the key sources of estimation uncertainty, and the accounting policies adopted for the preparation of these unaudited consolidated results of the Group are consistent with those applied to the consolidated financial statements as at and for the year ended 31 December 2012.

(c) Functional and presentation currency

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

2. REVENUE

Revenue of the Group is recognised by category as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Sales of motor vehicles	–	48,636	31,669	48,636
Technical fee income	7,590	6,769	14,970	12,770
Servicing of motor vehicles and sales of auto parts	70,546	54,616	134,650	109,137
	78,136	110,021	181,289	170,543
Other income				
Rental income	5,648	4,055	11,851	8,737
Interest income on financial assets stated at amortised cost	307	132	725	275
Warranty claims	10,669	7,406	17,657	15,077
Other income	7,640	3,991	13,202	7,300
	24,264	15,584	43,435	31,389

Segment Information – Group

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Executive Directors for their review of the performance of those components. The business components in the internal financial information reported to the Executive Directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Motor vehicles – Sales of motor vehicles and provision of car-related technical services (“Activity 1”)
- Servicing service – Servicing of motor vehicles and sales of auto parts (“Activity 2”)
- Commission income from sales of cars from German Automobiles Pte Ltd. (“GAPL”) to German Automobiles Limited (“GAL”) (i.e. intra-group) (“Activity 3”)

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

(a) Segment results

	(Unaudited)			
	Six months ended 30 June 2013			
	Activity 1	Activity 2	Activity 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
From external customers	46,639	134,650	–	181,289
From other segments	–	–	1,276	1,276
Reportable segment revenue	46,639	134,650	1,276	182,565
Reportable segment profit	15,883	32,384	1,276	49,543
Bank interest income	27	698	–	725
Depreciation and amortisation of non-financial assets	(534)	(3,001)	–	(3,535)
Write down of inventories to net realizable value	–	–	–	–
Gain on disposal of property, plant and equipment	–	–	842	842



	(Unaudited)			
	Six months ended 30 June 2012			
	Activity 1	Activity 2	Activity 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
From external customers	61,406	109,137	–	170,543
From other segments	–	–	1,945	1,945
Reportable segment revenue	61,406	109,137	1,945	172,488
Reportable segment profit	5,110	26,264	1,945	33,319
Bank interest income	44	231	–	275
Depreciation and amortisation of non-financial assets	(597)	(2,933)	–	(3,530)
Write down of inventories to net realizable value	(543)	–	–	(543)
Gain on disposal of property, plant and equipment	–	–	343	343

(b) Segment assets and liabilities

	(Unaudited)			
	As at 30 June 2013			
	Activity 1	Activity 2	Activity 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	183,501	386,507	–	570,008
Addition to non-current segment assets during the period	–	878	–	878
Reportable segment liabilities	33,518	100,516	4,736	138,770

	(Audited)			
	As at 31 December 2012			
	Activity 1	Activity 2	Activity 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	178,487	313,092	–	491,579
Addition to non-current segment assets during the year	–	20,230	–	20,230
Reportable segment liabilities	89,731	96,690	6,794	193,215

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements are as follows:

	(Unaudited) Six months ended 30 June 2013 <i>HK\$'000</i>	(Unaudited) Six months ended 30 June 2012 <i>HK\$'000</i>
Reportable segment revenues	182,565	172,488
Elimination of inter segment revenues	(1,276)	(1,945)
Group revenues	181,289	170,543
Reportable segment profit	49,543	33,319
Other income	13,202	7,300
Rental income	11,663	8,737
Unallocated corporate expenses	(24,900)	(15,983)
Finance costs	(6,386)	(5,202)
Elimination of inter segment profits	(1,276)	(1,945)
Profit before income tax	41,846	26,226
	(Unaudited) As at 30 June 2013 <i>HK\$'000</i>	(Audited) As at 31 December 2012 <i>HK\$'000</i>
Reportable segment assets	570,008	491,579
Non-current corporate assets	39,302	140,642
Current corporate assets	30,380	30,299
Group assets	639,690	662,520
Reportable segment liabilities	138,770	193,215
Non-current corporate liabilities	120,013	9,956
Current corporate liabilities	10,105	125,545
Group liabilities	268,888	328,716



