



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 2014

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.

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

This announcement, for which the directors (the “Directors”) of G.A. Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 2014 together with the comparative figures for the year ended 31 December 2013, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Revenue	4	422,862	408,300
Other income	6	53,938	56,297
Changes in inventories	7.1	53,809	1,119
Auto parts and accessories used, and motor vehicles purchased	7.1	(286,124)	(231,628)
Employee benefit expenses		(59,716)	(56,020)
Depreciation and amortisation		(20,301)	(16,834)
Operating lease charges		(19,745)	(10,537)
Exchange differences, net		(3,489)	1,440
Other expenses		(65,371)	(58,378)
Profit from operating activities		75,863	93,759
Finance costs	7.2	(9,266)	(11,287)
Profit before income tax	7	66,597	82,472
Income tax expense	8	(16,160)	(8,163)
Profit for the year		50,437	74,309
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange (loss)/gain on translation of financial statements of foreign operations		(6,400)	9,163
Other comprehensive income for the year		(6,400)	9,163
Total comprehensive income for the year		44,037	83,472

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Profit for the year attributable to:			
Owners of the Company		56,202	75,243
Non-controlling interests		(5,765)	(934)
		<u>50,437</u>	<u>74,309</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		50,178	84,252
Non-controlling interests		(6,141)	(780)
		<u>44,037</u>	<u>83,472</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic and diluted		<u>11.80</u>	<u>15.80</u>

Consolidated Statement of Financial Position

As at 31 December 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		107,316	80,109
Leasehold lands		4,564	4,709
Prepaid rental expenses		34,229	35,533
Prepayments for acquisition of property, plant and equipment		–	10,900
Goodwill		3,759	3,798
		<hr/> 149,868	<hr/> 135,049
Current assets			
Inventories		107,081	53,272
Trade receivables	<i>11</i>	116,550	112,563
Prepayments, deposits and other current assets		331,856	315,321
Due from a director		–	26
Pledged deposits		20,935	9,992
Cash and cash equivalents		34,272	54,036
		<hr/> 610,694	<hr/> 545,210
Current liabilities			
Trade payables	<i>12</i>	18,598	19,155
Accruals and other payables		112,510	96,588
Bills payable		–	16,987
Borrowings		90,718	42,449
Due to related companies		311	314
Due to directors		28,050	32,450
Tax payable		8,684	15,919
		<hr/> 258,871	<hr/> 223,862
Net current assets		<hr/> 351,823	<hr/> 321,348
Total assets less current liabilities		<hr/> 501,691	<hr/> 456,397

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current liabilities		
Borrowings	6,893	6,572
Deferred tax liabilities	2,208	1,272
	<u>9,101</u>	<u>7,844</u>
Net assets	<u>492,590</u>	<u>448,553</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	47,630	47,630
Reserves	418,598	368,420
	<u>466,228</u>	<u>416,050</u>
Non-controlling interests	<u>26,362</u>	<u>32,503</u>
Total equity	<u>492,590</u>	<u>448,553</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserve*	Translation reserve*	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	47,630	29,522	8,623	35,342	210,681	331,798	2,006	333,804
Profit/(loss) for the year	-	-	-	-	75,243	75,243	(934)	74,309
Other comprehensive income								
Translation differences	-	-	-	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
At 31 December 2013 and 1 January 2014	47,630	29,522	8,623	44,351	285,924	416,050	32,503	448,553
Profit/(loss) for the year	-	-	-	-	56,202	56,202	(5,765)	50,437
Other comprehensive income								
Translation differences	-	-	-	(6,024)	-	(6,024)	(376)	(6,400)
Total comprehensive income for the year	-	-	-	(6,024)	56,202	50,178	(6,141)	44,037
At 31 December 2014	47,630	29,522	8,623	38,327	342,126	466,228	26,362	492,590

* The total balances of these equity accounts at the reporting date of HK\$418,598,000 (2013: HK\$368,420,000) represent reserves in the consolidated statement of financial position.

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 result for the year ended 31 December 2014 were approved for issue by the Board of Directors on 23 March 2015.

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

(a) Adoption of new or revised HKFRSs – effective on 1 January 2014

In the current year, the Group has applied for the first time the following new or revised HKFRSs, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
HK (IFRIC) 21	Levies

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

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. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

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 applied retrospectively.

The adoption of the amendments has no impact on these financial statements.

HK (IFRIC) 21 – Levies

HK(IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK(IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

(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.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
HKFRS 9 (2014)	Financial Instruments ⁵
HKFRS 15	Revenue from Contracts with Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Amendments to HKAS 1 – Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

(c) Disclosure requirements of New Companies Ordinance

The disclosure requirements of the new Companies Ordinance, Cap. 622 will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. In particular, the Statement of Financial Position of the Company can be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

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.

