



**G.A. HOLDINGS LIMITED**  
**G.A. 控 股 有 限 公 司**

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

**(Stock Code: 8126)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 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 higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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*This announcement, for which the directors (the “Directors”) of G.A. Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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.*

## FINANCIAL RESULTS

The board of directors (the “Board”) of G.A. Holdings Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012, as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013

|  | Notes | 2013<br>HK\$'000                 | 2012<br>HK\$'000    |
|--|-------|----------------------------------|---------------------|
| <b>Revenue</b>   | 4     | <b>370,251</b>                   | 394,167             |
| Other income   | 6     | <b>94,346</b>                    | 70,859              |
| Changes in inventories<br>Auto parts and accessories used, and motor vehicles<br>purchased           |       | <b>1,119</b><br><b>(231,628)</b> | 21,506<br>(303,510) |
| Employee benefit expenses  |       | <b>(56,020)</b>                  | (44,835)            |
| Depreciation and amortisation  |       | <b>(16,834)</b>                  | (15,865)            |
| Operating lease charges  |       | <b>(10,537)</b>                  | (8,416)             |
| Exchange differences, net  |       | <b>1,440</b>                     | (1,795)             |
| Other expenses   |       | <b>(58,378)</b>                  | (45,056)            |
| <b>Profit from operating activities</b>  |       | <b>93,759</b>                    | 67,055              |
| Finance costs  |       | <b>(11,287)</b>                  | (11,248)            |
| <b>Profit before income tax</b>  | 7     | <b>82,472</b>                    | 55,807              |
| Income tax expense   | 8     | <b>(8,163)</b>                   | (21,615)            |
| <b>Profit for the year</b>   |       | <b>74,309</b>                    | 34,192              |
| <b>Other comprehensive income, item that may be<br/>reclassified subsequently to profit or loss:</b> |       |                                  |                     |
| Exchange gain on translation of financial statements of<br>foreign operations                        |       | <b>9,163</b>                     | 7,027               |
| <b>Other comprehensive income for the year</b>   |       | <b>9,163</b>                     | 7,027               |
| <b>Total comprehensive income for the year</b>   |       | <b>83,472</b>                    | 41,219              |
| <b>Profit for the year attributable to:</b>  |       |                                  |                     |
| Owners of the Company  |       | <b>75,243</b>                    | 34,237              |
| Non-controlling interests  |       | <b>(934)</b>                     | (45)                |
|  |       | <b>74,309</b>                    | 34,192              |
| <b>Total comprehensive income attributable to:</b>   |       |                                  |                     |
| Owners of the Company  |       | <b>84,252</b>                    | 41,248              |
| Non-controlling interests  |       | <b>(780)</b>                     | (29)                |
|  |       | <b>83,472</b>                    | 41,219              |
| <b>Earnings per share attributable to owners of the<br/>Company for the year (HK\$ cents)</b>        | 9     |                                  |                     |
| Basic  |       | <b>15.80</b>                     | 7.19                |
| Diluted  |       | <b>15.80</b>                     | 7.19                |

## Consolidated Statement of Financial Position

As at 31 December 2013

|   | <i>Notes</i> | 2013<br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|---|--------------|-------------------------|-------------------------|
| <b>ASSETS AND LIABILITIES</b>                                   |              |                         |                         |
| <b>Non-current assets</b>                                       |              |                         |                         |
| Property, plant and equipment                                   |              | 80,109                  | 82,792                  |
| Leasehold lands   |              | 4,709                   | 4,888                   |
| Prepaid rental expenses   |              | 35,533                  | 37,713                  |
| Non-current receivables   |              | –                       | 21                      |
| Prepayments for acquisition of property,<br>plant and equipment |              | 10,900                  | –                       |
| Goodwill  | <i>11</i>    | 3,798                   | –                       |
|   |              | <u>135,049</u>          | <u>125,414</u>          |
| <b>Current assets</b>   |              |                         |                         |
| Inventories   |              | 53,272                  | 52,153                  |
| Trade receivables   | <i>14</i>    | 112,563                 | 92,791                  |
| Prepayments, deposits and other current assets                  |              | 315,321                 | 278,495                 |
| Due from a director   |              | 26                      | 26                      |
| Pledged deposits  |              | 9,992                   | 27,512                  |
| Cash and cash equivalents                                       |              | 54,036                  | 86,129                  |
|   |              | <u>545,210</u>          | <u>537,106</u>          |
| <b>Current liabilities</b>                                      |              |                         |                         |
| Trade payables  | <i>15</i>    | 19,155                  | 15,626                  |
| Accruals and other payables                                     |              | 96,554                  | 93,830                  |
| Pension and other employee obligations                          |              | 34                      | 33                      |
| Bills payable   |              | 16,987                  | 80,985                  |
| Borrowings  |              | 42,449                  | 66,773                  |
| Due to related companies  |              | 314                     | 315                     |
| Due to directors  |              | 32,450                  | 38,615                  |
| Tax payable   |              | 15,919                  | 21,311                  |
|   |              | <u>223,862</u>          | <u>317,488</u>          |
| <b>Net current assets</b>                                       |              | <u>321,348</u>          | <u>219,618</u>          |
| <b>Total assets less current liabilities</b>                    |              | <u>456,397</u>          | <u>345,032</u>          |
| <b>Non-current liabilities</b>                                  |              |                         |                         |
| Borrowings  |              | 6,572                   | 9,956                   |
| Deferred tax liabilities  |              | 1,272                   | 1,272                   |
|   |              | <u>7,844</u>            | <u>11,228</u>           |
| <b>Net assets</b>   |              | <u>448,553</u>          | <u>333,804</u>          |
| <b>EQUITY</b>   |              |                         |                         |
| Equity attributable to owners of the Company                    |              |                         |                         |
| Share capital   |              | 47,630                  | 47,630                  |
| Reserves  |              | 368,420                 | 284,168                 |
|   |              | <u>416,050</u>          | <u>331,798</u>          |
| <b>Non-controlling interests</b>                                | <i>13</i>    | 32,503                  | 2,006                   |
| <b>Total equity</b>   |              | <u>448,553</u>          | <u>333,804</u>          |