(c) **Geographical segments**

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

	Revenue from external customers		Non-current assets	
	(Unaudited) Six months ended 30 June 2013 <i>HK\$'000</i>	(Unaudited) Six months ended 30 June 2012 <i>HK\$'000</i>	(Unaudited) As at 30 June 2013 <i>HK\$'000</i>	(Audited) As at 31 December 2012 <i>HK\$'000</i>
Singapore (domicile)	-	-	896	949
The PRC	181,289	170,543	91,032	94,188
Hong Kong	-	-	30,358	30,277
	181,289	170,543	122,286	125,414

The place of domicile is determined based on the location of central management.

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.

3. PROFIT BEFORE INCOME TAX

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
(a) Finance costs on financial liabilities stated at amortised cost				
Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five years	2,750	2,089	6,002	4,859
Interest element of finance lease rental payments	310	169	384	343
	3,060	2,258	6,386	5,202
(b) Employee benefits expenses (including directors' emoluments)				
Salaries and wages	18,097	13,588	23,619	18,536
Other benefits	3,141	1,510	4,046	2,373
Pension costs – defined contribution plans	147	128	345	302
	21,385	15,226	28,010	21,211
(c) Other items				
Depreciation of property, plant and equipment*	3,923	3,576	7,824	7,083
Gain on disposal of property, plant and equipment	(233)	(343)	(842)	(343)
Amortisation of prepaid rental expenses	236	234	476	471
Annual charges of prepaid operating land lease payments	8	8	15	15

* Amount included depreciation charge of HK\$3,228,000 (2012: HK\$2,782,000) for the Group's asset held under finance leases.

4. INCOME TAX EXPENSE

The charge comprises:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Current – Hong Kong Charge for the period	862	768	1,977	1,198
Current – Overseas Charge for the period	6,326	4,044	10,856	6,264
Over-provision in prior years	–	–	(6,468)	–
Total income tax expense	7,188	4,812	6,365	7,462

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates 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 period based on the unification of the income tax rates for domestic-invested and foreign invested enterprises at 25%.

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

The Group has no material unprovided deferred taxation for the period (2012: Nil).

During the Interim Period, an amount of HK\$6,468,000 (equivalent to approximately S\$1,032,000) was received from the Inland Revenue Authority of Singapore (“IRAS”). In view of the recent development of negotiation with the IRAS, the tax refund was being the re-assessment of the tax assessment for the previous years from 2005 to 2008. The IRAS has agreed and made revisions on the previously tax assessment during the first quarter in 2013.

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 June 2013 of approximately HK\$14,106,000 (2012: HK\$10,558,000) and on the weighted average number of 476,300,000 (2012: 476,300,000) ordinary shares in issue during the three months ended 30 June 2013.

Diluted earnings per share for the three months ended 30 June 2013 and 2012 are the same as the basic earnings per share as there was no dilutive potential ordinary share during the three months ended 30 June 2013 and 2012 respectively.

The calculation of basic earnings per share is based on the unaudited profit attributable to the owners of the Company for the six months ended 30 June 2013 of approximately HK\$35,481,000 (2012:HK\$18,793,000) and on the weighted average number of 476,300,000 (2012: 476,300,000) ordinary shares in issue during the six months ended 30 June 2013.

Diluted earnings per share for the six months ended 30 June 2013 and 2012 are the same as the basic earnings per share as there was no dilutive potential ordinary share during the six months ended 30 June 2013 and 2012 respectively.