Previously, the directors of a subsidiary, German Automobiles Pte Ltd. ("GAPL"), regarded Singapore Dollars ("S\$") as the functional currency of GAPL. During the year, the directors of GAPL reassessed GAPL's functional currency and considered that the functional currency of GAPL should be changed from S\$ to Renminbi ("RMB") starting from 1 January 2014 as RMB has become the currency that mainly influences the sales prices of goods and services of GAPL. The change of functional currency of GAPL was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates".

(d) Restatement

Year ended 31 December 2013

	As previously stated	Reclassification	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	370,251	38,049	408,300
Other income	94,346	(38,049)	56,297

During the year, the management has reviewed the nature of the Group's income - warranty claims and decided to classify such income as revenue. Previously such income was included as other income. Warranty claims represent income generated from servicing of motor vehicles which are ordinary activities of the Group and accordingly, it is more appropriate to classify such income as revenue under "servicing of motor vehicles and sales of auto parts". As a result, warranty claims income for the year ended 31 December 2013 amounting to HK\$38,049,000 has been reclassified from other income to revenue in the comparatives of the consolidated statement of profit or loss and other comprehensive income. The restatement has no financial impact to the consolidated statement of financial position.

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:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Sales of motor vehicles	51,343	52,336
Technical fee income	26,304	29,809
Servicing of motor vehicles and sales of auto parts	345,215	326,155
	422,862	408,300

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 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.

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, income tax and corporate income and expenses including certain finance costs which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

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

No asymmetrical allocations have been applied to reportable segments.

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

	2014			Total HK\$'000
	Activity 1 HK\$'000	Activity 2 HK\$'000	Activity 3 HK\$'000	
Revenue				
From external customers	77,647	345,215	–	422,862
From other segments	–	–	24	24
Reportable segment revenue	<u>77,647</u>	<u>345,215</u>	<u>24</u>	<u>422,886</u>
Reportable segment profit	<u>4,677</u>	<u>45,405</u>	<u>24</u>	<u>50,106</u>
Bank interest income	3	485	–	488
Depreciation and amortisation of non-financial assets	(2,655)	(6,271)	–	(8,926)
Reversal of impairment loss on trade receivables	3,015	–	–	3,015
Write off of property, plant and equipment	–	(63)	–	(63)
Reversal of accruals and other payables	3,061	–	–	3,061
Reportable segment assets	<u>242,819</u>	<u>418,805</u>	<u>–</u>	<u>661,624</u>
Addition to non-current assets during the year	23,582	2,701	–	26,283
Reportable segment liabilities	<u>67,129</u>	<u>79,795</u>	<u>–</u>	<u>146,924</u>
	2013			Total HK\$'000 (Restated)
	Activity 1 HK\$'000	Activity 2 HK\$'000	Activity 3 HK\$'000	
Revenue				
From external customers	82,145	326,155	–	408,300
From other segments	–	–	1,577	1,577
Reportable segment revenue	<u>82,145</u>	<u>326,155</u>	<u>1,577</u>	<u>409,877</u>
Reportable segment profit	<u>15,371</u>	<u>34,814</u>	<u>1,577</u>	<u>51,762</u>
Bank interest income	29	810	–	839
Depreciation and amortisation of non-financial assets	(1,054)	(5,911)	–	(6,965)
Reportable segment assets	<u>135,639</u>	<u>409,471</u>	<u>–</u>	<u>545,110</u>
Addition to non-current assets during the year	–	3,043	–	3,043
Reportable segment liabilities	<u>24,277</u>	<u>81,322</u>	<u>2,792</u>	<u>108,391</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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Reportable segment revenue	422,886	409,877
Elimination of inter segment revenue	(24)	(1,577)
	<hr/>	<hr/>
Group revenue	422,862	408,300
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment profit	50,106	51,762
Rental income	24,791	23,687
Other income	26,086	32,610
Unallocated corporate expenses		
Employee benefit expenses	(8,774)	(6,995)
Depreciation and amortisation	(11,375)	(9,869)
Operating leases charges	(1,787)	(1,465)
Others	(11,683)	(4,720)
Finance costs	(743)	(961)
Elimination of inter segment profit	(24)	(1,577)
	<hr/>	<hr/>
Profit before income tax	66,597	82,472
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment assets	661,624	545,110
Non-current corporate assets	35,467	39,896
Current corporate assets	63,471	95,253
	<hr/>	<hr/>
Group assets	760,562	680,259
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	146,924	108,391
Non-current corporate liabilities	9,101	6,572
Current corporate liabilities	111,947	116,743
	<hr/>	<hr/>
Group liabilities	267,972	231,706
	<hr/> <hr/>	<hr/> <hr/>

Note:

The segment profit for the year ended 31 December 2013 has been restated to conform with current year's presentation.