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

|   | Attributable to owners of the Company |                |                  |                      |                   |                          | Total          | Non-controlling interests | Total Equity   |
|---|---------------------------------------|----------------|------------------|----------------------|-------------------|--------------------------|----------------|---------------------------|----------------|
|   | Share capital                         | Share premium* | Capital reserve* | Translation reserve* | Retained profits* | Proposed final dividend* |                |                           |                |
|   | HK\$'000                              | HK\$'000       | HK\$'000         | HK\$'000             | HK\$'000          | HK\$'000                 | HK\$'000       | HK\$'000                  |                |
| 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 year   | -                                     | -              | -                | -                    | 34,237            | -                        | 34,237         | (45)                      | 34,192         |
| Other comprehensive income  |                                       |                |                  |                      |                   |                          |                |                           |                |
| Translation difference  | -                                     | -              | -                | 7,011                | -                 | -                        | 7,011          | 16                        | 7,027          |
| Total comprehensive income for the year                           | -                                     | -              | -                | 7,011                | 34,237            | -                        | 41,248         | (29)                      | 41,219         |
| Dividend approved in respect of the previous year                 | -                                     | -              | -                | -                    | (1)               | (3,000)                  | (3,001)        | -                         | (3,001)        |
| At 31 December 2012 and 1 January 2013                            | 47,630                                | 29,522         | 8,623            | 35,342               | 210,681           | -                        | 331,798        | 2,006                     | 333,804        |
| Profit for the year   | -                                     | -              | -                | -                    | 75,243            | -                        | 75,243         | (934)                     | 74,309         |
| Other comprehensive income  |                                       |                |                  |                      |                   |                          |                |                           |                |
| Translation difference  | -                                     | -              | -                | 9,009                | -                 | -                        | 9,009          | 154                       | 9,163          |
| Total comprehensive income for the year                           | -                                     | -              | -                | 9,009                | 75,243            | -                        | 84,252         | (780)                     | 83,472         |
| Non-controlling interest of a subsidiary disposed during the year | -                                     | -              | -                | -                    | -                 | -                        | -              | 31,277                    | 31,277         |
| <b>At 31 December 2013</b>  | <b>47,630</b>                         | <b>29,522</b>  | <b>8,623</b>     | <b>44,351</b>        | <b>285,924</b>    | <b>-</b>                 | <b>416,050</b> | <b>32,503</b>             | <b>448,553</b> |

\* These reserves accounts comprise the consolidation reserves of HK\$368,420,000 (2012: HK\$284,168,000) in the consolidated statement of financial position as at 31 December 2013.

Notes:

## 1. GENERAL INFORMATION

G. A. Holdings Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 5 July 2001. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Hong Kong. The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (the “Group”) are principally engaged in the sales of motor vehicles and provision of car-related technical services, servicing of motor vehicles and sales of auto parts.

The financial results for the year ended 31 December 2013 were approved for issue by the Board on 26 March 2014.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new or revised to HKFRSs – effective on 1 January 2013

|                                |   |
|--------------------------------|---|
| HKFRSs (Amendments)            | Annual Improvements 2009-2011 Cycle                       |
| HKFRSs (Amendments)            | Annual Improvements 2010-2012 Cycle                       |
| HKFRSs (Amendments)            | Annual Improvements 2011-2013 Cycle                       |
| Amendments to HKAS 1 (Revised) | Presentation of Items of Other Comprehensive Income       |
| Amendments to HKFRS 7          | Offsetting Financial Assets and Financial Liabilities     |
| HKFRS 10                       | Consolidated Financial Statements                         |
| HKFRS 11                       | Joint Arrangements  |
| HKFRS 12                       | Disclosure of Interests in Other Entities                 |
| HKFRS 13                       | Fair Value Measurement                                    |
| HKAS 27 (2011)                 | Separate Financial Statements                             |
| HKAS 28 (2011)                 | Investments in Associates and Joint Ventures              |
| HKAS 19 (2011)                 | Employee Benefits   |
| HK(IFRIC) – Interpretation 20  | Stripping Costs of the Production Phase of a Surface Mine |
| Amendments to HKFRS 1          | Government loans  |

Except as explained below, the adoption of these new and revised HKFRSs has no material impact on the Group’s financial statements.

#### *Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with

the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance. The title used by HKAS 1 for the statement of comprehensive income has been changed to "Statement of profit or loss and other comprehensive income". The Group has chosen to use this new title.

### ***HKFRS 10 – Consolidated Financial Statements***

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The adoption does not change any of the control conclusion which by the Group in respect of its involvement with other entities as at 1st January 2013.