6. NON-CURRENT RECEIVABLES

	(Unaudited) As at 30 June 2013 <i>HK\$'000</i>	(Audited) As at 31 December 2012 <i>HK\$'000</i>
Advances to NAGC Group *	504	504
Advances to Zhong Bao Group**	194,684	182,859
	195,188	183,363
Portion classified as current asset (note 8)	(195,166)	(183,342)
Non-current portion	22	21

* North Anhua Group Corporation (“NAGC”) and certain of its subsidiaries and related companies (“NAGC Group”)

** Xiamen Zhong Bao Automobiles Co., Limited (“Xiamen Zhong Bao”) and certain of its subsidiaries and related companies (“Zhong Bao Group”)



7. TRADE RECEIVABLES

The credit periods of the Group usually range from 3 to 9 months. As at 30 June 2013, the aging analysis of trade receivables, based on invoice date, was as follows:

	(Unaudited) As at 30 June 2013 HK\$'000	(Audited) As at 31 December 2012 HK\$'000
0 – 90 days	24,130	45,330
91 – 180 days	28,960	13,137
181 – 365 days	28,790	11,133
Over 1 year	37,037	27,959
	118,917	97,559
Less: allowance for impairment of receivables	(4,691)	(4,768)
	114,226	92,791

8. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	(Unaudited) As at 30 June 2013 HK\$'000	(Audited) As at 31 December 2012 HK\$'000
Current portion of non-current receivables (note 6)	195,166	183,342
Current portion of prepaid rental expenses	938	969
Other prepayments and current assets	68,669	64,055
Deposit paid	12,088	30,129
	276,861	278,495

9. TRADE PAYABLES

The credit period of the Group are usually 3 months. The aging analysis of trade payables is as follows:

	(Unaudited) As at 30 June 2013 <i>HK\$'000</i>	(Audited) As at 31 December 2012 <i>HK\$'000</i>
0 – 30 days	9,459	6,258
31 – 180 days	2,598	2,138
181 – 365 days	1,114	3,073
1 to 2 years	399	932
Over 2 years	2,809	3,225
	16,379	15,626

10. COMMITMENTS

a. Operating lease commitments

As lessee:

The Group leases certain of its office premises and furniture and equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years. The Company does not have any significant operating lease commitments.

As at 30 June 2013, the total future minimum lease payment under non-cancellable operating leases payable by the Group are as follows:

	(Unaudited) As at 30 June 2013 <i>HK\$'000</i>	(Audited) As at 31 December 2012 <i>HK\$'000</i>
Within one year	1,115	1,549
After one year but within five years	284	185
	1,399	1,734



b. Contingent liabilities

As at 30 June 2013, the Group had given guarantees in the ordinary course of business as follows:

		(Unaudited) As at 30 June 2013 HK\$'000	(Audited) As at 31 December 2012 HK\$'000
	Notes		
Guarantees for banks loans to NAGC Group:	(1)	30,312	29,856
Guarantees for bank loans to Zhong Bao Group:	(2)	151,560	149,280
		181,872	179,136

Notes:

- (1) The Group's fixed deposits of approximately HK\$9,005,000 (2012: HK\$8,976,000) are pledged to secure these banking facilities at the reporting date.
- (2) Leasehold lands and buildings of approximately of HK\$4,745,000 (2012: HK\$4,888,000) and HK\$798,000 (2012: HK\$842,000) respectively are pledged to bank to secure banking facilities up to approximately HK\$151,560,000 (2012: HK\$149,280,000) granted to Zhong Bao Group at the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2013, an increase of total revenue was recorded and has increased by 6.3% as compared with prior period, despite the sales of motor vehicles was at a decreasing trend in the current period. The increase in total revenue was mainly attributed from the increase in revenue from the segment in servicing of motor vehicles and sales of auto parts (“servicing service segment”). While the gross profit margin for the Group has increased from 30.3% to 34.8% mainly due to increased revenue received from the servicing service segment that yield a high profit margin.