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	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Singapore	–	–	3,566	877
The PRC	422,862	408,300	110,836	105,177
Hong Kong	–	–	35,466	28,995
	422,862	408,300	149,868	135,049

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

During the year, HK\$44,216,000 or 10.5% (2013: HK\$46,703,000 or 11.4% (restated)) of the Group's revenue depended on a single customer in sales of motor vehicles and provision of car-related technical service segment.

6. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Car rental income	24,791	23,687
Interest income on financial assets stated at amortised cost	488	839
Financial guarantee income	488	3,029
Agency fee income	16,512	21,745
Other income	11,659	6,997
	53,938	56,297

7. PROFIT BEFORE INCOME TAX

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
7.1 Change in inventories		
– Motor vehicles	(45,014)	3,489
– Auto parts and accessories	(8,795)	(4,608)
	<u>(53,809)</u>	<u>(1,119)</u>
Auto parts and accessories used, and motor vehicles purchased		
– Motor vehicles	91,563	43,835
– Auto parts and accessories	194,561	187,793
	<u>286,124</u>	<u>231,628</u>
	<u>232,315</u>	<u>230,509</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	8,161	10,539
Interest element of finance lease rental payments	1,105	748
	<u>9,266</u>	<u>11,287</u>
7.3 Other items		
Auditor's remuneration	527	495
Depreciation of property, plant and equipment*	19,269	15,789
Gain on disposal of property, plant and equipment	(1,632)	(1,288)
Write off of property, plant and equipment	63	–
Amortisation of prepaid rental expenses	936	946
Annual charges of prepaid operating land lease payments	96	99
Reversal of impairment loss on trade receivables	(3,015)	–
Reversal of accruals and other payables	(6,767)	–

* Amount included depreciation charge of HK\$6,822,000 (2013: HK\$5,731,000) 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% (2013: 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% (2013: 25%).

The income tax provision in respect of operations in Singapore is calculated at the rate of 17% (2013: 17%) on the estimated assessable profits for the year.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	1,836	3,135
(Over)/Under-provision in prior years	(2,358)	327
Current tax – Overseas		
Charge for the year	19,257	18,053
Over-provision in prior years	(3,511)	(13,352)
Current tax – total	15,224	8,163
Deferred tax	936	–
Total income tax expense	16,160	8,163

The amount of over-provision in prior year recorded in the year ended 31 December 2013 was resulting from the discharge on tax liabilities related to an offshore technical fee income. Since the year 2005, 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 ended 31 December 2013, IRAS finally agreed the offshore claim and revised the tax assessments in prior years. The overpaid tax was refund by IRAS during the year ended 31 December 2013 and an over-provision on taxation was recognised during that 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\$56,202,000 (2013: HK\$75,243,000) and on the weighted average number of 476,300,000 (2013: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2014 and 2013 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2014 and 2013.

10. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

11. TRADE RECEIVABLES

The ageing analysis of trade receivables, based on invoice date, was as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 90 days	20,863	26,722
91 – 180 days	20,710	16,795
181 – 365 days	32,809	40,572
Over 1 year	43,842	33,182
	<u>118,224</u>	<u>117,271</u>
Less: allowance for impairment of receivables	(1,674)	(4,708)
	<u><u>116,550</u></u>	<u><u>112,563</u></u>

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

12. TRADE PAYABLES

The ageing analysis of trade payables, based on invoice date, was as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 30 days	13,366	13,947
31 – 180 days	2,037	1,983
181 – 365 days	952	884
1 – 2 years	1,306	915
Over 2 years	937	1,426
	<u>18,598</u>	<u>19,155</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2014, the Group recorded a total revenue of HK\$422,862,000, representing an increase of 3.6% compared to last year of HK\$408,300,000. Total comprehensive income attributable to shareholders decreased by 40.4% to HK\$50,178,000 as compared to HK\$84,252,000 in year 2013.

The slight increase in total revenue was the net result of the increase in revenue from servicing of motor vehicles and sales of auto parts by 5.8% to HK\$345,215,000 together with the declines in sales of motor vehicles by 1.9% and technical fee income by 11.8% respectively.

The decrease in total comprehensive income in year 2014 was mainly due to the increase in various operating expenses on the dealership acquired in the last quarter of 2013 and the continuous devaluation in Renminbi to Hong Kong dollars during the year.