#### **(b) New or revised HKFRSs that have been issued but are not yet effective**

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

|  |  |
|--|--|
| Amendments to HKAS 32                                  | Offsetting Financial Assets and Financial Liabilities <sup>1</sup>           |
| HKFRS 9  | Financial Instruments  |
| Amendments to HKFRS 9,<br>HKFRS 7 and HKAS 39          | Hedge Accounting   |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 27 (2011) | Investment Entities <sup>1</sup>   |
| Amendments to HKAS 19 (2011)                           | Defined Benefit Plans: Employee Contributions <sup>2</sup>                   |
| Amendments to HKAS 36                                  | Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>         |
| Amendments to HKAS 39                                  | Novation of Derivatives and Continuation of Hedge<br>Accounting <sup>1</sup> |
| HK (IFRIC) 21  | Levies <sup>1</sup>  |
| HKFRSs (Amendments)                                    | Annual Improvements 2010-2012 Cycle <sup>3</sup>                             |
| HKFRSs (Amendments)                                    | Annual Improvements 2011-2013 Cycle <sup>2</sup>                             |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

### ***Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities***

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

### ***HKFRS 9 – Financial Instruments***

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

### ***Amendments to HKFRS 9, HKFRS 7 and HKAS 39 – Hedge Accounting***

The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

### ***Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities***

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity’s business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

### ***Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions***

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

### ***Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-Financial Assets***

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014.

### ***Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting***

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

### ***HK (IFRIC) 21 – Levies***

HK (IFRIC) 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

### ***Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle***

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. Among them HKAS 16 Property, Plant and Equipment has been amended to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

## **3. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements have been prepared in accordance with all applicable 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 GEM of the Stock Exchange.

### **(b) Basis of measurement**

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

### **(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.



#### 4. REVENUE

The Group is principally engaged in (i) sales of motor vehicles, (ii) provision of car-related technical services and (iii) servicing of motor vehicles and sale of auto parts. Revenue generated from these principal activities, which is also the Group's turnover, recognised during the year is as follows:

|   | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Sales of motor vehicles                             | <b>52,336</b>                  | 135,709                 |
| Technical fee income                                | <b>29,809</b>                  | 25,592                  |
| Servicing of motor vehicles and sales of auto parts | <b>288,106</b>                 | 232,866                 |
|   | <b>370,251</b>                 | 394,167                 |

#### 5. SEGMENT INFORMATION

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 Limited (“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.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- rental income
- financial guarantee income
- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

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

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

No asymmetrical allocation have been applied to reportable segments.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

|  | 2013                   |                        |                        | Total<br>HK\$'000     |
|--|------------------------|------------------------|------------------------|-----------------------|
|  | Activity 1<br>HK\$'000 | Activity 2<br>HK\$'000 | Activity 3<br>HK\$'000 |                       |
| <b>Revenue</b>   |                        |                        |                        |                       |
| From external customers                                | 82,145                 | 288,106                | –                      | 370,251               |
| From other segments                                    | –                      | –                      | 1,577                  | 1,577                 |
| <b>Reportable segment revenue</b>                      | <u>82,145</u>          | <u>288,106</u>         | <u>1,577</u>           | <u>371,828</u>        |
| <b>Reportable segment profit</b>                       | <u>21,474</u>          | <u>39,037</u>          | <u>1,577</u>           | <u>62,088</u>         |
| Bank interest income                                   | 29                     | 810                    | –                      | 839                   |
| Depreciation and amortisation of non-financial assets  | (1,054)                | (5,911)                | –                      | (6,965)               |
| <b>Reportable segment assets</b>                       | <b>135,639</b>         | <b>409,471</b>         | <b>–</b>               | <b>545,110</b>        |
| Addition to non-current segment assets during the year | –                      | 3,043                  | –                      | 3,043                 |
| <b>Reportable segment liabilities</b>                  | <u><u>24,277</u></u>   | <u><u>81,322</u></u>   | <u><u>2,792</u></u>    | <u><u>108,391</u></u> |
|  |                        |                        |                        |                       |
|  | 2012                   |                        |                        | Total<br>HK\$'000     |
|  | Activity 1<br>HK\$'000 | Activity 2<br>HK\$'000 | Activity 3<br>HK\$'000 |                       |
| <b>Revenue</b>   |                        |                        |                        |                       |
| From external customers                                | 161,301                | 232,866                | –                      | 394,167               |
| From other segments                                    | –                      | –                      | 4,891                  | 4,891                 |
| <b>Reportable segment revenue</b>                      | <u>161,301</u>         | <u>232,866</u>         | <u>4,891</u>           | <u>399,058</u>        |
| <b>Reportable segment profit</b>                       | <u>18,946</u>          | <u>46,409</u>          | <u>4,891</u>           | <u>70,246</u>         |
| Bank interest income                                   | 75                     | 549                    | –                      | 624                   |
| Depreciation and amortisation of non-financial assets  | (1,198)                | (6,062)                | –                      | (7,260)               |
| Write down of inventories to net realisable value      | (951)                  | –                      | –                      | (951)                 |
| <b>Reportable segment assets</b>                       | <b>178,487</b>         | <b>313,092</b>         | <b>–</b>               | <b>491,579</b>        |
| Addition to non-current segment assets during the year | –                      | 20,230                 | –                      | 20,230                |
| <b>Reportable segment liabilities</b>                  | <u><u>89,731</u></u>   | <u><u>96,690</u></u>   | <u><u>6,794</u></u>    | <u><u>193,215</u></u> |