Continuing with the increasing trend for the financial results from the first quarter, the total comprehensive income for the Interim Period has increased from HK\$19,157,000 to HK\$36,998,000, increased by approximately 93.1%. The reason for the increase was mainly due to: (1) the increase in gross profit for the Interim Period, as a result from the increase in revenue with stable costs of sales; (2) the exchange gain resulted from the translation of foreign currency transactions in Euro, Singapore, Renminbi and US dollars to Hong Kong dollars; and (3) During the period under review, a tax refund was received from the Inland Revenue Authority of Singapore (“IRAS”), amounted to approximately HK\$6,468,000 (equivalent to approximately S\$1,032,000). The tax refund from IRAS was received after continuing development of negotiation with the IRAS over previous years in relation to the income tax assessment of one of the wholly owned subsidiary of the Group and a conclusive re-assessment result was received from the IRAS for the years of assessment from 2005 to 2008. It is concluded that the negotiating income should be treated as offshore income and should not be taxable. The IRAS has agreed and granted a refund during the first quarter in 2013. Subsequent to reporting date, a further refund of approximately HK\$2,168,000 (equivalent to approximately S\$350,000) was received from IRAS regarding the re-assessment of income tax for the years of assessment from 2010 to 2012.

1. Sales of motor vehicles

For the six months ended 30 June 2013, revenue generated from the sales of motor vehicles was approximately HK\$31,669,000, representing a decrease of approximately 34.9% as compared to the corresponding period in 2012. It was noted that no car sales activity for both RUF series and other premium branded cars was generated during the three months ended 30 June 2013. The reason for the decrease in car sales activity during the Interim Period was mainly due to the recent development on new car policy as imposed by the China government.



Since the new China leader was elected early this year, new policy has laid down that government officials are not allowed to buy luxurious cars, especially imported cars. This has significantly affect the sales of motor vehicles in the auto market, especially for premium brands car, whereas the locally assembled cars have not been affected in comparatively. The other reason is that the new regulations also tighten up the bank borrowings and access to financing (so called “cash crunch”). As a result, the Company prefer to hold tighter its capital and be more cautious about the business plan.

2. Servicing of motor vehicles and sales of auto parts

Revenue generated from servicing of motor vehicles and sales of auto parts has continuously increased during the Interim Period and has increased by approximately 23.4% to HK\$134,650,000 as compared to the corresponding period in 2012. The increase was consistently due to the continuous demand of after sales support for luxurious vehicles, supplemented by the precious service of the Group’s 5S servicing centers in China.

3. Technical fee income

The Group received technical fee income from Zhong Bao Group for providing management consulting and technical assistance for its purchase for the locally assembled BMW vehicles sold.

Technical fee income for the six months ended 30 June 2013 was approximately HK\$14,970,000, increased by approximately 17.2% as compared to the corresponding period in 2012. The increase was mainly due to the corresponding increase in the car sales of locally assembled BMW sold by Zhong Bao Group during the Interim Period.

4. Car rental business

The operation of car rental business in Hong Kong for the six months ended 30 June 2013 was approximately HK\$11,851,000, representing an encouraging increase of 35.6% as compared to the corresponding period in 2012. The increase was continuous due to the increase in customer base over the years, thus builds up the customer loyalty for the car rental business.

PROSPECTS

During the period under review, the market of luxury cars in China has declined as customers tend to prefer smaller and better equipped premium cars. The growth pace of the sales of luxury cars in China is expected to slow steadily.

The new BMW 3-series GT was launched earlier this year to fulfill the gap of demand of luxury cars which had fallen when China's economy is facing uncertainties. Shrinking of growth in market means the growth of profit margin is under pressure.

Senior management of BMW AG is foreseeing a period of slower growth would allow the auto maker to focus on addressing issues to its dealers networks, of which improving after sales, increasing sales of used cars and expansion of financial services.

The Group is working in line with the strategic business partner to cope with the change in market growth and product trend. In addition, all our servicing shops are offering unmatched 5S after sales services (i.e. Sales, Services, Spareparts, Standard modification, Security system) to our customers.

The local car rental sector has been performing satisfactorily. We are reviewing on strategy with our business partner so as to maximize the return and enhance the yield in investment in the car rental business.

The second half year of 2013 will be a period for enhancing our current services to customers, improving business performance, as well as time to review our business strategies in view of the uncertainties in China and the change of market trend and uncertainties. Revenue from sales of cars is expected to recover while appropriate market promotion to stimulate the suppressed sales of cars are being set and implemented in August.