Comments on Segment Information

SALES OF MOTOR VEHICLES

Segment of sales of motor vehicles contributed 12.1% (2013: 12.8%) of the total revenue of the Group in year 2014, amounted to HK\$51,343,000. The commencement of our new dealership in Fuzhou during the year has almost offset the general negative impact on sales of motor vehicles from the anti-extravagance campaign in China since early 2013.

TECHNICAL FEE INCOME

The Group received technical income from Xiamen Zhong Bao Automobiles Co., Ltd. (“Xiamen Zhong Bao”) and certain of its subsidiaries, collectively (the “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 2014 was HK\$26,304,000, decreased by 11.8% as compared to HK\$29,809,000 in year 2013. The decrease was due to the decrease in sales of locally assembled BMW sold by Zhong Bao Group during the year.

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 2014 increased by 5.8% to HK\$345,215,000. Servicing income attributed to 81.6% of the total revenue (2013: 79.9%). The increase was consistent with the continuous increase in demand of after sales support for luxurious vehicles, supplemented by the precious service of the Group’s 5S servicing centers in the PRC.

During the current year, the Group considered it appropriate to include income from warranty claims in the Group's revenue in view of similarity of service rendered to customers. Accordingly, the comparative amounts of revenue and other income, and segment information have been restated to conform with the current year's presentation.

CAR RENTAL BUSINESS

The car rental business of the Hong Kong recorded revenue of HK\$24,791,000 which remained stable as compared to year 2013.

FINANCIAL REVIEW

Gross profit

The gross profit for the year 2014 was HK\$190,547,000 as compared to HK\$177,791,000 in year 2013. The gross profit margin increased slightly from 43.5% in year 2013 to 45.1% in year 2014. The increase in gross profit margin was mainly resulted from the increased revenue generated from the segment of servicing of motor vehicles and sale of auto parts, which are both high profit-yielding.

Financial resources and liquidity

As at 31 December 2014, shareholders' fund of the Group amounted to HK\$492,590,000 (2013: HK\$448,553,000). Current assets amounted to HK\$610,694,000 (2013: HK\$545,210,000). Of which HK\$55,207,000 (2013: HK\$64,028,000) were cash and pledged deposits. Current liabilities amounted to HK\$258,871,000 (2013: HK\$223,862,000) mainly represents trade payables, bills payables, bank loans, accruals and other payables and current account with affiliated companies. The Group had non-current liabilities amounted to approximately HK\$9,101,000 (2013: HK\$7,844,000). The net asset value per share as at 31 December 2014 was HK\$1.03 (2013: HK\$0.94).

Capital Structure of the Group

During the year ended 31 December 2014, the Group had no debt securities in issue (2013: Nil).

The Group obtained funding mainly from bank borrowing. They are mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2014, the Group has available unutilised banking facilities of approximately HK\$42,478,000 (2013: Nil).

Significant Investment or Capital Assets

As at 31 December 2014, the Group had no significant investment held (2013: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had no material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 December 2014.

For comparative purposes, on 24 October 2013, the Group acquired 100% interest in Fuzhou Euro Motors Sales & Service Co. Limited (“Fuzhou Euro”), a company whose principal activity is sales of high-end motor vehicles, from an independent third party at a cash consideration of RMB12,900,000. The Group, on 28 October 2013, disposed of a 49% equity interest in Fuzhou Euro to another independent third party for cash proceeds of approximately RMB24,500,000, 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 announcements dated 28 October 2013 and 31 October 2013.

Employees

As at 31 December 2014, the total number of employees of the Group was approximately 426. For the year ended 31 December 2014, the staff costs including directors’ remuneration of the Group amounted to HK\$59,716,000 (2013: HK\$56,020,000), representing 14.1% of the revenue of the Group. Staff costs for the year 2014 increased by 6.6% as compared to year 2013. Appropriate staff force is maintained cautiously in accordance with the operation and activities of the Group.

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 2014, fixed deposits of approximately HK\$10,144,000 (2013: Nil) were pledged to banks to secure banking facilities of the Group while amounts of approximately of HK\$10,791,000 (2013: HK\$9,992,000) were pledged to banks to guarantee the borrowings of one of our suppliers.

As at 31 December 2013, leasehold lands and buildings of approximately HK\$4,709,000, HK\$797,000 respectively were pledged to banks to secure banking facilities with aggregate principal amounts up to approximately HK\$89,670,000 granted to Zhong Bao Group. The leasehold lands were free from any pledge as at 31 December 2014.

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 2014, the Group had a gearing ratio of 0.11 (2013: 0.03).