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

|                                       | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|---------------------------------------|--------------------------------|-------------------------|
| Reportable segment revenues           | <b>371,828</b>                 | 399,058                 |
| Elimination of inter segment revenues | <b>(1,577)</b>                 | (4,891)                 |
| Group revenues                        | <b>370,251</b>                 | 394,167                 |
| Reportable segment profit             | <b>62,088</b>                  | 70,246                  |
| Other income                          | <b>56,297</b>                  | 41,791                  |
| Unallocated corporate expenses        | <b>(23,049)</b>                | (40,091)                |
| Finance costs                         | <b>(11,287)</b>                | (11,248)                |
| Elimination of inter segment profits  | <b>(1,577)</b>                 | (4,891)                 |
| Profit before income tax              | <b>82,472</b>                  | 55,807                  |
| Reportable segment assets             | <b>545,110</b>                 | 491,579                 |
| Non-current corporate assets          | <b>39,896</b>                  | 30,299                  |
| Current corporate assets              | <b>95,253</b>                  | 140,642                 |
| Group assets                          | <b>680,259</b>                 | 662,520                 |
| Reportable segment liabilities        | <b>108,391</b>                 | 193,215                 |
| Non-current corporate liabilities     | <b>6,572</b>                   | 9,956                   |
| Current corporate liabilities         | <b>116,743</b>                 | 125,545                 |
| Group liabilities                     | <b>231,706</b>                 | 328,716                 |

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

|                      | <b>Revenue from</b>      |                 | <b>Non-current assets</b> |                 |
|----------------------|--------------------------|-----------------|---------------------------|-----------------|
|                      | <b>external customer</b> |                 |                           |                 |
|                      | <b>2013</b>              | 2012            | <b>2013</b>               | 2012            |
|                      | <i>HK\$'000</i>          | <i>HK\$'000</i> | <i>HK\$'000</i>           | <i>HK\$'000</i> |
| Singapore (domicile) | –                        | –               | <b>877</b>                | 949             |
| The PRC              | <b>370,251</b>           | 394,167         | <b>105,177</b>            | 94,188          |
| Hong Kong            | –                        | –               | <b>28,995</b>             | 30,277          |
|                      | <b>370,251</b>           | 394,167         | <b>135,049</b>            | 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.

During the year, HK\$46,703,000 or 13% of the Group's revenue depended on a single customer in sales of motor vehicles and provision of car-related technical service segment (2012: HK\$49,209,000 or 12%).

As at 31 December 2013, 31% of the Group's trade receivables were due from this customer (2012: 14%).

## 6. OTHER INCOME

|  | 2013<br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Rental income  | 23,687                  | 19,093                  |
| Interest income on financial assets stated at amortised cost | 839                     | 624                     |
| Financial guarantee income                                   | 3,029                   | 3,378                   |
| Warranty claims  | 38,049                  | 29,068                  |
| Other income   | 28,742                  | 18,696                  |
|  | <u>94,346</u>           | <u>70,859</u>           |

## 7. PROFIT BEFORE INCOME TAX

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

|  | 2013<br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>7.1 Decrease/(increase) in inventories</b>  |                         |                         |
| – Motor vehicles   | 3,489                   | (25,111)                |
| – Auto parts and accessories   | (4,608)                 | 3,605                   |
|  | <u>(1,119)</u>          | <u>(21,506)</u>         |
| <b>Auto parts and accessories used, and motor vehicles purchased</b>                   |                         |                         |
| – Motor vehicles (including impairment loss of inventories of nil (2012: HK\$951,000)) | 43,835                  | 151,968                 |
| – Auto parts and accessories   | 187,793                 | 151,542                 |
|  | <u>231,628</u>          | <u>303,510</u>          |
|  | <u>230,509</u>          | <u>282,004</u>          |

**7.2 Finance costs on financial liabilities stated at amortised cost**

|  |               |        |
|--|---------------|--------|
| Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five years | <b>10,539</b> | 10,520 |
| Interest element of finance lease rental payments  | <b>748</b>    | 728    |
|  | <b>11,287</b> | 11,248 |

**7.3 Other items**

|   |                |         |
|---|----------------|---------|
| Auditor's remuneration                                  | <b>495</b>     | 449     |
| Depreciation of property, plant and equipment*          | <b>15,789</b>  | 14,815  |
| Gain on disposal of property, plant and equipment       | <b>(1,288)</b> | (1,098) |
| Amortisation of prepaid rental expenses                 | <b>946</b>     | 953     |
| Annual charges of prepaid operating land lease payments | <b>99</b>      | 97      |
| Impairment loss on trade receivables                    | <b>-</b>       | 1,173   |

\* Amount included depreciation charge of HK\$5,731,000 (2012: HK\$5,678,000) for the Group's assets held under finance leases.

**8. INCOME TAX EXPENSE**

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (2012: 25%).

The income tax in respect of operations in Singapore is calculated at the rate of 17% (2012: 17%) on the estimated assessable profits for the year.

|                                       | 2013<br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| <b>Current – Hong Kong</b>            |                         |                         |
| Charge for the year                   | <b>3,135</b>            | 2,588                   |
| Under-provision in prior years        | <b>327</b>              | 37                      |
| <b>Current – Overseas</b>             |                         |                         |
| Charge for the year                   | <b>18,053</b>           | 11,065                  |
| (Over)/under-provision in prior years | <b>(13,352)</b>         | 7,925                   |
| <b>Total income tax expense</b>       | <b>8,163</b>            | 21,615                  |

Reconciliation between tax expense and accounting profit at applicable tax rates:

|   | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit before income tax  | <u><b>82,472</b></u>           | <u>55,807</u>           |
| Tax on profit before income tax,<br>calculated at the rates applicable<br>to profits in the tax jurisdictions concerned | <b>18,768</b>                  | 12,541                  |
| Non-deductible expenses   | <b>12,446</b>                  | 3,241                   |
| Non-taxable revenue   | <b>(10,835)</b>                | (2,129)                 |
| (Over)/under-provision in prior years   | <b>(13,025)</b>                | 7,962                   |
| Others  | <u><b>809</b></u>              | <u>–</u>                |
| Income tax expense  | <u><b>8,163</b></u>            | <u>21,615</u>           |