FINANCIAL REVIEW

Revenue

The unaudited consolidated revenue for the six months ended 30 June 2013 has increased by approximately 6.3% from HK\$170,543,000 in the corresponding period in 2012 to HK\$181,289,000. The increase was mainly due to the increase in revenue from the servicing service segment, despite a decrease in sales of motor vehicles was noted. The revenue from the servicing service segment contributed approximately 74.3% of the total revenue.

Gross Profit

The gross profit for the Interim Period was approximately HK\$63,161,000, an increase of approximately 22.4% as compared to the corresponding period in 2012. While the gross profit margin for the Interim Period has also increased by 4.5% from 30.3% in the corresponding period in 2012 to 34.8% in the Interim Period in 2013.

The increase in gross profit was mainly due to the followings: (1) Increased revenue generated from the servicing service segment that yield higher profit margin with stringent cost control; (2) The cost of sales incurred from the corresponding period in 2012 for the purchase of RUF series is comparatively higher, provided that a stable revenue was generated, thus resulting to a lower profit margin was recorded during the Interim Period in 2012 as compared to the current Interim Period.

Exchange Gain/(Loss)

For the Interim Period, the exchange gain of the Group was amounted to approximately HK\$9,000; whereas an exchange loss amounted to approximately HK\$3,640,000 was recorded for the corresponding period in 2012. The exchange gain was mainly resulted from the translation of accounts receivables, accounts payables and inter-company balances from Renminbi, Singapore and US dollars to Hong Kong dollars and the transactions of imports and exports bill denominated in Euro and US dollars.

Other Expenses

For the Interim Period, other expenses were approximately HK\$17,708,000, representing an increase of approximately 12.7%. The increase was mainly due to increase in various expenses incurred in relation to advertising, functional and promotional events held in China during the Interim Period. The other expenses comprise of approximately 9.8% (2012: approximately 9.2%) of the total revenue for the six months ended 30 June 2013.

Profit Attributable to Owners of the Company

The profit attributed to owners of the Company for the Interim Period was amounted to approximately HK\$35,481,000 representing a sharply increase of approximately 88.8% as compared to the corresponding period in 2012. The increase was mainly due to the increased revenue generated from the servicing service segment as well as the tax refund received from the IRAS Singapore during the Interim Period.

Financial Resources and Liquidity

As at 30 June 2013, shareholders' fund of the Group amounted to approximately HK\$370,802,000 (31 December 2012: HK\$333,804,000). Current assets amounted to approximately HK\$517,404,000 (31 December 2012: HK\$537,106,000). Of which, approximately HK\$75,265,000 (31 December 2012: HK\$113,641,000) were cash and bank deposits. Current liabilities, amounted to approximately HK\$258,605,000 (31 December 2012: HK\$317,488,000), were mainly comprised of trade payables, bills payables, bank loans, accruals and other payables, and obligations under finance leases. The Group had non-current liabilities amounted to approximately HK\$10,283,000 (31 December 2012: HK\$11,228,000). The net asset value per share as at 30 June 2013 was approximately HK\$0.779 (31 December 2012: HK\$0.701).

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payables, short-term and long term bank borrowings, as shown in the consolidated statement of financial position), less cash and cash equivalents, divided by total equity, plus net debt. As at 30 June 2013, the gearing ratio of the Group was 0.09 (31 December 2012: 0.18).

Contingent Liabilities

As at 30 June 2013, the Group provided bank guarantee of approximately HK\$30,312,000 (31 December 2012: HK\$29,856,000) to a bank in respect of banking facilities to a related company of North Anhua Group Corporation ("NAGC"). As at 30 June 2013, the Group also provided bank guarantee amounted to HK\$151,560,000 (31 December 2012: HK\$149,280,000) in respect of banking facilities to Zhong Bao Group.