Foreign Exchange Exposure

During the year ended 31 December 2014, the Group had an exchange loss of approximately HK\$3,489,000 (2013: exchange gain of HK\$1,440,000), mainly resulted from the translation of accounts receivables, accounts payables and intercompany balances from Renminbi to Hong Kong dollars during the year.

Contingent Liabilities

As at 31 December 2014, the Group provided bank guarantee with aggregate principal amounts of approximately HK\$215,560,000 in respect of banking facilities to Zhong Bao Group (2013: HK\$89,670,000).

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

PROSPECT

Despite the deceleration in 2014 and the expected tougher competition in the regions we focus in coming future, we strongly believe we still have a prosperous future as a result of the continuous demand in after-sales services and support and the vast development potential of luxury and ultra-luxury automobile market in China compared to elsewhere around the world. In addition, the operation of our dealership store for premium brands of European automobiles in Fuzhou is expected to become more mature after 2014 and a wider range of luxury cars will be offered, a wider customer base can be developed.

The Group strives for growth through sustaining the development of its core operations as well as from seeking dynamic expansion through acquisitions or joint ventures with existing business partners.

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

No contract of significance (as defined in the GEM Listing Rules) to which the Company or any of its subsidiaries was a party in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 2014, the Company adopted a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives to participants in the Share Option Scheme to contribute to the Group and enabling the Company to recruit high-calibre employees and attract human resources that are valuable to the Group.

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

ADVANCES TO ENTITIES

As defined in GEM 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 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 2014, the Company’s total assets were approximately HK\$760,562,000.

	(Audited) As at 31 December 2014 HK\$’000	Assets Ratio (%)	(Audited) As at 31 December 2013 HK\$’000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao Group*	<u>215,560</u>	<u>28.3%</u>	<u>89,670</u>	15.1%

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

	(Audited) As at 31 December 2014 HK\$’000	Assets Ratio (%)	(Unaudited) As at 30 September 2014 HK\$’000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao Group*	<u>215,560</u>	<u>28.3%</u>	<u>229,700</u>	N/A

* “Zhong Bao Group” means Xiamen Zhong Bao Automobiles Co., Ltd and certain of its subsidiaries and related companies; such amounts include the principal amount of the facilities granted by the banks to the Zhong Bao Group only.

The above said guarantees were provided to banks in respect of banking facilities granted to Zhong Bao Group.

On 22 December 2014, Xiamen BMW Automobiles Service Co. Ltd (“Xiamen BMW”), a member of the Group, entered into a guarantee agreement (“Guarantee Agreement”) whereby Xiamen BMW will during the period from 1 January 2015 to 31 December 2015 guarantee Xiamen Zhong Bao’s banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB190 million (“Facilities Guarantees”). At the Company extraordinary general meeting (‘EGM’) held on 13 January 2015, the Company obtained the Shareholders’ approval on the Facilities Guarantees and the entering into of the Guarantee Agreement.

As disclosed in the circular of the Company dated 24 December 2014 (the “Circular”) and the announcement of the Company dated 23 January 2015, the aggregate amount of guarantees provided by Xiamen BMW to Xiamen Zhong Bao is approximately RMB 189.65 million (equivalent to approximately HK\$239.34 million), which is based on the maximum principal amount of RMB 170 million in aggregate under the facilities granted by three banks in the PRC to Xiamen Zhong Bao and the estimated maximum amount of interest and fees under the Facilities Guarantees in the aggregate amount of RMB 19.65 million.

Pursuant to the Guarantee Agreement, Xiamen BMW entered into a new facilities guarantee agreement following the EGM on 22 January 2015 whereby Xiamen BMW agree to provide a facility guarantee in favour of Bank of China Xiamen Branch, which includes the principal of RMB 70 million, interest and fees of the borrowings of Xiamen Zhong Bao under the facility framework agreement between Xiamen Zhong Bao and Bank of China Xiamen Branch.

Further details of the Guarantee Agreement and the Facilities Guarantees thereunder have been set out in the announcements of the Company dated 26 November, 22 December 2014 and 23 January 2015 and the Circular respectively.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 2014, 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 2014. 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.

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.

In regard to the amendments to the Code promulgated by the Stock Exchange since year 2012, 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 reports, 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.

During the year 2014, the Audit Committee held five meetings. The attendance record of each member of the Committee is set out as below:

Non-Executive Directors	Attendance
Lee Kwok Yung (<i>Chairman</i>)	5/5
Yin Bin	3/5
Song Qi Hong	5/5
Wong Jacob	3/5

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 2014. The audited financial results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee.

SCOPE OF WORK OF EXTERNAL AUDITOR

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2014. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2014.

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, 23 March 2015

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