The amount of over-provision in prior years was resulting from the discharge on tax liabilities related to an offshore technical fee income. Since the year 2005, German Automobile Pte Limited (“GAPL”), a wholly owned subsidiary, has a tax dispute with Inland Revenue Authority of Singapore (“IRAS”) in respect of the offshore claim on technical fee income. During the year, IRAS finally agreed the offshore income and revised the tax assessments in prior years. The overpaid tax was refunded by IRAS during the year. An over-provision on taxation is recognised during the year.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the owners of the Company for the year of approximately HK\$75,243,000 (2012: HK\$34,237,000) and on the weighted average number of 476,300,000 (2012: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2013 and 2012 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2013 and 2012.

## 10. DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: nil).

## 11. GOODWILL

|   | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| At 1 January  | –                              | –                       |
| Acquired through business combinations ( <i>note 12</i> ) | <b>3,783</b>                   | –                       |
| Exchange adjustment                                       | <u><b>15</b></u>               | <u>–</u>                |
| At 31 December  | <u><b>3,798</b></u>            | <u>–</u>                |

No impairment of goodwill is necessary as at 31 December 2013 (2012:nil).

## 12. BUSINESS ACQUISITION DURING THE YEAR

On 24 October 2013, the Group acquired 100% of the voting equity instruments of Fuzhou Euro Motors Sales and Services Co. Ltd. (“Fuzhou Euro”), a company whose principal activity is sales of high-end motor vehicle, from Xiamen Zhong Bao and certain of its subsidiaries and related companies (the “Zhong Bao Group”), at a consideration of RMB12,900,000 (equivalent to approximately HK\$16,460,000) in cash. The acquisition was made with the aims to expand the Group’s business and offer a wider diversity of products and services that suit the needs of luxury car owners. Further details are set out in the Company’s announcement dated 28 October 2013.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

|                                       | <i>HK\$’000</i> | <i>HK\$’000</i> |
|---------------------------------------|-----------------|-----------------|
| Property, plant and equipment         | 76              |                 |
| Other receivables                     | 49,003          |                 |
| Cash and bank balances                | 17,610          |                 |
| Other payables                        | (54,012)        |                 |
|                                       | <hr/>           |                 |
|                                       |                 | 12,677          |
| The fair value of consideration paid: |                 |                 |
| Cash                                  |                 | (16,460)        |
|                                       |                 | <hr/>           |
| Goodwill ( <i>note 11</i> )           |                 | <u>3,783</u>    |

The fair value of other receivables amounted to approximately HK\$49,003,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

## 13. NON-CONTROLLING INTERESTS

On 28 October 2013, the Group disposed of an 49% equity interest in Fuzhou Euro to a third party for cash proceeds of approximately HK\$31,277,000 (equivalent to RMB24,500,000) and a non-controlling interest (“NCI”) of approximately HK\$31,277,000 is recognised.

|   | <i>HK’000</i>   |
|---|-----------------|
| Proceeds from disposal of non-controlling interest in a subsidiary  | <u>31,277</u>   |
| Net assets attributable to non-controlling interest in a subsidiary | (29,422)        |
| Goodwill attributable to non-controlling interest in a subsidiary   | <u>(1,855)</u>  |
|   | <hr/>           |
|   | (31,277)        |
| Change in equity attributable to owners of the Company              | <u><u>–</u></u> |

#### 14. TRADE RECEIVABLES

At 31 December 2013, the ageing analysis of trade receivables, based on invoice date, was as follows:

|   | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| 0 – 90 days                                   | 26,722                         | 45,330                  |
| 91 – 180 days                                 | 16,795                         | 13,137                  |
| 181 – 365 days                                | 40,572                         | 11,133                  |
| Over 1 year                                   | 33,182                         | 27,959                  |
|   | <hr/>                          | <hr/>                   |
|   | 117,271                        | 97,559                  |
| Less: allowance for impairment of receivables | (4,708)                        | (4,768)                 |
|   | <hr/>                          | <hr/>                   |
|   | <b>112,563</b>                 | <b>92,791</b>           |
|   | <hr/> <hr/>                    | <hr/> <hr/>             |

In addition to the advances to North Anhua Group Corporation (“NAGC Group”) and Zhong Bao Group, the Group’s trade receivables included trade debts of HK\$90,881,000 (2012: HK\$71,503,000) due from Zhong Bao Group as at 31 December 2013.

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:

|  | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| At 1 January                               | 4,768                          | 3,394                   |
| Impairment loss recognised during the year | –                              | 1,173                   |
| Exchanges differences                      | (60)                           | 201                     |
|  | <hr/>                          | <hr/>                   |
| At 31 December                             | <b>4,708</b>                   | <b>4,768</b>            |
|  | <hr/> <hr/>                    | <hr/> <hr/>             |

At each reporting date, the Group’s trade receivables were individually determined to assess if they are impaired. The individually impaired receivables are recognised based on the credit history of the customers.