Charges on Group Assets

As at 30 June 2013, the Group pledged time deposits of approximately HK\$18,857,000 (31 December 2012: HK\$27,512,000) to several banks for banking facilities for the Group and a related company of NAGC. Leasehold lands and buildings of approximately HK\$4,745,000 (31 December 2012: HK\$4,888,000) and HK\$798,000 (31 December 2012: HK\$842,000) respectively are pledged to bank to secure banking facilities up to approximately HK\$151,560,000 (31 December 2012: HK\$149,280,000) granted to Zhong Bao Group at the period end date.

Employee Information

As at 30 June 2013, the total number of employee of the Group was approximately 454. For the Interim Period, the staff costs including directors' remuneration of the Group, comprises of approximately 15.5% of the total revenue and was approximately HK\$28,010,000 (six months ended 30 June 2012: HK\$21,211,000), increased by 32.1% as compared to the corresponding period in 2012. The sharply increase was due to salary increments for various offices during the Interim Period in 2013, as well as the increase in various staff costs, such as staff bonus due to increased performance, staff benefit, transportation and social welfare costs, incurred in our China offices. It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Retirement Benefits

During the Interim Period, the aggregate amount of the employer's contribution of the Group under Central Provident Fund in Singapore and Mandatory Provident Fund in Hong Kong was amounted to approximately HK\$345,000 (2012: HK\$302,000).

Capital Structure of the Group in Debt Securities

During the Interim Period and the corresponding period in 2012, the Group has no debt securities in issue.

Materials Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the Interim Period, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2012: Nil).

Material Investments or Capital Assets

As at 30 June 2013, the Group had no future plans for material investment and purchase of capital assets (2012: Nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

As at 30 June 2013, the interests or short position of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are notified to the Company and the Stock Exchange pursuant to SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

Name	Capacity	Number of ordinary shares held				Total	Approximate percentage of shareholding
		Personal Interest	Family Interest	Corporate Interest	Other Interests		
Loh Nee Peng	Interest of a controlled corporation	-	-	100,149,480 (Note 1)	-	100,149,480	21.03%
Loh Boon Cha	Deemed interest	-	54,865,480 (Note 2)	45,284,000 (Note 2)	-	100,149,480	21.03%

Notes:

- The 100,149,480 shares are held as to 54,865,480 shares by Big Reap Investment Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.
- The 100,149,480 shares are held as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which is interested as to 21% by Mr. Loh Boon Cha; and as to 54,865,480 shares by Big Reap Investment Limited which is interested as to 100% by Mr. Loh Nee Peng. By virtue of SFO, Mr. Loh Boon Cha is deemed to be interested in the shares held by Big Reap Investment Limited due to family ties as Mr. Loh Boon Cha is the father of Mr. Loh Nee Peng.

Save as disclosed above, as at 30 June 2013, none of the Directors or their associates, has any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITION OF SHAREHOLDERS

As at 30 June 2013, the persons or corporations (other than Directors or chief executive of the Company) who have interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh & Loh Construction Group Ltd.	Beneficial owner (Note 1)	45,284,000	9.51%
Loh Kim Her	Interest of a controlled corporation (Note 2)	53,284,000	11.18%
Fang Zhen Chun	Beneficial owner	90,792,000	19.06%
Chan Hing Ka Anthony	Beneficial owner and interest of a controlled corporation (Note 3)	95,141,925	19.98%

Notes:

1. Loh & Loh Construction Group Ltd. is held as to 49% by Mr. Chan Hing Ka Anthony, as to 15% by Mr. Loh Him Her, as to 15% by Mr. Loh Nee Peng and as to 21% by Mr. Loh Boon Cha. Mr. Chan Hing Ka Anthony, Mr. Loh Kim Her and Mr. Loh Nee Peng are Directors and Mr. Loh Boon Cha is the brother of Mr. Loh Him Her and the father of Mr. Loh Nee Peng.
2. The 53,284,000 shares held as to 8,000,000 shares by Affluence Investment International Limited, and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15% respectively by Mr. Loh Kim Her. By virtue of the SFO, Mr. Loh Kim Her is deemed to be interested in the shares held by Affluence Investment International Limited, and Loh & Loh Construction Group Ltd.
3. The 95,141,925 shares held as to 49,481,925 shares by Tycoons Investment International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 49% respectively by Mr. Chan Hing Ka Anthony, as well as 376,000 shares held directly as beneficial owner. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

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

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



COMPETING INTERESTS

During the six months ended 30 June 2013, none of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

During the six months ended 30 June 2013, the Company has not adopt any share option scheme, nor does it have any options or securities in issue which are convertible or exchangeable into shares of the Company.