The majority of the Group's sales are on letter of credit. The Group allows a credit period from 3 months to 9 months to its trade customers. The ageing analysis of trade receivables that are past due but not impaired is as follows:

|                               | <i>Notes</i> | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|-------------------------------|--------------|--------------------------------|-------------------------|
| Neither past due nor impaired | <i>(a)</i>   | <u>72,958</u>                  | <u>65,097</u>           |
| 1 – 90 days past due          | <i>(a)</i>   | 2,855                          | 29                      |
| 91 – 180 days past due        | <i>(a)</i>   | 9,782                          | 4,474                   |
| Over 180 days past due        | <i>(b)</i>   | <u>26,968</u>                  | <u>23,191</u>           |
|                               |              | <u>39,605</u>                  | <u>27,694</u>           |
|                               |              | <u><b>112,563</b></u>          | <u><b>92,791</b></u>    |

- (a) The Directors are of the opinion that no further impairment of trade receivables is necessary as there was no recent history of default in respect of these trade receivables.
- (b) The Directors are of the opinion that the amount over 180 days past due was not impaired due to almost full settlement after the reporting date.

As at 31 December 2013, trade receivables of HK\$72,958,000 (2012: HK\$65,097,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a certain number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

The Directors of the Group consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

## 15. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

|                | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| 0 – 30 days    | 13,947                         | 6,258                   |
| 31 – 180 days  | 1,983                          | 2,138                   |
| 181 – 365 days | 884                            | 3,073                   |
| 1 – 2 years    | 915                            | 932                     |
| Over 2 years   | <u>1,426</u>                   | <u>3,225</u>            |
|                | <u><b>19,155</b></u>           | <u><b>15,626</b></u>    |

The trade payables are generally with credit terms of 3 months.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group's overall performance in current year 2013 was in line with our expectations about the long term prospects for the Group, despite continuing slowdown in the segment of sales of luxury automobiles under the anti-extravagance campaign in China during the year.

For the year ended 31 December 2013, the total revenue of the Group has slightly decreased by approximately 6.1% as compared to year 2012. Revenue generated from the sales of motor vehicles decreased by approximately 61.4%, while the segment of servicing of motor vehicles and auto parts and technical fee income increased by approximately 23.7% and 16.5% respectively, as compared to the corresponding period in year 2012. Such loss in revenue from sales of luxury cars that attributable to the decrease in total revenue was, however, offset by the increase in revenue from the technical and management services, as well as the after sales services and parts support.

The total comprehensive income for the Group for year 2013 amounted to approximately HK\$83,472,000, representing a sharply increase of approximately 103% as compared to approximately HK\$41,219,000 in year 2012. The increase was mainly due to the following reasons: (1) increase in other income which included an overprovision of approximately HK\$2,400,000 of bank loan interest previously charged and approximately HK\$8,730,000 reversal of tax provision previously accrued; (2) tax refunds of approximately SGD1,380,000 (equivalent to approximately HK\$8,572,000) in cash were duly received from the Inland Revenue Authority of Singapore ("IRAS"). Such tax refunds were related to the revision of tax assessment on offshore income earned by a subsidiary company of the Group in Singapore in previous years; and (3) the exchange gain resulted from the translation of foreign currency transactions in Euro, Singapore dollars, Renminbi and United States dollars to Hong Kong dollars.

### **SALES OF MOTOR VEHICLES**

Segment of sales of motor vehicles represents approximately 14.1% (2012: 34.4%) of the total Group revenue of the year 2013, amounted to approximately HK\$52,336,000 (2012: HK\$135,709,000). Such decrease reflected the negative impact of the anti-extravagance campaign on luxury products in China.

### **SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS**

Revenue generated from the servicing of motor vehicles and sales of auto parts for the year 2013 has increased by approximately 23.7%, amounted to approximately HK\$288,106,000 (2012: HK\$232,866,000). Servicing income attributed to approximately 77.8% (2012: 59.1%) of the total revenue. 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 the PRC.

## **TECHNICAL FEE INCOME**

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

Technical fee income for the year 2013 was approximately HK\$29,809,000, increased by approximately 16.5% as compared to approximately HK\$25,592,000 in year 2012. The increase was due to the increase in sales of locally assembled BMW sold by Zhong Bao Group during the year.

## **CAR RENTAL BUSINESS**

The car rental business in Hong Kong for the year 2013 was amounted to approximately HK\$23,687,000, being an increase of approximately 24.1% for the year 2013 as compared to approximately HK\$19,093,000 in year 2012.

## **FINANCIAL REVIEW**

### **Gross Profit**

The gross profit for the year 2013 was approximately HK\$139,742,000 as compared to approximately HK\$112,163,000 in 2012. The gross profit margin has increased from approximately 28.5% in year 2012 to approximately 37.7% in year 2013. The gain was mainly due to the increase in revenue of servicing of motor vehicles and sales of auto parts, which are both high profits yielding.

### **Financial Resources and Liquidity**

As at 31 December 2013, shareholders' fund of the Group amounted to approximately HK\$448,553,000 (2012: HK\$333,804,000). Current assets amounted to approximately HK\$545,210,000 (2012: HK\$537,106,000). Of which approximately HK\$64,028,000 (2012: HK\$113,641,000) were cash and bank deposits. Current liabilities amounted to approximately HK\$223,862,000 (2012: HK\$317,488,000) mainly represents trade payables, bills payables, bank loans, accruals and other payables and current account with Directors. The Group had non-current liabilities amounted to approximately HK\$7,844,000 (2012: HK\$11,228,000). The net asset value per share as at 31 December 2013 was approximately HK\$0.942 (2012: HK\$0.701).

### **Capital Structure of the Group**

During the year, the Group had no debt securities in issue (2012: Nil).

The Group obtained funding mainly from trade financing. Bank borrowings are mainly denominated in Hong Kong dollars and Renminbi.

## **Significant Investment**

As at 31 December 2013, the Group had no significant investment held (2012: Nil).

## **Material Acquisitions and Disposals of Subsidiaries**

On 24 October 2013, the Group acquired 100% equity interest in Fuzhou Euro, a company whose principal activity is sales of high-end motor vehicles, from Zhong Bao Group at a cash consideration of RMB12,900,000 (equivalent to approximately HK\$16,460,000). The acquisition was aligned with the Group's optimistic expectations to seek new opportunities to expand the Group's business and offer a wider diversity of products and services that suits the need of luxury car owners. Further details were set out in the Company's announcement dated 28 October 2013.

On 28 October 2013, the Group disposed 49% equity interest in Fuzhou Euro to another independent third party for cash proceeds of approximately RMB24,500,000 (equivalent to approximately HK\$31,277,000), for the purposes of bringing in additional source of capital for the development of the distributorship business of Fuzhou Euro. Details were set out in the Company's announcement dated 31 October 2013.

For comparative purposes, the Group had no material acquisitions and disposals of subsidiaries for the year ended 31 December 2012.

## **Employees**

As at 31 December 2013, the total number of employees of the Group was approximately 500 (2012: 451). For the year ended 31 December 2013, the staff costs including directors' remuneration of the Group amounted to approximately HK\$56,020,000, representing approximately 15.1% (2012: 11.4%) of the total revenue of the Group. Staff costs for the year 2013 have increased by approximately 24.9% as compared to approximately HK\$44,835,000 in year 2012. It is the Group policy to review its employer's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

## **Charges on Group Assets**

As at 31 December 2013, there was no fixed deposits (2012: HK\$8,976,000) was pledged to any bank to secure any banking facilities (2012: up to approximately HK\$29,856,000) granted to NAGC Group.

Leasehold lands and buildings of approximately HK\$4,709,000 (2012: HK\$4,888,000) and HK\$797,000 (2012: HK\$842,000) respectively, are pledged to bank to secure banking facilities up to approximately HK\$89,670,000 (2012: HK\$149,280,000) granted to Zhong Bao Group at the reporting date.

## **Material Investments or Capital Assets**

As at 31 December 2013, the Group had no future plans for material investment. (2012: Nil)

## **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 31 December 2013, the Group had a gearing ratio of approximately 0.03 (2012: 0.18).

## **Foreign Exchange Exposure**

For the year ended 31 December 2013, the Group had an exchange gain of approximately HK\$1,440,000 (2012: exchange loss of approximately HK\$1,795,000), mainly resulted from the translation of trade receivables, and inter-company balances from Renminbi, Singapore dollars, Euro and United States dollars to Hong Kong dollars, as well the transactions of imports and exports bill denominated in Euro and United States dollars during the year.

## **Contingent Liabilities**

As at 31 December 2013, no bank guarantee (2012: HK\$29,856,000) was provided by the Group to any bank in respect of banking facilities to a related company of NAGC Group.

As at 31 December 2013, the Group provided bank guarantee amounted to HK\$89,670,000 in respect of banking facilities to Zhong Bao Group (2012: HK\$149,280,000).

## **Subsequent Events**

Subsequent to year end date, the Company obtained approval from its shareholders in an extraordinary general meeting (“EGM”) held on 14 March 2014 that the Group has entered into a major transaction involving the Group’s provision of the facilities guarantees, in an aggregate amount of approximately RMB112 million (equivalent to approximately HK\$143 million) to banks in favour of Zhong Bao Group’s facilities under the facilities guarantee agreements entered into with Zhong Bao Group.

## **DIVIDEND**

The Directors do not recommend the payment of final dividend for the year ended 31 December 2013. (2012: nil)

## **PROSPECT**

The Board is optimistic about the long term prospects of the sales of motor vehicles though the market is adapting to the change of customer behavior under general anti-extravagance campaign in China. With the introduction of more than 10 new models of BMW, including the electric BMWi3 series in April 2014, a wider range of luxury automobiles will be offered to our customers. Furthermore, the Board is confident in securing the dealership of a premium brand of European automobiles in near future.

Striving for growth through sustaining development in core operations car-related business, the Group is also seeking dynamic expansion through acquisition or establishing business venture as appropriate.

Enhancing the level of corporate governance of the Group, further human and financial resources will be devoted. In addition, the Board is considering establishing a reporting structure of corporate social responsibility and sustainability issues which are relevant for the business of the Group.

As a whole, the Group is prudently optimistic in a fruitful result in 2014.

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

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

## **COMPETING INTERESTS**

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

## **SHARE OPTION SCHEME**

For the year ended 31 December 2013, the Company has not adopted 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 Listing Rule 17.14, "relevant advance to an entity" means the aggregate of amounts due from and all guarantees given on behalf of (i) an entity; (ii) the entity's controlling shareholder; (iii) the entity's subsidiaries; (iv) the entity's affiliated companies; and (v) any other entity with the same controlling shareholders.

Pursuant to the GEM Listing 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(1) of the GEM Listing Rules (the “Assets Ratio”).