ADVANCES TO ENTITIES

As defined in GEM 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 Rules 17.16 and 17.18, 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(i) of the GEM Listing Rules (the “Assets Ratio”).

As at 30 June 2013, the Company’s total assets were approximately HK\$639,690,000.

	(Unaudited) As at 30 June 2013 HK\$’000	Assets Ratio (%)	(Unaudited) As at 31 March 2013 HK\$’000	Increment as compared to Assets Ratio (%)
Guarantee to NAGC	30,312	4.7%	30,024	0.2%
Guarantees to Zhong Bao Group*	151,560	23.7%	150,120	1.4%
	181,872	28.4%	180,144	

* Being Xiamen Zhong Bao and certain of its subsidiaries and related companies (the “Zhong Bao Group”)

Guarantee to NAGC

Guarantee in the amount of approximately HK\$30,312,000 (as at 31 March 2013: HK\$30,024,000) was provided to a bank in respect of banking facilities granted to NAGC Group. The guarantee was for the banking facilities granted for the use in car rental business by the Three Sub-licensees. The Group is negotiating with the correspondent bank to release the above guarantee. The Group does not have any security or receive any considerations from NAGC Group by giving such guarantee.

Guarantees to Zhong Bao Group

Guarantees in the amount of approximately HK\$151,560,000 (as at 31 March 2013: HK\$150,120,000) were provided to banks in respect of banking facilities granted to Zhong Bao Group. The guarantees were for the bank facilities granted for the use in car trade business of Zhong Bao Group. The amount of guarantees to Zhong Bao Group represents 23.7% of Group's Assets Ratio.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2013, the Company had adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

CORPORATE GOVERNANCE

The Company has complied with the standards and requirements concerning board practices and procedures of the Board as set out in Rules 5.34 of the GEM Listing Rules. The Board also considers that the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the GEM Listing Rules throughout the period. Application of corporate governance policies are consistent with those adopted by the Group in the preparation of the annual consolidated financial statements for the year ended 31 December 2012.



AUDIT COMMITTEE

Pursuant to Rule 5.28 to 5.29 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. Lee Kwok Yung, Mr. Yin Bin, Miss Song Qi Hong and Mr. Wong Jacob. Mr. Lee Kwok Yung is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly: (a) to review the Group's annual financial statements, interim reports and quarterly reports; and (b) to review and supervise the financial reporting process 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 received the 2013 interim results and provided comments.

The Audit, Nomination and Remuneration Committees have adopted revised written terms of references in compliance with the code C.3.3., A.5.2. and B.1.2. respectively. For further information on the terms of references for the Audit, Nomination and Remuneration Committees, information are available and published on the Company's website at www.ga-holdings.com.hk and the HKEX website.

The unaudited condensed consolidated financial results have been reviewed by the Audit Committee of the Company and were approved by the Board of Directors on 9 August 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

DIRECTORS OF THE COMPANY

Executive Directors of the Company as at the date hereof are Mr. Loh Boon Cha, Mr. Loh Nee Peng, Mr. Lin Ju Zheng, Mr. Choy Choong Yew, Mr. Tan Cheng Kim and Mr. Yeung Chak Sang Johnson. Independent non-executive Directors of the Company as at the date hereof are Mr. Yin Bin, Mr. Lee Kwok Yung, Miss Song Qi Hong and Mr. Wong Jacob.

By Order of the Board
G.A. Holdings Limited
Loh Nee Peng
Executive Deputy Chairman

Hong Kong, 9 August 2013