As at 31 December 2013, the Company’s total assets were approximately HK\$680,259,000.

|                               | <b>(Audited)</b><br><b>As at</b><br><b>31 December</b><br><b>2013</b><br><b>HK\$’000</b> | <b>Assets</b><br><b>Ratio</b><br><b>(%)</b> | <b>(Audited)</b><br><b>As at</b><br><b>31 December</b><br><b>2012</b><br><b>HK\$’000</b> | <b>Increment as</b><br><b>compared to</b><br><b>Assets Ratio</b><br><b>(%)</b> |
|-------------------------------|--|---|--|--|
| Guarantee to NAGC Group       | –  | –   | 29,856   | N/A  |
| Guarantees to Zhong Bao Group | <u>89,670</u>  | <u>13.2%</u>                                | <u>149,280</u>   | N/A  |
|                               | <u><u>89,670</u></u>   | <u><u>13.2%</u></u>                         | <u><u>179,136</u></u>  |  |

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

|                               | <b>(Audited)</b><br><b>As at</b><br><b>31 December</b><br><b>2013</b><br><b>HK\$’000</b> | <b>Assets</b><br><b>Ratio</b><br><b>(%)</b> | <b>(Unaudited)</b><br><b>As at</b><br><b>30 September</b><br><b>2013</b><br><b>HK\$’000</b> | <b>Increment as</b><br><b>compared to</b><br><b>Assets Ratio</b><br><b>(%)</b> |
|-------------------------------|--|---|---|--|
| Guarantee to NAGC Group       | –  | –   | 30,408  | N/A  |
| Guarantees to Zhong Bao Group | <u>89,670</u>  | <u>13.2%</u>                                | <u>152,040</u>  | N/A  |
|                               | <u><u>89,670</u></u>   | <u><u>13.2%</u></u>                         | <u><u>182,448</u></u>   |  |

### **Guarantee to NAGC Group**

No guarantee (2012: HK\$29,856,000) was provided to any bank in respect of banking facilities granted to NAGC Group. The above guarantee has been released during the last quarter in year 2013 for the banking facilities granted for the use in car rental business by the Three Sub-licensees in prior years. 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\$89,670,000 (2012: HK\$149,280,000) were provided to a bank 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.

Subsequent to year end date, at the EGM held on 14 March 2014, the Company obtained the Shareholders' approval on the Facilities Guarantees and the Proposed Mandate. Immediately following the EGM, Xiamen BMW, an indirect wholly-owned subsidiary of the Company, entered into:

- (1) the Facilities A Guarantee Agreement whereby Xiamen BMW agreed to provide a facility guarantee in favour of China CITIC Bank Xiamen Branch ("Facility A Lender") in relation to the principal (RMB50 million, equivalent to approximately HK\$63.9 million), interest and fees of the borrowings under the Facilities A Agreements; and
- (2) the Facilities B Guarantee Agreement whereby Xiamen BMW agreed to provide a facility guarantee in favour of China Minsheng Bank ("Facility B Lender") in relation to the principal (RMB50 million, equivalent to approximately HK\$63.9 million), interest and fees of the borrowings under the Facilities B Agreements.

According to the Facilities A Agreements entered into between Facility A Lender and the Xiamen Zhong Bao ("Borrower") on 14 March 2014 and the Facilities B Agreements entered into between Facility B Lender and the Borrower on 14 March 2014, the interest in respect of Facility A and Facility B will be charged at rates to be determined at the time of utilization of the facilities, depending on the type of facilities utilized.

Details of the Facilities Guarantees, including but not limited to (i) the salient terms of the two Facilities Guarantee Agreements; (ii) background of the provision of the Facilities Guarantees which constitutes a major transaction of the Company; and (iii) information of the Borrower and the Lenders, have been set out in the Announcement as published on 14 March 2014 and Circular as published on 26 February 2014 respectively.

Taking into account the existing guarantee provided by Xiamen BMW to the Borrower of RMB70 million prior to the EGM, the aggregate amount of guarantees provided by Xiamen BMW to the Borrower immediately after entering into the Facilities Guarantee Agreements was amounted to RMB182 million (equivalent to approximately HK\$232.4 million), which is based on the maximum principal amount of RMB100 million under the Facilities Agreements and the estimate maximum amount of interest and fees under the Facilities Guarantees of RMB12 million as disclosed in the Circular as published on 26 February 2014.



## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

For the year ended 31 December 2013, 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 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 securities transactions by Directors.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Group has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the GEM Listing Rules (the “Code Provision”) throughout the year ended 31 December 2013. Detail of the deviation is set out in the relevant section below.

The Board has continued to monitor and review the Group’s progress in respect of corporate governance practices to ensure compliance.

### **Directors’ Securities Transaction**

The Company has 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 had also made specific enquiry of all Directors and the Company were not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors’ securities transactions.

### **Independence of Independent Non-Executive Directors**

Mr. Lee Kwok Yung (“Mr. Lee”) and Mr. Yin Bin (“Mr. Yin”), who are Independent Non-Executive Director who were first appointed since year 2002 and year 2004 respectively and have been continuously served as an Independent Non-Executive Director for more than nine years. In accordance with code provision A.4.3, further appointment for Mr. Lee and Mr. Yin should be subject to a separate resolution to be approved by shareholders at the forthcoming annual general meeting to be held in May 2014. The Board considers that Mr. Lee and Mr. Yin continue to be independent as they have satisfied all the criteria for independence as set out in GEM Listing Rules.

## **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. During the year in regard to the amendments to the Code promulgated by the Stock Exchange, the Committee adopted a revised written terms of references in compliance with the Code Provision C.3.3.

The primary duties of the Audit Committee are mainly to (a) review the Group's annual financial statements, interim reports and quarterly reports; and (b) to review and supervise the financial reporting process and the internal control procedures of the Group; and (c) liaise with the external auditor at least twice a year and provide advice and comments thereon to the Board. Further details on the terms of reference of the Audit Committee are available on the website of the Company and the website of the Stock Exchange.

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in Code Provision. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during the year 2013.

The audited financial results of the Group for the year ended 31 December 2013 have been reviewed by the Audit Committee.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2013.

#### **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.

On behalf of the Board  
**G.A. Holdings Limited**  
**Loh Nee Peng**  
*Executive Deputy Chairman*

Hong Kong, 26 March 2014

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